



Canada Revenue Agency: Free Your \$2,000/Month CERB, CRB From CRA's Claws

Description

Have you been collecting the \$2,000/month Canada Emergency Response Benefit (CERB) and Canada Recovery Benefit (CRB) this year? Do you depend on these cash benefits for your daily expenses? Pay attention. The Canada Revenue Agency (CRA) can claw them back next year. There are no free lunches, at least not as high as \$2,000/month. You will have to pay income tax on these benefits in April 2021. But there is a way you can free the benefit payment from the CRA's tax claws.

Free your \$2,000/month CERB from CRA's claw

The CRA gave every eligible Canadian \$2,000/month in CERB payment for seven months from March 15 to September 26. If you were eligible throughout the benefit period, you got \$14,000 CERB. This amount will add up to your 2020 taxable income and foot a federal and provincial tax. If you are an Ontario resident, you will have to pay \$2,807 on the CERB payments (\$2,100 in federal tax+\$707 in provincial tax).

You can save \$2,528 in your CERB taxes by claiming the basic personal amount (BPA) tax credit. For the 2020 tax year, the CRA will allow you to deduct \$1,984 in federal tax and Ontario province \$544.5 in provincial tax. After these deductions, you will pay \$278.5 income tax on the CERB payment.

Free your \$2,000/month CRB from CRA's claw

The CERB helped more than four million Canadians return to work. But there were still many Canadians who were jobless. Hence, the CRA replaced CERB with the \$2,000/month CRB. But with CRB, it is deducting a 10% withholding tax and giving the benefit every two weeks for 26 weeks. If you are collecting all CRB payments, you can collect up to \$5,400 in 2020.

This CRB amount will also add to your taxable income. Taking the above example of an Ontario resident, CRB will foot you a tax bill of \$1,083 (\$810+ \$273). If you are above 65 years of age, you can reduce this tax as well by claiming [age amount tax credit](#). As an Ontario resident, you can reduce your federal tax by \$1,146 and provincial tax by \$261.

Make the most of your cash benefits

This is the first time the CRA is giving such generous benefits. A \$19,400 benefit payment to someone who earned just \$5,000 last year is a big bonus. Don't let this benefit go away. Above I talked about how you can free your benefits money from taxes.

Now I will tell you how you can make your benefits money pay you a passive income for a lifetime the CRA can't touch. The CRA allows every Canadian above 18 years of age to open a Tax-Free Savings Account (TFSA). For 2020, you can [contribute \\$6,000](#), and whatever investment income you earn from this money, the CRA won't touch.

The CRA paid \$500/week CERB for 28 weeks, and 450/week CRB for 12 weeks this year. So if you set aside \$100/week from these payments, you can contribute \$4,000 to your TFSA. Invest this money in a dividend aristocrat like **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). The pipeline operator is known for giving incremental dividends every year.

How does Enbridge pay a higher dividend? It builds new pipelines and collects toll money for letting utilities transmit oil and natural gas through them. Hence, it generates more cash and pays higher dividends. As long as there is a demand for oil and natural gas, the dividend will keep flowing. In the next 20 years or so, when renewable energy starts replacing oil and natural gas, Enbridge will have wind and solar farms to generate cash.

Foolish takeaway

The \$4,000 you save from the CRA cash benefits in Enbridge will give you \$300 in annual dividend income in 2021. If Enbridge increases its dividend per share at a CAGR of 8%, this annual income will more than double to \$660 by 2030. This way, you can extend your CRA benefits for a lifetime.

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