CRA: Don't Make This Mistake and Lose Your $2,000/Month CRB

Description

This year, Canada experienced the worst global health crisis in history and the resultant massive lockdowns — and a stimulus package in the wake of the pandemic. The Canada Revenue Agency (CRA) launched the $2,000/month Canada Recovery Benefit (CRB) to help Canadians return to work. The CRB is more effective than the CERB, as it fills the gaps the Canada Emergency Response Benefit (CERB) had.

This mistake could cost you $4,500 CRB

The biggest flaw with the CERB was that it didn't encourage beneficiaries to return to work. It gave out $2,000/month to those who earned less than $1,000 in the month. If you earned more, you lost your CERB for that month.

As far as the CRB, you should be actively searching for a job and not refuse any reasonable work that comes your way. If the CRA knows you refused work, you will lose 10 weeks of CRB that comes to $4,500 ($450/week after-tax). Moreover, the CRA will suspend you from applying for CRB for another 10 weeks. People can get up to $11,700 in CRB over 26 weeks.

You don't want to miss out on such a generous cash benefit. You can take up a job and still get the CRB payment, provided your average weekly income has reduced by 50% or more.

Another mistake could cost you some or all of your CRB payments

You can avoid the above CRB penalty and get up to $5,400 in benefit payments after tax this year (September 27- December 19). But beware — the CRA can claw back some or all your CRB amount when you file your 2020 tax returns in April.

If your 2020 net income is above $38,000, then the CRA will claw back 50% of every dollar in surplus income up to the CRB payments you collected in 2020. This $38,000 amount includes your CERB and other taxable CRA cash benefits you collected in 2020.

If your 2020 net income is $40,000 and you collected maximum CRB, the CRA will claw back $1,000 CRB (50% of the $2,000 surplus income). By this calculation, the CRA will claw back your entire CRB amount if your 2020 net income is $48,800 (50% of the $10,800 surplus income).

If your net income is above $38,000, don't collect your CRB for November and December this year. You can apply for these two months' CRB in January. The CRA allows you to collect retroactive CRB payments within 60 days from the date the application window opens. The application window for the first November CRB (October 25 – November 7) opened on November 9. You have until January 8 to apply for this period.

Make the most of your CRB

You will get a retroactive CRB payment of $3,600 after tax, and the CRA can't claw it back for at least 15 months. Make the most of this time frame by investing just $2,000 from your retroactive CRB payment in RioCan REIT (TSX:REI-UN) through a Tax-Free Savings Account (TFSA).

RioCan stock is currently trading at a discount of 33% as the pandemic impacted its rent collection and occupancy rate. The REIT even posted a net loss of $350.8 million in the second quarter. However, it recovered to a net profit of $117.6 million in the third quarter, although it's still lower than last year's $177.6 million.

Despite the loss and lower profits, RioCan maintained its dividend per share that increased its dividend yield to 7.97%. The stock started recovering in November, rising 19% on the vaccine euphoria. It still has the potential to grow another 50% in 15 to 18 months.

Investor takeaway

Your $2,000 investment in RioCan will earn you up to $1,150 in investment income, fetching you around $160 in annual dividends and $990 in capital appreciation. While the CRA can take away the $2,000 CRB, it can't take away $1,150 in investment income in your TFSA.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider

2. Koyfin
3. Msn
4. Newscred
5. Quote Media
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