



CRA Offers Tax-Free CERB and CRB to Seniors

Description

Turning 65 is a good thing from a benefits perspective. The Canada Revenue Agency (CRA) offers many cash and benefits and tax credits to seniors. As the pandemic confined Canadians to their homes, the CRA released many tax-free and taxable emergency cash benefits this year. It gave \$2,000/month in the taxable Canada Emergency Response Benefit (CERB) and Canada Recovery Benefit (CRB) to those who lost their income. If you are above 65 years of age, you can get CERB- and CRB-like income tax-free.

The 2020 CRA cash benefits for seniors

The COVID-19 virus was fatal to those with weak immune systems, making seniors the most vulnerable group. The CRA offered some [extra emergency benefits](#) to seniors to help them in these difficult times.

- On April 9, the CRA gave a one-time good and service tax (GST) credit of up to \$443 to taxpayers above 19 years of age.
- In addition to this, it gave seniors who were receiving the Old Age Security pension and the Guaranteed Income Supplement a one-time payment of \$500.

Both of these one-time payments are tax-free, and you can receive them even if you are working post 65. Those who worked post 65 and earned at least \$5,000 in 2019 qualified for the CERB and CRB.

For instance, John is 66 years old and is working as a consultant at a marketing firm. He collected \$943 in one-time payments, \$14,000 in CERB over seven months, and \$5,400 in CRB over three months. In total, John collected \$20,343 in CRA cash benefits, of which \$19,400 is taxable.

The tax benefits CRA gives retirees

The taxable CRA benefits foot a federal tax bill of \$2,910 (15% of \$19,400) for 2020. However, people over 65 years of age can make this amount tax-free by claiming two tax credits:

- The [Basic Personal Amount](#) (BPA) tax credit of up to \$1,984; and
- The Age amount tax credit of up to \$1,146.

How does it work?

If your 2020 net income is \$150,473 or less, the CRA allows you to deduct \$13,229 BPA from your taxable income. This reduces your federal tax bill by \$1,984. Similarly, if your 2020 net income is \$38,508 or less, the CRA allows you to deduct the \$7,637 age amount from your taxable income. This reduces your federal tax bill by \$1,146.

Every province offers similar tax credits. For instance, Ontario offers a \$261 age amount and \$544.5 personal amount tax credit. These credits will reduce your \$980 (5.05% of \$19,400) provincial tax on CRA benefits to \$174.

Create a tax-free pension with CRA benefits

You can get more than tax savings from CRA benefits. Many Canadians got their first CERB in April. At that time, they invested the \$2,000 benefit amount in tech stocks through Tax-Free Savings Account (TFSA). Their money more than tripled during the pandemic rally (April-September). If you missed this rally, the market is giving you another chance.

The COVID-19 vaccine news has brought the world to the post-pandemic economy. In this economy, dividend stocks that managed to remain profitable will rally. The vaccine has already started showing its effect, and good dividend stocks have started recovering. Invest \$2,000 from your CRA benefits in **SmartCentres REIT** ([TSX:SRU.UN](#)).

SmartCentres stock dipped 33% in the March sell-off as the pandemic-induced lockdown temporarily closed non-essential retail stores. SmartCentres managed to withstand the crisis because of its large exposure to essential retail. It reported a net loss in the second quarter but maintained its dividend rate.

Things started to stabilize in the third quarter, as retail stores reopened. SmartCentres stock has surged 15% since vaccine euphoria began on November 9. The stock has room to grow another 28%, and its dividend yield is still above 7%.

How much tax-free pension can you get?

A \$2,000 investment in SmartCentres will earn you an annual pension of \$152 for a lifetime. Moreover, the stock will convert your \$2,000 to \$2,550 in a year or two. The CRA can't touch your \$700 investment income.

CATEGORY

1. Coronavirus

2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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1. Business Insider
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