



Be Prepared! The CRA Is Coming to Claw Back the \$2,000/Month Stimulus Benefit

Description

Last year, the Justin Trudeau government launched the biggest stimulus package (over \$100 billion) since World War Two. One portion of the package was the \$2,000/month cash benefit for individuals who lost their job, fell sick, or was caring for a sick family member because of the pandemic. If you have been living off the benefits since March 15, 2020, you received up to \$19,400 in stimulus money last year. It's time for the Canada Revenue Agency (CRA) to claw this money back.

The CRA stimulus package for individuals

The CRA gave \$2,000/month in the Canada Emergency Response Benefit (CERB) between March 15 and September 26, 2020, to those who lost their jobs. Every individual got up to \$14,000 in CERB payments. There were many administrative issues as the CRA gave the emergency benefit in haste and even those who didn't qualify got the money. If you wrongly received the CERB, the CRA asked people to repay the benefits voluntarily.

Now the problem is, many Canadian don't know whether they qualified or not for the CERB. The CRA can take away your CERB if you quit your job voluntarily or earned more than \$1,000 during the benefit period.

As the after-effect of the pandemic persisted, the government replaced the CERB with the \$2,000/month CRB. But this time, the benefit was [more organized](#). The CRA also deducted a 10% tax at the source. So you got up to \$5,400 in CRB till December 31, 2020. The CRA also introduced \$500/week in sickness and caregiving benefits.

But there were many cracks in the new recovery benefits as well. Some people fell through them and didn't get the benefit, and some who qualified got the benefit.

The CRA is now correcting things and will claw back the wrongly given benefits when you file your 2020 income tax returns in April.

How the CRA cash benefits will impact your 2020 tax bill

The CRA will send you [a T4A slip](#) with the information of your CRA cash benefits by March 10, 2021, to support your tax filing. Now when you calculate your 2020 taxable income, you will add the \$19,400 in CRA cash benefits. Moreover, if your taxable income after excluding the CRB amount crosses \$37,000, the CRA will claw back your CRB amount at the rate of 50% of the surplus income.

For instance, Justin's taxable income was \$40,000 before adding the CRB. He also collected \$5,400 in the CRB, bringing his total taxable income to \$45,400. The CRA will claw back \$1,500 in CRB. It's unclear whether the CRA will reduce his taxable income by the \$1,500 clawback to \$43,900 or he will have to pay tax on \$45,400. The two treatments of the CRB can bring a \$300 difference in your federal tax bill.

A better cash benefit than the CERB and the CRB

While the CRA cash benefits came as a breather during the pandemic, the taxes and the clawback will take away the relief. But the pandemic did teach one thing. The crisis comes unannounced, and it is always better to have a personal emergency benefit. At least that won't stress you about a clawback. And create your benefits pool through your Tax-Free Savings Account (TFSA) to remove the tax burden as well.

When creating a benefits pool, ensure your pool amount is equivalent to at least six months of your salary. Also, invest in resilient stocks as you don't want to lose your emergency money during an emergency. The traits of a resilient stock are:

- It should be an essential good or service that people/businesses will consume no matter their situation.
- It should have a well diversified customer base and a product portfolio that ensures cash flow stability. Weak demand in one sector will be offset by strong demand in another.

Descartes Systems ([TSX:DSG](#))([NASDAQ:DSGX](#)) meets both criteria. It provides logistics and supply chain management solutions to a wide range of industries. Its stock rose during the United States-China trade war and during the pandemic because the supply chain became more complex during these crises. Last year, weak demand in airlines and industrial sectors was more than offset by strong demand in e-commerce.

Descartes stock is currently down 6% from its pandemic high, but it has the potential to grow by the double digits in 2021 as the economy recovers.

CATEGORY

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TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
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