



CRA Cash Benefit: Big Changes Coming to the \$2,000/Month Recovery Benefits

Description

The Canada Revenue Agency (CRA) launched the Canada Recovery Benefit (CRB) to provide financial assistance to Canadians whose income was impacted by the pandemic. Under the CRB, eligible Canadians receive \$2,000/month in cash benefits. The CRA deducts 10% in withholding tax and credits \$1,800. It adds this amount to their taxable income. This benefit is in place till September 25. An individual can apply for the CRB for a maximum of 26 weeks and get up to \$13,000 before tax.

Despite the taxes, more than 1.7 million Canadians availed the CRB as of [February 14](#). However, people relying on the CRA benefits will run out of their original CRB by March 27 (the end of the 26th week from September 27, 2020).

The CRA makes changes to the recovery benefits

In the light of the second wave of the pandemic, the government realized that some sectors still need support and therefore increased the CRB maximum limit. If you look at airlines, oil, hospitality, and tourism sectors, thousands of people lost their jobs or took a pay cut and can't find work that matches their skill set. Recently, **Air Canada** and **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) has made job cuts.

As the economic recovery is tepid, the government is being flexible with its benefits. It has made the following changes to the recovery benefits:

- Extended the maximum duration of the CRB and the Canada Recovery Caregiving Benefit (CRCB) by 12 weeks to 38 weeks.
- Extended the maximum duration of the Canada Recovery Sickness Benefit (CRSB) from two weeks to four weeks.
- It has also increased the maximum duration of Employment Insurance (EI) regular benefits from 45 weeks to 50 weeks.

You can avail of the above temporary COVID-19 benefits between September 27, 2020, and September 25, 2021. In the first three benefits, you get \$500/week before tax. In EI, you get a minimum of \$500 and a maximum of \$595 per week, depending on your income and the tenure of work.

The CRA can also claw back the recovery benefits

The CRA can [claw back](#) the CRB and CRCB if you got the benefit even when you were not eligible. In the case of the CRB, the CRA will claw back some or the entire benefit amount if your annual income, excluding the CRB, exceeds \$38,000. In the case of the CRCB, the CRA will claw back the entire benefit amount if two members of the same household received it for the same period.

The CRA will add these clawback amounts to the balance due in your taxable income. Moreover, it will add the amount of the benefits to your taxable income. If you started collecting your CRB this year and maxed it, your 2021 taxable income will increase by \$17,100.

A benefit better than the CRB

The CRA was quick to avert a major financial crisis with a generous stimulus package, But don't rely on these benefits as they are not free money. You will repay it through taxes and clawbacks. The Tax-Free Savings Account (TFSA) encourages you to save.

You can withdraw whatever amount you want and whenever you want without worrying about the tax bill. It also gives you the flexibility of planning where to invest your money; stocks, bonds, or ETFs.

For 2021, you can invest up to \$6,000 in TFSA. This contribution will be taxed but nothing beyond this. The CRA won't even look at the \$54,000 investment income you earned. To grow your money tenfold, you need to invest in contrarian stocks with future upside.

BCE enjoys market share in telecom and mass media. It increased its net earnings by 28.9% in 2020, even when its operating revenue declined by 2.8%. The company also increased its annual dividend by 5.1%.

BCE is not a growth stock and won't give you significant returns other than dividends in the short term. But it *is* poised for the 5G wave. It will spend a large sum building the 5G infrastructure. The company will benefit from a significant boost in the number of endpoints and their data usage. This growth might probably reflect in its stock price in the coming years.

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