CRA Warning: You Must Pay Taxes on the $2,000 CERB You Got in 2020!

Description

The 2021 tax season in Canada officially begun on Monday, February 22, 2021. Taxpayers who have the completed paperwork can file their tax returns for the 2020 taxes electronically. However, rushing to file may not be a smart move, given that this year's preparation is quite extraordinary.

Taxpayers would need to have all tax slips before starting the process and not forget to include the pandemic benefits as taxable income. If you received $2,000-per-week Canada Emergency Recovery Benefit (CERB) from the Canada Revenue Agency (CRA) or Service Canada, you must pay taxes on them.

Taxable pandemic benefits

All CERB payments, including the Canada Emergency Student Benefit (CESB), in 2020 were in gross amounts, and therefore, there were no withholding taxes. The three recovery benefits that came after had a different scheme such that there was a 10% tax deduction in every payout.

The CRA reminds taxpayers that the emergency or recovery COVID-19 benefits and Employment Insurance (EI) benefits are taxable income. Since there's no extension announcement yet, Canadians should complete and submit their tax returns no later than April 30, 2021 — the filing deadline for most individual taxpayers.

Self-employed individuals and their cohabiting spouse or common-law partners have until June 15, 2021, to turn in their tax returns. However, on April 30, 2021, the tax-payment deadline applies to all taxpayers, whether employed or self-employed. The CRA will charge a 1% penalty for each month of delay.

Increase in tax liability

While the CERB and other recovery benefits such as the Canada Recovery Benefit (CRB) are income support for displaced Canadian workers, they are taxable. Your tax liability will increase when you add them as income. You can see the amounts from your T4 slips. The CRA calculates the final tax bill based on your overall taxable income and applicable tax rate. If you need all of the tax forms, including the T4 slips, you can access them at CRA My Account.

Financial cushion in the pandemic

The COVID-19 health emergency and anticipated long-drawn recession prompted many Canadians to create passive income for an extra financial cushion. Those with free cash went into dividend investing. Among the top choices is **NorthWest Healthcare Properties** (TSX:NWH.UN).

This year, the $2.19 billion real estate investment trust (REIT) is still top on the list of income investors, including Tax-Free Savings Account (TFSA) users. Besides the relatively low price ($12.51 per share), NorthWest Healthcare pays an ultra-high 6.09% dividend. If your available TFSA contribution room is $25,000, the $1,522.50 dividend is tax-free.

NorthWest Healthcare enjoyed a 98.3% rent-collection rate and high occupancy rate in Q4 2020. It was no surprise, because the REIT's real estate portfolio consists of hospitals, medical office buildings, and clinics. Unlike retail and some commercial landlords, NorthWest didn't experience unstable cash flows.

Would-be investors can expect uninterrupted income streams in the years ahead. The partnerships of this REIT with leading healthcare operators in seven countries are for the long haul.

Gather your tax slips

Because of the pandemic benefits in 2020, most Canadians will receive various kinds of tax slips from the CRA (T4A) or Service Canada (T4E). Make sure to have them all before completing your tax return.

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TICKERS GLOBAL

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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