



## 2020 Tax Season: Stop the CRA From Taking Back Your CRB in 3 Easy Steps

### Description

The 2020 tax season is here. Are you worried the Canada Revenue Agency (CRA) will take away your Canada Recovery Benefit (CRB)? Here I will explain the instances under which the CRA can claw back the COVID-19 benefit and how you can avoid any potential clawback.

### The basics

The CRA is giving the CRB to help Canadians who lost their job or got a pay cut because of the pandemic. The possible pandemic-related reasons could be:

- You lost your job for no fault of your own as your employer made job cuts because the business was down.
- A registered medical officer certified that you are at high risk if you are infected by a coronavirus. Hence, you were forced to leave the job.

If the above or any other pandemic-related reasons reduced your average weekly income by 50% or cost you your job, you can get the CRB. There are other [eligibility criteria](#) like you must be actively searching for a job, you are not eligible for Employment Insurance, you earned at least \$5,000 in 2019 or 2020. The CRA added new eligibility criteria in January. Under this, it will exclude you from the CRB if you are in the 14-day quarantine because you traveled abroad.

If you meet the above qualifications, the CRA will give you \$450/week in CRB after deducting a 10% withholding tax. But the CRA can take away the benefit partially or completely when you file your income tax returns.

### Can the CRA take away the \$2,000 CRB?

Now I'll discuss the CRB repayment cases you might see in the 2020 tax filing in April. In 2020, you could receive a maximum CRB of \$5,400 in 12 weeks from September 27, 2020, to January 2, 2021. There are three ways the CRA can take away this amount.

## Step 1

If your 2020 annual income excluding the CRB, but including all other taxable CRA benefits, is above \$38,000, the CRA will take away the benefit. For every \$1 of surplus income, the CRA will claw back \$0.5 of your CRB. You can reduce your net income before the CRB by claiming some expenses like home office expenses or childcare expenses.

## Step 2

The CRA can also claw back a portion of your CRB in the form of taxes. But you can make your CRB tax-free by claiming a basic personal amount (BPA) deduction. For 2020, the CRA won't charge a 15% federal tax on the first \$13,229 of your net income. Every province has its own BPA amount.

## Step 3

If the CRA finds out that you are refusing reasonable job offers, it will penalize you. It will lock your CRB application window for the next 10 weeks. It will also reduce your eligibility period by 10 weeks to 28 weeks, which means \$4,500 wiped out from the maximum CRB of \$19,000.

In this case, it is unclear if the CRA can claw back the CRB after you received it. You will get the details of the same on your T4A [slip](#) the CRA has sent.

## Prepare for 2021 tax season now

If you are claiming the CRB in 2021, it is better you start preparing for the 2021 tax season now because the \$19,000 benefit will bring a significant tax bill. Even if you invest \$100 of the CRB in **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), it will pay you a 7.47% dividend yield. Many oil industry experts and even Warren Buffett believe that oil demand will return to the pre-pandemic level. That means Enbridge stock will also return to the pre-pandemic level of \$55, representing a 23% upside.

If you invest \$100/week in Enbridge, a 38-week CRB will accumulate \$3,800. But if you put this entire amount now in your Tax-Free Savings Account (TFSA), you will earn \$254 in annual dividend and \$875 in capital appreciation. This is also an effective way to stop the CRA from taking away your CRB.

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