



T4 Slip: 3 Ways CRA's COVID-19 Benefits Can Impact Your Finances

Description

The Canada Revenue Agency (CRA) gave some generous cash benefits last year to help Canadians fight the pandemic. There was a benefit for everyone from students, to working professionals, to old age. Among the many benefits, the most popular ones were the Canada Recovery Benefit (CRB) and the Canada Emergency Response Benefit (CERB). Both the benefits give \$2,000/ month to all eligible Canadians.

The CERB lasted for 28 weeks, and the CRB is available for a maximum of 38 weeks. With the CERB and CRB combined, Canadians can get the CRA COVID-19 benefits for 16.5 months, which comes to \$33,000 in total. Now that's the longest unemployment benefit to date. These benefits will impact your income, your taxes, and your investments, and all this will reflect in your T4 slip.

Impact of the CRA benefits on taxable income

The CRA gave benefits for sickness, caregiving, and unemployment. All the benefits paid \$500/week, and the recovery benefits even deducted a 10% withholding tax. You can avail only one benefit in one week. There are no overlaps of these benefits, and if there are any, the CRA is clawing it back. If you have been relying on these benefits since March 15, you can get a maximum of \$19,400. These benefits will add to your 2020 taxable income.

If you have repaid any of these benefits before December 31, 2020, the CRA will deduct that amount from your 2020 taxable income. But if you repaid the benefit in 2021, the CRA will adjust it in 2021 taxable income.

Impact of the CRA benefits on 2020 tax bill

The CRA cash benefits increased average household disposable income by 10.8% in the [second quarter](#). As many people's overall income increased, they might face a higher tax bill. Apart from the normal income tax, the CRA will also include the CERB and CRB repayments in your 2020 income tax bill.

So if your 2020 taxable income before adding the CRB is \$38,000, the CRA will claw back \$0.5 on every \$1 of surplus income. If you have maxed out on the CRB and your total taxable income is \$48,800, you will foot a CRB repayment bill of \$5,400 over and above the income tax bill.

Impact of the CRA benefits on investments

The generous CRA cash benefits encouraged many Canadians to invest some of the cash in the stock market. The huge cash inflow sparked the stock market recovery. Some billionaires have warned of a [market bubble](#) when the stimulus package ends. But until then, those who invested in stocks like **Shopify** and **Lightspeed POS** have doubled and tripled their money.

This investment income is also taxable unless invested through the Tax-Free Savings Account (TFSA).

Strengthen your finances with TFSA investing

The COVID-19 crisis has reiterated the need for savings. This time there were government benefits, but they came at a cost. Trillions of dollars in the stimulus package will reflect in the tax system in the long term. After all, it is the taxpayers' money that the government is distributing.

You can set aside a portion of these cash benefits, maybe \$100/week, and invest them in recovery stocks. In the fourth quarter, Warren Buffett invested in communications and oil stocks, hinting that he sees recovery in these areas.

Following Buffett's footsteps, you can invest in **BCE** ([TSX:BCE](#))([NYSE:BCE](#)), Canada's largest telecom operator. Any shift in the telecom sector, positive or negative, will significantly impact BCE. At present, the communications sector is at the cusp of the 5G revolutions that will increase internet penetration not only area-wise but also device-wise.

The 5G will connect your car, drones, robots, traffic lights, security cameras, and many more devices to the internet. A greater device reach will bring in more cash flow from one area. Hence, telecom companies are spending billions of dollars on 5G infrastructure. BCE has set aside \$1 billion to expand its network and 5G footprint.

Beneficiary takeaway

BCE stock will pay you dividends regularly and even increase it annually as and when the cash flow grows with the 5G rollout. It has a dividend yield of 6.15%. Even a \$1,000 investment can earn you \$810 in accumulated dividend income in 10 years.

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