



## CRA Parenting Tips: Big Changes Coming to Childcare Benefits in 2021

### Description

Becoming a parent is a whole new chapter of your life. Planning a baby is not just an emotional decision but also a financial decision. A baby needs constant care and attention. The Canada Revenue Agency (CRA) has some cash benefits and tax deductions for parents.

### The CRA's childcare benefits for parents

The CRA has divided all permanent child benefits into three segments:

- Young children below six years of age
- Older children above six but below 18 years of age
- Children with physical or mental impairments.

The CRA offers higher benefits for the first and third segments, as they need more care than the second segment. Sometimes, one parent even gives up a job to care for children. This makes it difficult for low- and middle-income earners to manage expenses.

Hence, the CRA offers some tax-free cash benefits and tax deductions to parents or custodians responsible for the child. It is better if the lower-income parent claims the child benefits.

### Canada Child Benefit

Every parent who is a Canadian or resident of Canada can get a tax-free Canada Child Benefit (CCB) every month if you file your income tax. If your 2020 average family net income (AFNI) is below \$32,028, you can get up to \$6,833 for a child under six and \$5,765 for a child between six and 17 years of age. If your child has permanent physical or mental impairments, you can get an additional amount of up to \$2,886 in Child Disability Benefit (CDB) if your AFNI is below \$68,708.

The CRA will calculate your CCB and CDB amount for the July 2021 to June 2022 period based on the income and other details you mention in your 2020 income tax returns.

For the calendar year 2021, the CRA is [giving](#) an additional CCB of up to \$300/quarter to parents of children under six. You can get up to \$1,200 in additional CCB if your AFNI is less than \$120,000. If your income is above this threshold, you can \$600 in additional CCB.

## Good and service tax refund

The CRA also offers a child component in the Good and Service Tax (GST) refund. For 2021, you can get a \$157 in GST refund for every child below 18 years of age if your AFNI is below \$38,507. If your income is above this, the benefit begins to phase out.

## Childcare-expense tax deduction

Apart from tax-free cash benefits, the CRA also offers a childcare-expense [tax deduction](#). This benefit is applicable if both parents are working, studying, or doing research, and they hire a third-party childcare service. You can deduct up to \$8,000 per child in childcare expenses for children under seven and \$5,000 for children in the seven to 16 age group.

In the light of the pandemic, third-party childcare services are not easily available. Hence, the CRA introduced a temporary Canada Recovery Caregiver Benefit (CRCB) of \$2,000/month for up to 38 weeks. You can avail of the CRCB if you earned at least \$5,000 in 2020 or 2019 and gave up your job or took a 50% pay cut to care for your child under 18 for pandemic-related reasons. Unlike other childcare benefits, the CRCB is taxable and temporary.

## Invest in your child's future

If the above benefits were not enough, the CRA also offers a tax deduction on up to \$50,000 investment contribution in the Registered Education Savings Plan (RESP). You can put some of the CRCB amounts in the RESP to avail of the tax benefit. **Magna International** ([TSX:MG](#))([NYSE:MGA](#)) is a good stock for RESP.

Magna is one of the largest auto parts suppliers and automotive contract manufacturers in the world. Europe and China aim to achieve zero carbon emissions by 2030. The United States aims to halve its carbon emissions by 2030. As countries replace combustion vehicles on the road with electric vehicles (EVs), Magna will benefit. It has partnered with several automakers and tech giants to manufacture EVs.

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