



Canada Revenue Agency: Big Changes Coming to \$2,000 COVID-19 Benefits in 2021

Description

The pandemic brought big changes in the Canada Revenue Agency (CRA) benefits. A government earns revenue through taxes and uses this revenue to give benefits to the citizens. The CRA handles everything related to the Canadian government's revenue. The COVID-19 emergency and recovery benefits programs were the biggest project the CRA has handled. It brought many changes to COVID-19 benefits, as it learned more about the citizens' financial problems.

The CRA adjusts COVID-19 benefits to the economic situation

The cost of living is pretty high in many provinces of Canada. It is difficult to make ends meet if the earning member/members of the family lose their job or get a pay cut. The pandemic-induced lockdown forced many businesses to cut jobs. Canada saw its highest unemployment rate of 13.7% in May 2020.

Hence, the CRA gave \$2,000/month in cash benefits to people whose income or the ability to earn income was affected by the pandemic. The Canada Emergency Response Benefit (CERB) helped reduce the unemployment rate to 9% in September 2020. The Canada Recovery Benefit (CRB) helped reduce the rate to 8.2% in [February](#).

The CRA designed the CRB to help Canadians return to work. In the CERB, the CRA found that people were not returning to work, as they feared losing the benefit. Hence, the CRA gave the \$2,000/month benefit, even if you were employed but got a 50% pay cut.

The CRA makes more changes to the COVID-19 benefits in 2021

In January, the CRA found that people were traveling abroad, despite restrictions. Hence, it refused to give the CRB, sickness, and caregiving benefits to those under the 14-day quarantine after

international travel.

The second wave of the pandemic slowed the recovery process. Those who have been regularly claiming the CRB and caregiving benefits would have exhausted their 26-week limit by March-end, just a month before the 2020 tax filing. This scenario called for another market correction or even a crash under extreme conditions. The CRA averted this crisis with three changes:

- It extended the above CRB and caregiving benefits by 12 weeks to 38 weeks. Now you can keep getting the CRB till June 19 if you claim it regularly. It has also increased the sickness benefit from two weeks to four weeks.
- It has provided one-year interest relief for 2020 income tax debt for those who received other COVID-19 benefits. You have to submit your return before April 30, and you can pay the tax by April 30, 2022. The CRA won't charge any interest on your 2020 tax bill.
- For 2021, it is giving an additional \$1,200 Canada Child Benefit (CCB) to parents of children under six. This is [over and above](#) the \$6,833 CCB and \$8,000 childcare expense deduction you can get for your child below six.

Depending on the developments in the pandemic, the CRA will update its COVID-19 benefits.

Prepare your finances for contingencies

The pandemic was a global level emergency. Hence, the government came up with COVID-19 benefits. But there could be contingencies specific to you. No one is immune to emergencies. It is better to be prepared with your finances as that will be one less thing to worry about. I suggest you create your contingency fund in the Tax-Free Savings Account (TFSA), where the withdrawals are tax-free. Unlike the COVID-19 benefits that added to your tax burden, the TFSA benefit means two fewer things to worry about.

The main feature of a contingency fund is low risk and high liquidity. You don't want to see your savings go down right when you need them the most. **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) is a good stock for your contingency fund. The stock has been giving regular dividends since 1983 and has been increasing its dividend at a compounded annual growth rate of 6.4% in the last 10 years.

BCE stock has low volatility; even in a crisis as big as the pandemic, the stock fell 20%, while the entire stock market fell more than 30%. Moreover, BCE increased its 2021 dividend per share by 5.1%. Its pandemic performance makes it a good suitor that can cover your back during emergencies.

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