Canada Revenue Agency: Can You Get Both CEWS and the CRB?

Description

The world witnessed its biggest crisis in 2020. A small virus made millions of people jobless and locked down the mightiest of the economies. The Canadian government introduced its largest stimulus package since World War II. Its COVID-19 Economic Response Plan has benefits and financial support for individuals, businesses, and sectors. There is confusion around whether you can claim both the individual benefit Canada Recovery Benefit (CRB) and the business benefit Canada Emergency Wage Subsidy (CEWS).

Can you claim the CEWS and the CRB?

The Canada Revenue Agency (CRA) website stated that an individual who lost their job or took a 50% pay cut can claim the $2,000/month CRB. On the eligibility page of the CRB, it says you can apply under these circumstances:

“You did not apply for or receive any of the following:

- Canada Recovery Sickness Benefit (CRSB)
- Canada Recovery Caregiving Benefit (CRCB)
- Short-term disability benefits
- Employment Insurance (EI) benefits
- Québec Parental Insurance Plan (QPIP) benefits.”

Nowhere does it mention the CEWS. Moreover, the CRA includes the CEWS payment in the employment income segment of the T4 slip. This is where the confusion has arisen.

What you should also see is the employee eligibility criteria for the CEWS. Your employer may get the subsidy. But it can only pay the wage to employees who did not receive the Canada Emergency Response Benefit (CERB).

The CEWS page states that an employer can give CEWS to an employee they fired and then rehired. For instance, Jack’s company fired him in January, and he got the CRB in February. Then his company rehired him in March and is paying him through the CEWS. His current income is less than 50% of his average pay. He meets all the criteria for the CRB in March. But if Jack claims the CRB in March, he will no longer qualify for the CEWS.

Which is a better benefit: CEWS or CRB?

The CEWS calculation is complex. You can get a maximum of $847/week or 75% of your weekly salary, whichever is lower, in the January to June 2021 period. Whereas with the CRB, you can get a maximum of $450/week after tax, irrespective of your income. Both the benefits (CRB and CEWS) will increase your taxable income. The CRA will also claw back the CRB if your non-CRB annual income exceeds $38,000.

The CRB is a better alternative for low-pay employees. The CEWS is a better alternative for a mid- to high-income earner with an annual income way above $38,000.

Even if the CRA approved both the CRB and the CEWS accidentally, the CRA could ask you to repay the CRB during the tax filing for that period.

Make your CRA benefits last longer

The CRB and the CEWS is the most generous cash benefit the CRA gave. This stimulus could have repercussions in the future. You can make these benefits last longer by storing some of them in the Tax-Free Savings Account (TFSA). The CRA allows you to store $6,000 in the TFSA, and the income you earn through investment is exempt from taxes.

The TFSA is the best way to invest in high-growth and high-dividend stocks. Even if you save $2,000 from your maximum CRB and invest in **TC Energy** (TSX:TRP)(NYSE:TRP), you can lock in a 5.85% dividend yield for a lifetime. TC Energy is a pipeline operator, and it largely deals with natural gas transmission and storage. This segment is something even Warren Buffett is bullish on as he invested US$8 billion to acquire **Dominion Energy's** natural gas transmission business.

The energy market is transitioning from coal-fired power generation to renewable energy like wind and solar. Natural gas will be the bridge as it is less polluting than coal but more polluting than renewable. This transition will take 10-20 years, during which natural gas usage will increase.

TC Energy has been increasing its dividends at an average annual rate of 7% in the past 21 years. The management expects to grow its dividends by 5-7% in the mid-term. With a 5.85% yield and a 6% growth rate, a $2,000 investment will convert to a $117 annual dividend in 2020 and $198 by 2030.

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