



Attention: The CRA Will Cut Your CRB to \$300/Week in July

Description

It's time to return to work, and Justin Trudeau's government made that clear in the [budget for 2021](#). After giving generous COVID-19 benefits of \$500/week for over a year, the Canada Revenue Agency (CRA) is cutting the benefit to \$300/week. You don't need to panic, as this \$300/week Canada Recovery Benefit (CRB) comes with another 12-week extension to 50 weeks. Here's everything you need to know about the CRB extension and cut.

The budget 2021 CRB announcement

There is no denying that Canada gave generous COVID-19 benefits last year and prevented a market collapse. In October 2020, the government replaced the \$500/week Canada Emergency Response Benefit (CERB) with the \$500/week CRB.

The CRA deducts a 10% tax at source on the CRB, which means you'd get \$450/week. Originally the CRB's maximum limit was 26 weeks, but the CRA extended it to 38 weeks in the light of the second wave. As the situation is taking a little longer to stabilize, the government has extended the benefit's maximum limit once again to 50 weeks. The CRB is expected to end on September 25. But the government has given the CRA flexibility to extend the benefit to November 20 if required.

The second extension is where the government has decided to reduce the benefit amount to \$300. So, how will this cut impact your benefits payment?

Impact of the CRB cut

If you have been receiving the CRB regularly since it started, you would have exhausted your 38-week limit on June 19. By then, you would have collected \$17,100 after-tax in the CRB. But the second extension will allow you to get continuous CRB till September 11. But there is a twist.

As per the budget, the CRA will cut the CRB amount to \$300 after July 17, 2021. The CRA will withhold 20% tax on this amount too, which means \$270 after-tax CRB. An eligible Canadian can get a maximum CRB of \$21,060.

The \$300 CRB will apply to new claims made after July 17 and those who have collected the benefit for 42 straight weeks. The budget did not clarify if someone who has not exhausted the 42-week threshold can continue getting \$500/week in benefits payment.

If Emma started collecting the CRB in January, she would have only claimed 28 weeks of the benefit by July 17. Can Emma continue getting \$500/week or will she also get \$300? As per my understanding, she can collect \$500/week for 42 weeks or till the CRB is active. I will wait for the CRA to update the CRB page to find out.

This cut is the government's way of phasing out the COVID-19 stimulus package and helping the economy stand on its own. The government can't give these benefits for a lifetime, as that will expand its fiscal deficit. A higher fiscal deficit could increase your future tax rates and reduce other CRA benefits.

It's time to move on with a personal emergency pool

As the government begins phasing out the COVID-19 benefits, it's time to move on and reduce your dependence on it. This is a good time to start creating your emergency pool in the Tax-Free Savings Account (TFSA) while you still have 20 more weeks of CRB payments left.

If you can shell out \$50 from your CRB and invests in **BCE** ([TSX:BCE](#))([NYSE:BCE](#)), you will have \$1,000 invested by September. The telecommunication giant gives a 6% dividend yield, which is better than the near-zero interest rates of the banks. With the 5G revolution at its cusp, BCE has accelerated its investment in expanding the 5G footprint.

Once the cash from 5G subscriptions starts flowing in, BCE might accelerate its [dividend-growth rate](#) from the current rate of 5%. A \$1,000 investment will give you \$60 in annual dividend. Moreover, you will also benefit from capital appreciation if the stock price surges.

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