CRA Pro Tips: 2 Crafty Ways to Pay ZERO Taxes on Your Assets

Description

In Canada, we pay high taxes. Although we get a lot of social benefits, like free health care, it comes at a high price.

People hate paying taxes. There are entire accounting and law professions devoted to eliminating or reducing taxes.

Luckily, you don't need to hire a high-paid accountant or lawyer to find easy ways to save on taxes. Here are two ways you can pay nothing in taxes on some of your assets.

Principal residence exemption

Many Canadians largest asset is their house, especially if they live in Toronto or Vancouver. If you live in your principal residence and decide to sell it one day, you won't have to pay any taxes on it at the time of sale.

Be careful about trying to take advantage of this exemption. The CRA is cracking down on homeowners who aren't really living in residences and just trying to flip a house for a tax-free profit.

TFSA your way to zero taxes

The Tax-Free Savings Account (TFSA) is a fantastic investment tool for Canadians and one of the few truly tax-free forms of income you can earn. Anything that is invested inside your TFSA, whether it is capital gains, interest income, or dividend income, will grow tax-free.

Consider investing in a company such as **Telus** (TSX:T)(NYSE:TU) in your TFSA. As one of the largest telecom companies in Canada, Telus has a massive $23 billion market cap. Cell phones have become necessary in today's society, and Telus is at the forefront of filling the need of this constant demand. It's hard to see a day when Canadians will stop using cell phones, even if there is a recession.

Telus also provides managed information technology, business security solutions, and healthcare solutions. Over the next five years, Telus will invest $16 billion in Alberta and create 20,000 jobs. If you're looking to invest for the long term and earn income, it's hard to go wrong with Telus. With a healthy 4.67% dividend yield, the company boasts a dividend-growth streak of 15 years.

In the latest report of 2019 Q3, the company reported net income of US$1,309 billion, which is a nice 12% increase from 2018 Q3 net income of US $1,235 billion.

How much more you can earn in your TFSA

If you invest $10,000 in your TFSA and you have an annual rate of return 7%, after 20 years your investment will be worth $38,697.

For $10,000 invested in a taxable account, assuming a tax rate of 30% and with the same 7% annual return, after 20 years your investment will only be worth $26,032.

The difference is almost $13,000 after 20 years, which is a significant amount.

Conclusion

You now know two simple strategies to pay zero in taxes on your assets. If you're going to sell property, try to make sure it will be your principal residence. Invest in your TFSA instead of a taxable account, and your money could be worth significantly more by the time you retire

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