Canada Revenue Agency: Save Bundles of Cash in Taxes With 1 Simple Move

Description

As a law-abiding Canadian citizen, I think it would be right to assume that you have no issues with paying taxes. After all, it's only fair that you make the contribution you are supposed to according to the law, right?

At the same time, you might have had the feeling that taxes can become slight obstacles when it comes to building wealth. There are even cases in which taxes can ruin an individual's retirement income.

What if there was a way you could reduce the taxes you owe?

I realize that death and taxes are a certainty. You can't altogether avoid paying taxes to the Canada Revenue Agency (CRA), but there is a possibility of paying less tax. It's all a matter of being smart with your finances.

One simple move you can make to save thousands on taxes potentially is to open a Tax-Free Savings Account (TFSA).

Tax-sheltered account

The TFSA is a unique account type that allows you to offset the taxes you would otherwise pay the CRA completely. It's not as though you are not paying your taxes when you hold assets in your TFSA; the money in your TFSA has already been taxed. Beyond that, any assets held in your account can grow tax free.

The more you optimize how you use the contribution room in your TFSA, the more tax savings you can enjoy.

The TFSA is becoming increasingly popular recently. Canadians are using it as a vital part of their tax planning strategies. The TFSA does not allow you to hold only cash in the account. You can shelter different types of assets that would otherwise be taxed heavily by the CRA as well.

The tax-sheltered holding status is one of the winning qualities of the TFSA. There is another crucial element that makes this account type such a fantastic savings tool: the ability to withdraw from the account, tax-free. It means you can save a significant amount every year, and use your TFSA to store income-producing assets.

An excellent income-producing asset

You pay a significant amount in income tax for your earnings throughout the year. If you want to offset the taxes you are liable to pay to the CRA, you should consider investing in a dividend-paying stock like **BTB REIT** (TSX:BTB.UN).

The maximum contribution limit in TFSA is $69,500 as of 2020. At the time of this writing, the BTB stock trades for $5.46 per share at writing. It has a substantial dividend yield of 7.69%. If you allocate $20,000 of the contribution room to invest in the BTB stock, you can earn $1,538 through dividend payouts.

BTB is a diversified real estate investment with a $339.89 million market capitalization. While BTB might not be the biggest REIT in the Canadian real estate sector, it’s undoubtedly one of the most attractive ones right now.

It owns more than 60 properties in its portfolio, with more than half of them in Montreal. It has a strong tenant base that offers the REIT reliable income.

Foolish takeaway

I think investing in a stock like BTB can enable you to earn a significant income through its dividends alone. Additionally, any capital gains from the stock will grow your overall wealth without affecting the contribution room in your TFSA.

While owning the stock of BTB might not just let you get a tax shelter, it has the ability to offset your taxes to the CRA completely.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BTB.UN (BTB Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/21
Date Created
2020/02/17
Author
adamothman