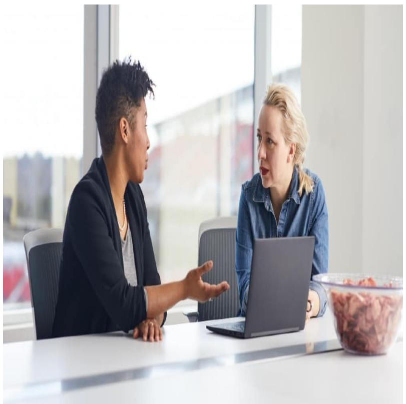

Tax Deadline 2020: 3 Ways to Owe Less Money to the CRA When You File in April!

Description

For most Canadians, April 30th is the final date to file taxes without a penalty from the Canada Revenue Agency. Although the date is later for the self employed — June 15th — the tax deadline for the average Canadian is fast approaching.

If you're preparing to file your taxes, you most likely have a number of concerns on your mind: forms, receipts, tax credits, etc. These are all important things. However, they're not the only things you'll need to keep on top of come tax time. As you're about to see, there are a number of ways you can actually *reduce* the amount of money you owe come tax day — if you keep on top of things. While these strategies are easy to implement, they do require that you do your paperwork and meet certain deadlines. If you use all of them, you could save thousands of dollars in taxes and get a massive refund from the CRA. So, without further ado, let's get into tax reduction strategy #1.

Claim deductions

By far the best way to save on taxes is to claim tax deductions. Deductions lower your taxable income so that you pay less to the CRA. If you're self employed, there are many deductions you can claim. However, if you have a regular job, there are less, but you can always make RRSP contributions and claim the deduction that comes with that. If you put $5,000 in to an RRSP and invest it in **Fortis** shares, you'll get a $5,000 deduction from the contribution *and* enjoy tax sheltered returns. It's a win-win solution that can keep the CRA at bay.

Invest in a TFSA

Another strategy to owe less money to the CRA is to invest in a tax-free savings account (TFSA). TFSAs keep keep your investments safe from taxation. They also have tax-free withdrawals. So, for example, if you had $50,000 worth of Fortis shares in a TFSA and earned $1,750 in dividends on them, you'd pay no tax on them inside a TFSA. On the other hand, if you held them outside of a TFSA, you could find yourself paying a steep tax. So, if you're an investor, it always pays to use a TFSA.

Focus on dividends, not interest

A final way to pay less tax to the Canada Revenue Agency is to hold dividend stocks instead of bonds. In Canada, dividends get a much more lenient tax treatment than bonds, with a 15% credit that lowers the amount you pay the CRA. Bonds have no such credit, so you simply pay your marginal tax rate on them. So, an investor earning $1,750 worth of dividends from Fortis stock would get a nice tax break. Meanwhile, the investor earning the same amount from bonds would pay a steep tax. That's a strong argument for holding dividend stocks over bonds.

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