Canada Revenue Agency: 1 Way to Save on Your Taxes During the COVID-19 Crash

Description

Economies worldwide are suffering from the horrible impact of the COVID-19 pandemic. The Canadian economic environment is not insulated from the effects of the novel coronavirus. Additionally, the oil price wars are taking a toll on the economy to double up on the trouble for Canadian investors.

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Royal Bank of Canada predicts that 2020 can finally be the year that Canada falls into a recession after much talk about it last year.

According to Canada's most substantial bank, the coronavirus might run its course by mid-2020. Even if the dust from the pandemic settles, the plunging oil prices will have longer-term effects on the economy. It's fair warning for you right now that you should expect significant losses during the incoming crash.

Not all hope will be lost, however. The ensuing market crash is likely to present you with an opportunity to save on taxes in the next tax season.

Selling shares at a loss

As the market declines, investors typically sell shares of the companies they own to cut their losses — a natural reaction to sell your assets at a loss to prevent further loss as the situation worsens.

The loss from selling your shares at lower prices is a loss of the precious capital you worked so hard to accumulate. You can, however, use the losses from selling shares at a loss to reduce capital gains in the year you sell your assets.

If you face a loss in the current tax year, you have the chance to use it so you can reduce any capital gains you might get and report in the corresponding tax season. You can use Schedule 3 in your tax return to offset any capital gains with the losses you face due to the recession.

Find the right stocks

Choosing the right companies to invest in during a time of financial crisis can help you mitigate a devastating loss to your capital. Consider blue-chip stocks like the **Canadian Utilities** (TSX:CU) stock at a time like this. Shares from the company could establish a place in your portfolio as core holdings during these challenging times.

The $7.89 billion market capitalization company is a utility sector operator in Canada for more than 90 years. The diversified company offers services for liquids, electricity, pipelines, and retail energy across the world.

At writing, the stock is trading for $28.70 per share — down by more than 26% year to date. It offers shareholders a dividend yield of 6.07%.

Foolish takeaway

I know that nobody likes paying their taxes. In trying times like these, trying to keep as much of it for yourself as you can is one of the few things you can do to keep your finances safe. I would urge you to consider investing in high-quality dividend-paying stocks like CU to help keep your capital safe.

Between investing in dividend-paying companies like CU and leveraging the capital losses to offset capital gains, you can save a little on your taxes in the coming tax season.

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1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CU (Canadian Utilities Limited)

PARTNER-FEEDS

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