CRA Emergency Relief: Don't Pay Your Taxes Until September 1

Description

It's a tough time for people as well as businesses. The coronavirus pandemic has caused people to exercise severe social distancing, and many are working from home. This significant switch is hard to accommodate for all organizations, even entities like the CRA, that have full government backing. In fact, the CRA is having an even harder time because the pandemic hit in the middle of the tax season.

The government's announcement of a relief package has the potential to bury the mighty CRA in the requests and assessments of relief applications. This is a hard path to navigate for an agency that's already managing thousands of employees and access issues when they are working from their homes.

In order to counter these issues, and to provide relief to citizens, CRA has extended the tax filing date to June 1 and the payment date to September 1.

Tips to save on taxes

A tax bill can be a hefty burden to bear, especially if you fall in a higher marginal tax bracket. If you are earning $120,000 a year in Ontario, your tax bill can easily cross $36,000. But a few things can help you cut that bill down significantly. One major deduction you can get is by fully contributing to your RRSP. In this case, a contribution of $21,600 (18% of your income) can save you over $9,300, bringing the tax bill down to $26,868.

First-time home buyers can also get a tax break of up to $750. Also, if your health care benefits don't cover all medical expenses, you can claim them in your tax deductions as well. Donations and charitable expenses can also help you earn a tax break.

What to do with the savings?

An excellent way to use the money you saved on taxes is to invest it. Let's say you saved $10,000 on taxes in a year. One candidate for your investments could be the small tech company **TECSYS Inc.** (TSX:TCS). It only has a market cap of $237 million, but it's evolving as a decent growth and dividend stock.

The company has been in business since 1983. It focuses on supply chain solutions, and has over 1,000 corporate clients, with about 1,500 major sites currently running the applications provided by the company. It primarily operates in North America, Europe, and Australia.

Currently, the company is trading at $18 per share. It’s about 18% down from its yearly high. Before the crash, the company managed to increase its share price by 129%, resulting in a sweet five-year compound annual growth rate of 16.7%. It hasn’t reached the dividend aristocrat list yet, but it has increased its dividends in the past five years, at a whopping 100% growth rate.

Foolish takeaway

Some software companies have proved themselves the best at transitioning as work-from-home companies. Despite a major blow to demand, such companies can at least ensure functional operational capabilities during times of crisis. And that’s merit to consider when you are evaluating businesses to invest in, especially now.

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