CRA Crisis Announcement: 2 Must-Know Tax Changes

Description

The novel coronavirus outbreak is causing extensive disruption on everything, including the tax filing season in Canada. It should have kicked off by last February 2020 to meet the customary April 30 deadline. But recent events related to COVID-19 forced the Canada Revenue Agency (CRA) to make adjustments.

Canadians are under duress and facing financial hardships. For the taxpayers, however, there's still the responsibility of meeting the deadlines to avoid tax penalties.

Must-know tax date changes

The CRA wants to limit the economic pain caused by the pandemic. In response, the tax-filing deadline has been moved to June 1, 2020, instead of April 30, 2020. Similarly, there's a penalty-free extension until after August 31, 2020 to pay any taxes owed and are payable on September 1, 2020.

The tax payment deadline for the self-employed and spouse or common-law partner is the same, but the filing date deadline is June 15, 2020. Corporations are also getting a reprieve. The deadlines for tax filing and tax payments coincide with the dates applicable to individual taxpayers.

Reminder for taxpayers with RRSP contributions

The CRA also reminds Registered Retirement Savings Plan (RRSP) users with carried-over contributions from 2019 to claim them as deductions on the 2019 tax return. Older taxpayers are still using the retirement-focused plan to build nest eggs.

Data as of December 2018 shows that one in every three RRSP users belong in the 55-year-old or older bracket. The RRSP remains crucial in retirement planning because it enables users to save taxes and see tax-deferred growth in stock investments like **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) or Scotiabank.

Scotiabank is among the blue-chip stocks chosen by retirees and would-be retirees for wealth building. The third-largest bank in Canada hasn't disappointed investors since 1832.

This bank has been paying dividends for 188 years, and it was only during the 2008 financial crisis that investors experienced a slide in dividends. Even if Scotiabank maintains a conservative payout ratio, there is steady dividend growth for decades.

The shares of BNS are not spared by the coronavirus pandemic. Its year-to-date loss is 23.6% with the stock trading at $54.45 per share. The current dividend yield is 6.4%. The good news is that the bank can sustain dividends despite predicting elevated loan losses over the next three or four quarters due to the pandemic.

If you have BNS in your RRSP portfolio, your money will continue to grow tax-free. However, your RRSP is taxed when you make a withdrawal. Any withdrawal for the year must also be reported or declared as income.

Taxpayer's obligation

The coronavirus outbreak is not a reason to skip or disregard tax filing and tax payments. All Canadian taxpayers are duty-bound to file income tax returns and pay taxes owed to the federal government.

The CRA has moved the deadlines and granted penalty-free extensions to support taxpayers during this harshest crisis. Mark the tax date changes on your calendar otherwise there will be corresponding penalty charges for late filing.

You might even be asked by the CRA to explain the reasons for filing late.

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