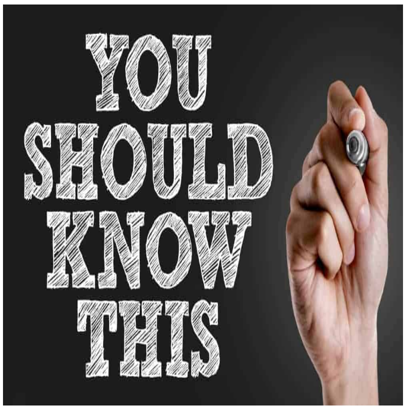

Canada Revenue Agency: 4 Top CRA Changes You Need to Know for 2020

Description

The COVID-19 pandemic has wreaked havoc on the personal and professional lives of millions of Canadians. Canada's unemployment rate stands at an unprecedented 7.5%. Over 1.1 million Canadians are now without work and the Canada Revenue Agency (CRA) is trying its best to boost a fledgling economy. There are fears that a recession is on the horizon, which means unemployment rates may increase further over the next few months.

So how is the Canada Revenue Agency looking to ease the burden on residents?

Canada Revenue Agency extends tax filing deadline

The CRA has extended the tax filing date for 2019 to June 1, 2020 for individuals instead of the earlier deadline of April 30. The filing date for self-employed Canadians remains unchanged on June 15, 2020.

The extension gives residents more time to calculate capital gains or losses and other such metrics, making it less likely for them to miss the deadline.

Tax payment deadline

While the CRA has extended the filing deadline, it has also extended the tax payment deadline for Canadians. The payment date for individuals and self-employed residents is pushed back to September 1. This delay in tax filing can improve liquidity in the near-term for several Canadians who have been hurt with lay-offs.

We know that the Canada Revenue Agency taxes 50% of capital gains, which means if you had invested $10,000 in **Shopify** back in January 2018 and exited your position in December 2019, you would have made close to $30,000 in profits. This indicates with a 30% marginal tax rate, the investor would owe $4,500 to the Canada Revenue Agency.

The investor would be hard-pressed to pay this significant tax amount if he or she has not set the required money aside. Shopify does not pay a dividend. But for investors with exposure to dividend stocks, they would be subject to an additional dividend tax as well.

These extensions would give Canadians sufficient time to calculate tax amounts, allocate the required funds, and remit them to the CRA.

Canada Revenue Agency announces CERB benefit

The Canada Revenue Agency introduced the Canada Emergency Response Benefit (CERB) in response to rising unemployment rates. The CERB program will pay unemployed Canadians $2,000 a month for up to 16 weeks.

In order to be eligible for the CRA, you need to have earned at least $5,000 in the last 12 months or in 2019. There are several other eligibility criteria that can be found on the CRA website. Canadians can apply for the CERB online using their MY CRA Account.

For people who have opted for a direct deposit, the amount will be deposited in three business days into their account, and cheque payments will take up to 10 business days.

The Canadians applying to the CERB should know that these benefits are taxable and therefore needs to be reported on next year’s tax filings.

CRA announces CEWS to help enterprises and contain unemployment

The CERB program will provide several Canadians with income to meet their basic expenses. The country’s unemployment number is over 700% higher than the figure of 125,000 during the recession of 2008-09. In case recession fears come true, this number might move higher.

Large Canadian companies such as **Air Canada** (TSX:AC) have announced job cuts. The travel and tourism sector has come to a standstill as countries have shut borders. Last month, Air Canada announced a temporary layoff of 16,500 employees. Due to a drastic fall in capacity, the airline has to focus on lowering operating expenses. Its cost reduction and capital savings program is estimated to reduce expenses by $500 million this year.

However, earlier this month, the Canada Revenue Agency announced a Canada Emergency Wage Subsidy (CEWS) program. With this program, the CRA aims to help companies that have suffered a decline of over 30% in revenue to keep employees on the payroll. Air Canada soon announced that it would apply for the CEWS, which will help the airline giant retain its affected workforce.

Investors are hoping that the COVID-19 pandemic is a near-term headwind. However, even if governments manage to contain the deadly virus, Air Canada and peers are likely to experience volatility in terms of flying capacity till normalcy resumes and the global economy comes back to its feet.

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