



CRA Temporary Change: Don't Miss These 2 Tax Updates

Description

If it were any other year, this year's taxes would have been behind us by now. But it's not just any other year. People are slowly coming to terms with the situation, and the lockdown is easing in parts of the country. Still, it might take the economy a lot of time to fully recover from the pandemic's blow. S&P/TSX Composite Index is still 11% down from its start of the year value.

According to estimation by a poll of 25 economists, Canada might face the deepest recession it's seen in at least six decades. It's the culmination of a lot of things, but the two most poisonous ingredients in the pot are still the pandemic and oil prices.

In such bleak economic times, it's still important to remember your tax obligations. Unless the government allows you to defer your taxes to a later date, let's not forget the two important dates for the current year's taxes (i.e., June 1 and September 1).

Extended tax filing date

June 1 is the new extended tax filing date. Make sure you claim all [the deductions](#) and tax credits you are eligible for. Whether it's childcare, medical expenses, or RRSP contributions, every cent you can save from CRA is worth it. RRSP contributions are a fantastic way to reduce your marginal tax rate. If you earn \$100,000 in Ontario, your marginal tax rate is about 43.41%.

With just \$6,000 in your RRSP, you can bring that down to 37.91 % and save yourself about \$2,500 in taxes. The \$6,000 can go into a decent growth stock like **People Corp** ([TSXV:PEO](#)). This \$646 million market cap company has been growing at a decent pace since 2013. Currently, its five-year CAGR is at 21.2%, making it an [amazing growth stock](#), especially at its current 10% discounted rate of \$9 per share.

People Corp stock fell, along with the broad market in March, by about 40%. But it has recovered quite a lot since the crash, and at its current pace, it might regain its start-of-the-year valuation by mid-May. If you invest \$6,000 in it the first time, and the company grows its share price only by 10% every year, you will have a nest egg valued over \$100,000 in 30 years.

Though growth stocks are hardly the buy-and-forget type of investments, this example might give you an idea about the future potential of a one-time investment in a dependable growth stock.

Extended tax submission deadline

September 1 is the time to pay the piper. Filing your taxes on time and properly is important. Failure to do so can earn you hefty penalties. But it's even more important to have enough money squared away to pay those taxes. This can be difficult for people who don't put a monthly sum away for taxes. While CRA does offer payment arrangements for those who can't pay off their taxes in full, it comes with heavy scrutiny.

You have to prove that you have tried everything in your power to scrounge up enough to pay your taxes. That includes your ability to borrow money and to reduce your expenses. The CRA may ask you for proof of your income, expenses, assets, and liabilities. That includes whatever you have saved up in your TFSA or RRSP. Though it might seem tempting to raid your RRSP, you should try other options first.

If the numbers reveal that you indeed cannot pay your taxes, the CRA might allow you to work out a payment arrangement agreement. But you will also have to pay interest on the amount you owe in taxes until you pay off your debt completely.

Foolish takeaway

Exercising financial discipline in good times can become your lifeline in harsh times. You should be able to save a significant portion of your monthly income, ideally more than 10%. You can do so by making a budget and sticking to it. Then you should allocate your savings. Save some of it for taxes, some for emergencies, and invest the rest.

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