CRA Tip: Ignore the Deadline Change and Do This

Description

Recent Canada Revenue Agency (CRA) updates have helped Canadians and Canadian businesses amid the massive impact brought by the fight against the spread of COVID-19.

The CRA changes include offering Canadians impacted by the virus $2,000 of income a month for up to four months. Similarly, eligible employers could get a 75% wage subsidy for up to three months.

Among the key changes that apply to Canadians at large is the CRA's extension of the income tax filing deadline for the 2019 tax year.

By June 1, Canadians must have filed their taxes electronically. For self-employed Canadians, the deadline is June 15.

That said, you might as well ignore the deadline and file as early as possible.

Get your cash

Many Canadians actually end up getting a tax refund. You will get a refund if you have paid too much tax during the year or you've contributed to your RRSP retirement savings plan account. If that's the case, The sooner you file your income taxes, the sooner you'll get your refund.

The refund is your money. It's only suitable that you get it as soon as possible and use it as you please.

Besides, masses of Canadians are strapped for cash during this COVID crisis. Tax refunds can amount to hundreds to thousands of dollars, which can provide cash relief right away.

What if you owe the CRA money?

Self-employed Canadians might end up owing taxes to the CRA. If so, it's still a good move to file taxes early. This way, you know how much in taxes you owe and how much cash you have left to work with.

You don't want to delay paying the CRA, because you'll end up paying interest.

Do you have leftover cash?

If you still have cash left over after paying taxes, congratulations! You can invest the remaining cash.

If you're not sure what to invest in, consider quality dividend stocks to build a passive-income stream. The passive income can then complement your active income.

Many jobs have disappeared because of COVID-19. People who have lost their jobs would be less stressed if they have some sort of passive income to help pay the bills.

Here is a safe and undervalued dividend stock for your consideration.

Enbridge (TSX:ENB)(NYSE:ENB) stock just reported a strong quarter. It was able to generate $1.34 per share of distributable cash flow (DCF), which meant a payout ratio of about 60% that's within the target for the first quarter.

The lower demand for energy due to the spread of COVID-19 has led to lower throughput of about 14% in April for its Mainline system compared to the average of 2.84 million barrels a day in Q1 2019. Management foresees lower utilization rates to continue through the end of Q2. However, the utilization rates will rise again, as the economy steadily recovers.

Here's what Enbridge is doing to strengthen its financial position in the face of high uncertainty. First, it's reducing operating costs by $300 million. Second, it increased the liquidity to $14 billion. Third, it has deferred the use of $1 billion of growth capital in 2020 in response to COVID-19.

Importantly, Enbridge reaffirmed its full-year DCF-per-share estimate at $4.50-$4.80. This suggests a 2020 payout ratio of about 70%, which would be reasonable given the circumstances surrounding COVID-19.

The dividend stock popped about 4% on Thursday, but it is still undervalued and offers a nice yield of roughly 7%.

The Foolish takeaway

If you have any excess cash after paying (or getting a refund from) the CRA, consider investing in safe dividend stocks that are still attractive.

Investing $3,000 in Enbridge would generate income of about $210 a year. If you do so in a TFSA, you'll get the income and future growth tax free.

Take the stress out of your finances! Regularly save and invest in solid dividend stocks, and eventually, your passive-income stream can be larger than your active income!

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kayng