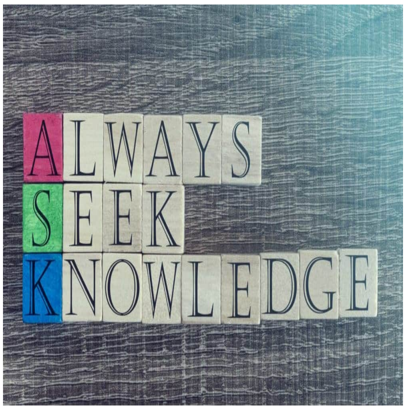

CRA Tax Adjustment: 2 Big Changes You Need to Know

Description

The COVID-19 pandemic is the black sheep event for our generation. The global health crisis has led to extensive disruption in every aspect of our lives. With social distancing mandates leading to lockdowns, danger to our wellbeing, and people being laid off, taxes might be among the last of our worries due to the pandemic.

While tax filing season might be the last thing you want to worry about, but it is a necessary part of life. The tax season would have kicked off back in February since the deadline is typically April 30. However, the COVID-19 has forced the Canada Revenue Agency (CRA) to enact certain changes to ease the burden on Canadians.

The financial challenges Canadians are facing right now are unprecedented. Taxpayers, however, still have the responsibility of meeting deadlines to avoid penalties for missing taxes.

Today I'm going to discuss the two updates made by the CRA to this year's tax season and a stock that you can consider investing in to take advantage of the update.

Major tax deadline updates

The government is doing everything it can to help Canadians through these challenging times. The CRA is playing its part by making updates to the tax season. Its first significant update was to delay the tax-filing deadline. It moved the tax filing deadline to June 1, 2020 instead of April 20, 2020.

Canadians can also file for a penalty-free extension until after August 1, 2020, to pay any taxes they owe and are payable on September 1, 2020.

The second major update is for the self-employed and spouse or common-law partners. The tax payment deadline for them is the same, but the filing date deadline has been extended to June 15, 2020. The deadlines for corporations to file taxes and make payments have also been changed to meet the updated deadlines for individual taxpayers.

Carried over RRSP contribution reminder

With the updates to the tax deadlines, Canadians with Registered Retirement Savings Plans (RRSPs) who are carrying over contributions from 2019 can claim those as deductions in their 2019 tax return. RRSPs are an ideal method to create retirement savings nest eggs for older Canadians.

With the deadlines to file and pay taxes updated, Canadians using RRSPs have more time to sort out their tax deductions for their 2019 income. You can take advantage of carried over contributions to your RRSP to claim tax deductions for your income in the last year so you can pay lower taxes.

According to data obtained in 2018, a third of RRSP users are nearing retirement — the 55-year-old or older age bracket. The RRSP is a crucial tool for them to create retirement funds that can help see them through their golden years in comfort.

It allows them to save on taxes and enjoy tax-deferred growth in their wealth through investments like the **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) stock.

Scotiabank is the third-largest bank in Canada, and for almost 200 years, the bank has never disappointed its shareholders with its 188-year dividend payment streak. The bank has been paying its shareholders their dividends without a break for so many years. The only time it slashed dividends was during the 2008 crisis, but it did not miss its payments.

The current crisis has not been easy for the stock of Scotiabank. It is down 27.49% at writing from the start of 2020. Trading for $53.41 per share at writing, it is paying shareholders with a juicy 6.74% dividend yield.

While the lower share prices might have inflated its dividend yield, BNS has the kind of cash flow to sustain its dividends.

If you have BNS in your RRSP portfolio, your wealth can grow tax-free. If you do not have the stock in your portfolio, consider adding BNS shares so you can claim your contribution for tax deductions in the next tax season.

Foolish takeaway

Global health crisis or not, Canadian taxpayers should understand that they have an obligation to pay their taxes. Even during these challenging times, all Canadian taxpayers should file their income tax returns and pay taxes they owe to the government.

With the government delaying tax-filing and payment deadlines and granting penalty-free extensions, you can follow through with the tax obligations without incurring tax penalties.

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