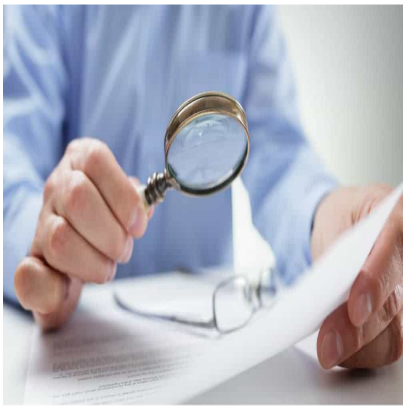

Canada Revenue Agency: 1 Significant Tax Break to Take Advantage of

Description

The COVID-19 pandemic is creating more problems than the potential harm to your well-being. The outbreak and subsequent spread of the disease have sent global economies into disarray. Millions of Canadians have lost their jobs due to the lockdown. The government announced CERB payments that are helping Canadians get by.

Between the issue of being laid off and the economic and health crisis, paying your taxes might be the last thing on your mind. Besides the CERB payments, the Canada Revenue Agency (CRA) has announced delayed tax deadlines for Canadian citizens to file and pay their dues to the government.

While there are tax deductions you can use when you file your income tax for the previous year, there might be a tax break that you are not taking advantage of. According to Statistics Canada, only 60% of Canadians use this tax break.

There is a chance you are already using this tax break. However, many who are using this tax break are not using it to its complete potential.

Ideal tax break

Tax deductions are not the best way to reduce the tax you owe to the CRA. The ideal method to minimize the burden of taxes is to utilize a Tax-Free Savings Account (TFSA) fully. If you are no stranger to TFSAs, you know that it can earn tax-free income through assets you store in the account type.

If you are among the 40% of Canadians who do not have a TFSA, you should be more attentive now. The tax break is right there in its name. The capital you store in your TFSA is free from the liability of taxes. Any income generated by assets stored in your TFSA is free from the clutches of the CRA. This means any money you earn through interest, capital gains, and dividends adds to your TFSA without any tax implications.

A mistake to avoid

If you use your TFSA to store cash, you are missing out on the possibility of earning substantial tax-free income. Instead of using the contribution room to store some money, a reliable dividend-paying stock can magnify your tax-free earning power. Investing in a stock like **BCE** (TSX:BCE)(NYSE:BCE) can help you maximize the tax break that a TFSA can offer.

BCE is the largest telecom company in the country. It offers wireless and wireline internet to customers along with media products and other services throughout the country. BCE is a stock that can perform well in a variety of investment portfolios due to its reliable revenue and dividend payouts.

The company does not have a reputation for outstanding growth. However, it offers stability that growth stocks typically cannot offer to investors. In a market where uncertainty rules the day, assets that can provide your capital security and grant you earning power through tax-free income in your TFSA are more attractive than volatile growth stocks.

BCE can fare better than many stocks on the TSX due to its business is necessary for the economy. No matter how severe the global health crisis gets, people still need to communicate with each other and get access to the internet. To this end, BCE plays a vital role for people.

Foolish takeaway

If you store a certain amount of cash in your TFSA, you can earn only through your bank's interest rates. If you use the same amount of money to invest in shares of a company like BCE and store it in your TFSA, you can earn more for the same amount without incurring income tax.

At writing, BCE trades for $54.90 per share. Its dividend yield at the current price is a juicy 6.07%. Where cash might offer you returns of 1-2% on your capital, the dividends of BCE alone can grow your wealth by 6.07%. Add the possibility of capital gains, and you stand to earn a lot more.

I think correctly utilizing your TFSA is the best tax break you can enjoy right now. BCE could be the ideal stock to begin building an income-generating TFSA portfolio.

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1. Dividend Stocks
2. Investing

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