# Canada Revenue Agency: 2 Major COVID-19 Tax Breaks You Might Get

### Description

By now, I am sure you know that the Canada Revenue Agency (CRA) extended the tax filing deadline for the 2019 income year. For those of you who still need to file for your income, the new June 1 deadline is fast approaching.



Despite being barely halfway through, 2020 has been one of the worst years in the past ten years. The COVID-19 pandemic has left much for us to worry about, and taxes might have been the last thing on your mind. However, it is an obligation you have as a taxpayer to file your income taxes on time.

Luckily, the filing deadline delay has allowed Canadians more time to sort out your taxes. Here are two tax breaks that you can consider claiming before June 1, 2020.

## Business investment loss

Due to the pandemic, three out of five Canadians are saying that they experienced financial losses. Any losses you incur for having to sell a share of a small business because it was failing or a debt that a small business owed, you can qualify as a business investment loss. You can file for this tax deduction with the CRA.

While it might not make for a substantial amount in tax deductions, anything helps in the current situation.

## RRSP

Your Registered Retirement Savings Plan (RRSP) is a brilliant way to reduce the taxes you have to pay to the CRA. Any income you make through your RRSP is not taxable as long as you do not touch your capital before you retire.

You can continue making contributions to your RRSP until you turn 71. The contribution limit to your RRSP is 18% of your income from the previous year or a limit of $26,500 for 2019. It depends on which of the two amounts is lower. When you make contributions to your RRSP, the contributed amount is deducted from your total taxable income for that year.

If you earned $100,000 in 2019 and contributed $18,000 to your RRSP, your taxable income for 2019 is $82,000 rather than the entire $100,000.

## Using your tax savings

Rather than using the leftover cash from these tax deductions for meaningless purchases, it would be wise to use the money to generate long-term revenue. Invest your tax savings in an income-generating asset like the **Royal Bank of Canada** (TSX:RY)(NYSE:RY).

The current economic circumstances might make RBC look like an unsafe bet. However, RBC's long-term prospects can offer you terrific returns. The Royal Bank of Canada is the largest among Canada's Big Six banks because of its market capitalization. At writing, the stock is trading for $83.68 per share and is down 19.19% from its price at the start of 2020.

Despite the sell-off, some factors indicate that the bank has a robust outlook. The bank entered the current crisis with a CET1 ratio of 12%. It means that RBC has a healthy capital position and it can ride the wave of the pandemic.



## Foolish takeaway

I think that using tax deductions to save on taxes and using that extra cash to purchase the shares of income-generating stocks is ideal. To this end, I believe RBC looks like a good choice.

There is uncertainty due to a wave of loan defaults potentially on the way in the coming months. However, the government is providing aid to consumers and businesses to mitigate damage to the economy. If the economy is up and running sooner rather than later, RBC could be an excellent buy.

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