Canada Revenue Agency: Start Planning for Next Year’s Taxes

Description

It might be pushing the limits of pro-activeness, but it’s never too early to think about taxes, especially if you are self-employed. If you hit a rough patch during the pandemic and had to receive CERB payments, remember that they are taxable as well, and that CRA will take its cut in next year’s taxes.

It goes without saying, but if you have received CERB despite being ineligible, it’s better that you send it back before CRA comes knocking. If you received your payment through Service Canada, you have to send your payments back to them. CRA is planning to run CERB receivers against payrolls, so if you got a job after receiving the CERB payment, you might want to contact them and confirm that your payment is justified.

As for next year’s taxes, one major element of planning is investments. If you are investing in your RRSP, then you can qualify for a pretty hefty deduction. Investing in TFSA, while not immediately beneficial for your tax bill, can save you a lot in taxes in later years.

RRSP investments

RRSP offers a lot of room to invest in. Compared to TFSA, its contribution limit is significantly higher. So if you have enough set aside, you can maximize your RRSP contribution. That will help you with your future finances, as well as your next year’s tax bill.

If you earn $100,000 a year, you can contribute $18,000 to your RRSP. One good stock to put your contributions in is **Inovalis REIT** (TSX:INO.UN).

Inovalis is a monthly dividend payer and is currently trading at a price of $7.6 per share, down 31% from its pre-crash value. The trailing price-to-earnings is just 3.1, and price-to-book is at 0.6 times. This undervalued stock deserves a place in your RRSP, thanks mostly to its monstrous dividend yield of 10.7%. Your $18,000 investment in Inovalis will get you $1,926 a year.

While the yield does seem a bit hard to sustain, the payout ratio seems stable at 33.4%. REIT's portfolio is completely Europe-centric, and its properties in France and Germany are currently 92.2% occupied. The company increased its net rental income substantially compared to the first quarter of 2019.

TFSA investments

If you are planning to add some rapid growth in your investment portfolio, you may want to consider **Robex Resources** (TSXV:RBX). It's a small market-cap ($215 million) gold mining company, based in West Africa with headquarters in Canada. The company operates one mine: Nampala, in Mali, which started commercial production in 2017.

The company offers amazing growth, especially if you consider its recent history. It returned 439% in the past five years, which brings its CAGR up to 48%. That's enough to convert your $6,000 TFSA contributions to $100,000 in less than eight years if it can sustain this rate of growth. The company doesn't have a dividend history, but it paid its first dividend in April 2020.

Foolish takeaway

Your tax obligation is something you can't get away from. The sooner you start planning and stashing away for it, the easier it will be for you when the time to pay the piper actually comes.

If you keep delaying working on your taxes till the last days, you are likely to ruin some of the numbers and miss out on deductions that would have lightened up your tax bill.

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