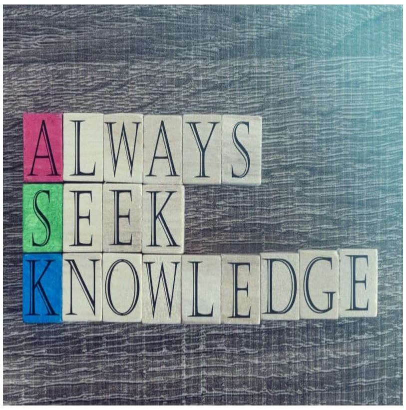

3 CRA Tax Breaks You Should Deduct Every Time

Description

Filing income tax returns is an annual chore most taxpayers don't like doing. But if you're a taxpayer in Canada, the country's tax system offers various deductions and tax credits to lessen taxes or get tax refunds. The filing deadline is every April 30, although this year, it was June 1, 2020, due to the coronavirus.

The first thing a taxpayer must do is to comply with the tax-filing deadline to avoid paying penalties and late-filing charges. If you're particular about meeting deadlines, you should note of the tax benefits applicable to you.

Taxpayers must not miss out on the deductions, specifically when it concerns health, education, and family. The following are the tax breaks you should deduct every time.

Medical expenses

If you incur medical costs in 2020, you might be able to claim more than you think from the Canada Revenue Agency (CRA). Check the tax agency's list of tax-deductible medical expenses. Ambulance services and assisted breathing devices are among the eligible expenses. Some claims require a doctor's prescription.

Interest on student loans

The CRA allows claims on interest paid on student loans in your tax returns with a few restrictions. The loans must be under the Canada Student Financial Assistance Act, the Canada Student Loans Act, or equivalent provincial or territorial programs. All student loan interest claims are non-refundable tax credits.

The CRA will deny claims on interest on personal loans, credit lines, or student loans from foreign banks. Even a home equity line of credit does not qualify. Also, taxpayers can carry forward student loan interest for up to five years. You can save your claim for a year when you owe a significant tax.

Family with child-care expenses

Parents should be taking advantage of the Canada Child Benefit (CCB). The new enhancements will take effect in July 2020. Parents with children six will receive $573.75 monthly per child and $475.66 monthly per child age six through 17. Those receiving the CCB got a one-time increase of $300 per child on top of the May 2020 payment.

More tax-free earnings

A taxpayer can derive more tax-free earnings by maximizing the use of the Tax-Free Savings Account (TFSA). When you invest in this investment vehicle, tax is not a concern. All interest, gains, and profits are forever tax-free.

An independent power producer like **Capital Power** (TSX:CPX), for instance, is the perfect choice for income investors and TFSA users. Besides its stable business, the utility stock pays a generous 6.92% dividend. Your $20,000 capital can produce $1,384 in passive income.

Business resiliency is the barometre when investing in a highly volatile market environment like today. Capital Power makes the grade, because it operates power-generation facilities that are covered by long-term contractual arrangements. Likewise, the counterparties are investment grade.

According to Brian Vaasjo, president and CEO of Capital Power, the company will generate stable flows for the rest of 2020. Its hedge on merchant exposure is over 90%. Management expects stronger operating performance in the coming years.

Think tax savings

Taxpayers should prepare for the 2021 tax season earlier than usual. Be punctual without forgetting the applicable deductions to increase your tax savings.

CATEGORY

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