CRA Tax Update 2020: 2 Massive Changes You Should Know

Description

As the country's tax agency, the CRA affects the lives of Canadians more than much other government and federal institutions. While its usual duty is to ensure that everyone complies with their tax obligations and to offer tax incentives to those most in need, this year has been very different. The government had to provide financial relief to its citizens, and the CRA played a key role.

The CRA offered some breathing room to Canadians that were affected by the pandemic by extending tax deadlines and allowing people to gather their resources. But that's not the only change this year.

Home buyers' plan

One of the major changes this year is for home buyers. The CRA's home buyers' plan allow Canadians who are buying a qualified home to take out some of their RRSP savings without incurring any withholding tax. The amount has to be paid back in 15 years, which is a generous enough duration.

The home buyers' plan's limit used to be $25,000. But for any withdrawals that were made after March 19, 2019, the limit is increased by a full $10,000. The new $35,000 limit allows first-time home buyers and people who are building their own homes access to better resources. For people taking the money out for a down payment, the increased amount can mean qualifying for better properties.

CERB

The best and most substantial help for Canadians that came out of CRA this year is undoubtedly the CERB — a massive, multi-billion-dollar aid project that helped Canadians who lost their livelihoods in the pandemic. Even though the CERB payouts are taxable, and the CRA will take back a piece of them in the next year's taxes, they have been enormously beneficial for millions of Canadians this year.

The CERB has been extended to keep people afloat for a few more months. But the government's generosity is going to run out eventually. If you are cash strapped and thinking about liquidating some of your TFSA assets, you may want to consider selling off some of your stagnant stocks and add some growth to your portfolio. If you are more comfortable with a small stake, you may want to consider a stock like **K92 Mining**.

The company has a market capitalization of $988 million. It owns and operates the Kainantu Gold Mine in Papua New Guinea. The company has minimal debt and assets that are over five times its liabilities. It doesn't pay any dividends, but it does offer amazing growth opportunities. It returned about 550% in the past three years to its investors, which brings its CAGR to 86.69%.

That kind of growth might not be sustainable for many years to come. But if it holds for just five years, $1,000 in K92 Mining can get you a small nest egg of $22,000.

Foolish takeaway

Keeping up to date about changes in tax policies and other CRA rules can be beneficial. It would prevent tax mistakes and keep you informed regarding tax credits and deductions that may help you with a lighter tax bill. One evergreen way to keep your tax bill lower is fully contributing to your RRSP.

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