



CRA Tax Savings: New \$250 Canada Training Credit You Can Claim!

Description

The 2020 tax year will be very different than the 2019 tax year. Next year's taxable income will include your Canada Emergency Response Benefit (CERB) payments. For students, [next year's taxable income](#) will include the payments under the Canada Emergency Student Benefit (CESB) and Canada Student Service Grant (CSSG). The Canada Revenue Agency (CRA) has introduced a new refundable Canada Training Credit. This credit can help you reduce your tax bill.

The CRA launched the Canada Training Credit in light of the changing work environment where businesses are automating processes. The employees have to upgrade their skills either to retain their existing job or prepare for the next role. The federal government will spend over \$1.7 billion in the next five years to help employees reduce the training cost and support them in their careers. You can [claim this training credit from the 2020 tax year](#).

Remember that the CRA provides benefits only to those who regularly file their income tax returns. Each of its benefits has a maximum limit.

Canada Training Credit

You can claim the Canada Training Credit if you are between 26 and 65 years of age and have an annual income between \$10,000 and \$150,000. You can get a maximum of \$5,000 in a lifetime in Canada Training Credit after which it will end. If you have unused Canada Training Credit, it will expire when you turn 65.

You can make the maximum of this credit by investing in your education. I will take the example of Jane, who is 30 years of age and is working as a web developer. She meets the age and income criteria for the Canada Training Credit. Every year, the CRA puts \$250 into a notional account as the Canada Training Credit.

In 2023, Jane decides to learn a new programming language and enrolls into a university program, which costs her \$2,500 in tuition and examination fee. Her company did not refund her this amount. By this year, she has \$1,000 accumulated in the Canada Training Credit.

For the 2023 tax year, Jane can claim up to 50% of the program cost (\$1,250), or the Canada training credit accumulated so far (\$1,000), whichever is less. She can also claim the tuition tax credit for the remaining \$1,500 she paid in tuition fees. The tuition tax credit is the minimum tax calculated on the tuition fees (15% federal tax).

If her tax bill for the year 2023 is \$3,000, she can reduce it to \$1,775 by claiming \$1,000 in Canada training credit and \$225 in tuition tax credit. The additional skill Jane gets from the course can increase her working income, and the \$1,225 in tax savings can increase her passive income.

Your current tax savings can pay your future tax bill

The CRA is offering tax savings on expenses it deems necessary for an individual to live a comfortable lifestyle. If your case is similar to that of Jane, enhancing your technical skill could increase your working income, and also your tax bill in the future. If you invest your current tax savings in growth stocks; the capital gains can pay for your future tax bill.

You should invest through your Tax-Free Savings Account (TFSA) as you don't want to pay tax on the income you earn by investing your tax savings.

One growth stock that you can consider is **Kinaxis** ([TSX:KXS](#)), a provider of supply chain planning software. The company is currently in the growth stage. Between 2015 and 2019, its revenue and adjusted EBITDA rose at a CAGR of 22% and 29%, respectively.

Its stock rose at a CAGR of 41% during the same period. The stock is growing strongly this year as it has benefitted from the COVID-19 pandemic. It has the potential to grow further as the pandemic creates supply chain challenges.

If you had saved \$1,000 every year in Kinaxis from the start of 2015, your \$6,000 contribution would have tripled to more than \$24,700.

Taxpayer's takeaway

The CRA rewards its taxpayers with several tax credits and benefits. Stay informed about the various tax benefits as they come from the taxes you pay to the government. These small tax savings when invested rightly can add a significant amount to your passive income.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:KXS (Kinaxis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
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