CRA Tax Savers: 3 Uncommon Tax Credits You Can Claim

Description

Tax credits are extremely important because taxpayers can reduce taxable income. If you claim them every tax season, you will owe less to the government. Tax credits are likewise better than tax deductions or exemptions as they impact the tax due, not just your taxable income.

In Canada, there is a slew of tax credits to lighten the financial obligation of taxpayers. Interestingly, you can claim three lesser-known or uncommon tax credits from the confines of home.

1. Home office

Working from home is the new norm due to lockdowns. But even before the pandemic, the home office tax credit was already available. Self-employed individuals doing business at home can derive significant tax breaks. You can claim a decent amount on your tax returns if your home serves as your office.

The government allows you to deduct home office expenses, and the basis is the space (per square footage) you use as a home office. Assuming it accounts for 15%, you can claim the same percentage on your utilities, property tax, insurance, and mortgage interest.

2. Home employees

Canadians running a business from home can hire a spouse or child to lower tax obligations. This strategy of bloating business expenses is not only smart, but also legitimate. However, you shouldn't mislead the Canada Revenue Agency (CRA).

The tax agency is wary of pretense, which means you can't pay salaries to your spouse or child who isn't providing valuable service to your business. You can offer a salary commensurate to the actual work.

3. Spousal RRSP Contribution

A married individual can contribute to a spousal Registered Retirement Savings Plan (RRSP) to lower the tax obligation. You can employ this strategy if you belong to a higher tax bracket than your spouse. Be sure, however, to contribute within your contribution limit for the year.

Increase household income

While maximizing your tax breaks at home, you can increase household income by setting aside money to invest in blue-chip stocks. The **Royal Bank of Canada** (TSX:RY)(NYSE:RY), for instance, is a reliable income-provider. This $133.37 billion financial institution is perfect for investors of all generations.

The largest bank in Canada not only pays a respectable 4.56% dividend, but is also an asset to own for a lifetime. If you can afford to purchase $100,000 worth of shares, you can generate $4,560 in passive income. Since dividend payouts are quarterly, it translates to an additional family income of $1,140 every three months.

Royal Bank is as old as time, yet it's keeping abreast of technological changes and advances. The bank, along with its AI research institute Borealis AI, is collaborating with **NVIDIA** and **Red Hat**. The partnership will develop a new AI computing platform designed to transform the customer banking experience.

The said AI private cloud platform is the first-of-its-kind in Canada. According to RBC Senior Vice President of Tech Infrastructure Mike Tardif, Royal Bank of Canada must always be at the forefront of innovation for clients in an ever-changing marketplace.

Crisis preparedness

In times of crisis, you need more tax savings, even the uncommon home-based tax credits. If you have the right asset like the Royal Bank of Canada to complement the tax breaks, you can boost household income with minimal effort and less pressure.

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