



CRA Crisis Announcement: Canada Revenue Agency Extends Tax Payment Deadline Again

Description

The COVID-19 pandemic continues to cause extensive disruption to individuals and economies, and this includes changes to the tax filing season in Canada. The customary tax payment deadline in Canada is April 30. But recent events have forced the Canada Revenue Agency (CRA) to extend the deadline and give Canadians some breathing space.

Millions of Canadians have been impacted by the dreaded coronavirus and are under mental or financial duress. The CRA aims to limit the economic pain caused by the COVID-19 pandemic. Thus, it initially delayed the tax-filing deadline to June 1, 2020, from April 30, 2020.

It also provided a penalty-free extension for Canadians to pay their taxes owed by September 1, 2020. This deadline has now been extended to September 30 for individuals and corporations.

According to a [CTV News report](#), "Anyone who doesn't file their income taxes on time could be cut off from income-tested benefits like the Canada Child Benefit, or have to repay some of the money from those benefits if there's a large change from the previous tax year's return."

The Canada Revenue Agency also announced that low-income seniors eligible to receive the GIS (guaranteed income supplement) need to file returns by October 1 to avoid any interruption in federal benefits.

The Canadian government has forecast the tax-filing delay to cost about \$55 billion in the short term, which it will then recoup post the September 30th deadline.

RRSP contributions will lower taxes owed to the CRA

While the Canada Revenue Agency has several tax breaks to lower taxes owed, the most popular is the Registered Retirement Savings Plan (RRSPs). Contributions to the RRSP are tax deductible, and you can also grow your savings tax-free until withdrawal.

The RRSP can be used to allocate blue-chip stocks such as **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)). The Canadian banking stocks have been underperforming the broader markets due to a spike in unemployment rates that might increase the risk of defaults.

However, companies such as the Royal Bank of Canada have experienced multiple slowdowns and recessions over the last few decades. RY is Canada's second-largest bank with a market cap of \$133 billion and has enough financial flexibility to come out of the current situation largely unscathed.

RY stock is trading at \$93, which is 15.5% below its 52-week high. This pullback has increased its dividend yield to a healthy 4.64%. This means if you invest \$10,000 in RY stock you can generate \$464 in annual dividend payments. Investors can also benefit from capital appreciation if the markets stage a rebound.

RY stock has returned 75.5% in the last 10 years and should be on the radar of value and income investors. If you invested \$20,000 in RY stock 20 years back, [your investment would have ballooned to \\$200,000](#) after accounting for dividend reinvestments.

Taxpayers have an obligation

The COVID-19 pandemic is not a reason to skip or disregard tax payments. Canadians need to pay file and pay taxes owed to the federal government and avoid related penalties. The Canada Revenue Agency has moved deadlines to support Canadians during these uncertain times.

Taxpayers are obligated to pay taxes and help restart the domestic economy. You can, however, lower your taxes by taking advantage of tax breaks, as discussed above.

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