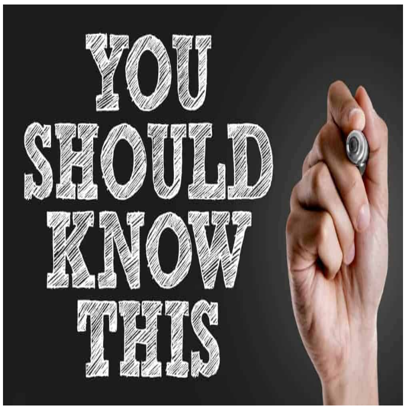

Canada Tax Deadline 2020: the CRA Is Giving You Until September 30!

Description

To help Canadians through the COVID-19 pandemic, Justin Trudeau's government provided a number of cash benefits. These included the CERB, the CESB, and one-time top ups to GST credits and the CCB. These were much needed benefits for Canadians at a time of real crisis. And they weren't the only benefits the government rolled out either. On top of the direct cash benefits, there were a number of "indirect" benefits introduced.

One of the biggest of those was the tax filing extension. Under the CRA's special rules for 2020, you had until September 1 to file your 2019 taxes. That was a big extension. Recently, it was extended even further, all the way until September 30, giving you another full month to get your 2019 taxes in order–a major psychological and possibly financial break. Not only does this take a weight off your shoulders at a critical time, but it also has the potential to save you money. Here's how:

How the tax extension could save you money

An extended tax deadline can save you money into two ways:

1. It can spare you the penalties you pay for filing late.
2. It gives you extra time to find deductions and credits to which you could be entitled.

The first of these savings is pretty straightforward. If you file your taxes late, the CRA typically charges you a penalty for doing so. According to Canada.ca, the penalty is 5% of unpaid tax due on the filing deadline, plus 1% for every month after that. If you owe the CRA, say, $10,000 come the filing date, that could add up to quite a bit of money.

The second source of savings is more subtle. By giving you more time to file your taxes, the CRA lets you find more tax deductions and credits you're entitled to. If you find these deductions and credits by the filing deadline, you could save some serious coin, particularly if you're an investor.

An example

To illustrate the tax savings you could realize, let's imagine that you held $50,000 worth of **Fortis Inc** (TSX:FTS)(NYSE:FTS) shares at the start of 2019. That year, Fortis delivered an approximately 20% return, turning $50,000 into $60,000. That's not even counting dividends! If you had a marginal tax rate of 33%, you'd pay a $1,666 tax on that gain — that is, 33% of half of $10,000 (a $5,000 taxable capital gain).

Certainly, $1,666 is a pretty steep tax — one that could be offset by capital losses on another stock. For example, if you'd held $50,000 in **Baytex Energy** stock in 2019, you'd have suffered a loss of 23%. That would be more than enough to offset your gain on Fortis shares, resulting in a capital loss that could reduce your taxes to $0. The end result would be to spare you $1,666 in taxes.

Of course, you can claim capital loss deductions–and other deductions–no matter what the tax filing deadline is. But these types of deductions are easy to miss. By giving you more time to file, the CRA has given you more time to find deductions for which you're entitled, potentially saving you some real money.

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