CANADIANS: 3 New CRA Tax Breaks You Can Claim for 2020!

Description

In 2020, the federal government is rolling out a number of new tax breaks for Canadians. While most of these aren't huge, they can save you some money when you file your taxes next year. The year 2020 has been a tough time for many Canadians. Between COVID-19 and the lockdowns that came with it, the health and financial strains were immense. If you took a financial hit this year, you can take some small comfort that you may be able to save money on your taxes next year. The following three tax breaks could help in that regard.

Digital news tax credit

The digital news tax credit is a brand new refundable tax credit for 2020. It can save you up to $75. While that might not sound like much, all you need to do to get this credit is subscribe to approved digital media. If you're a newspaper digital subscriber or someone who pays for other digital content, you may already be eligible for it.

The amount you can claim is the value of all your subscriptions up to a max of $500. The media provider has to be a "qualified journalism organization"; at the bare minimum, it needs to be Canadian. It's not the biggest tax saving credit around, but if you're a paying media customer, it's a credit you can get for something you're already doing.

Canada Training Benefit

The Canada Training Benefit is a cash transfer that can pay you up to 50% of the cost of eligible training programs. It's not a tax credit per se, but works in a similar manner and is administered through the CRA. With the Canada Training Benefit, you can get up to $250 per year toward the cost of training. Your credit balance is updated each year and sent to you by the CRA.

New TFSA space

Last but not least, we have new Tax-Free Savings Account (TFSA) space. Technically this isn't a new benefit, but an existing "tax break" that had new contribution room added this year.

In 2020, investors got $6,000 worth of new TFSA contribution room. That's a decent amount of space to invest in tax-free. The end result of investing tax-free is a lower tax bill than you would have had otherwise.

Let's imagine for a minute that you held $6,000 worth of **Fortis Inc** (TSX:FTS)(NYSE:FTS) shares in a TFSA. Those shares would produce $210 worth of dividends each year at a yield of 3.5%. If you realized a gain of 10% ($600), you'd have to pay taxes on half of it. By holding those Fortis shares in a TFSA, you'd skip both of those taxes. Outside of a TFSA, the taxes paid on them could be high… especially if you're a high earner.

Investing in a TFSA is especially powerful when you hold dividend stocks like Fortis. Dividends create cash income that you can't normally avoid being taxed on.

With non-dividend stocks, you can put off taxes by not selling. With dividend stocks, you can't do that, so holding them in a TFSA is one of the few ways to avoid paying taxes on them.

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