Canada Revenue Agency: Don’t Miss This Important Tax Deadline for 2020!

Description

The Canada Revenue Agency (CRA) has extended the tax deadline for taxpayers multiple times in 2020 due to COVID-19. It has closely been monitoring the pandemic situation and understands that businesses and individuals are dealing with financial and liquidity problems.

In July 2020, The Canada Revenue Agency extended the tax-payment deadline from Sept. 1 to Sept. 30. It further confirmed that penalties and interest will not be charged if payments are made before this deadline.

Further, the CRA has also waived interest on existing debts related to individual, corporate, and trust income tax returns from April 1 to Sept. 30 and from April 1 to June 30 for GST/HST returns.

The Canada Revenue Agency clarified, “While this measure for existing tax debts does not cancel penalties and interest already assessed on a taxpayer’s account prior to this period, it ensures that a taxpayer’s existing tax debt does not continue to grow through interest charges during this difficult time.”

The CRA cannot tax your TFSA income

Paying taxes is a part of life and is a certainty if you generate income. However, the Canada Revenue Agency does not tax the income generated under a TFSA (Tax-Free Savings Account). The TFSA is a tax-sheltered registered account where you can hold equities, mutual funds, ETFs, and bonds.

While contributions towards the TFSA are not tax deductible, any withdrawals including interests, dividends, or capital gains are exempt from CRA taxes. This makes the TFSA an ideal account to hold quality dividend-paying stocks.

The TFSA was introduced way back in 2009, and the maximum cumulative contribution room is $69,500. For 2020, the TFSA contribution limit stands at $6,000. So, you need to identify Canadian blue-chip dividend-paying companies for your TFSA and build long-term wealth.

Dividend stocks are yielding higher than fixed-income instruments due to a low interest rate environment. Further, they also provide investors an opportunity to benefit from long-term capital gains.

A Canadian dividend giant

One such company is energy infrastructure heavyweight **TC Energy** (TSX:TRP)(NYSE:TRP). The second quarter of 2020 was a challenging one for energy companies. The COVID-19 pandemic drove demand and oil prices significantly lower, ravishing the top lines and financials of most oil stocks.

However, TC Energy is one of the few companies that can survive the downturn and come out stronger. In Q2, the company's EBITDA fell by just 5.4% to $2.2 billion while funds from operations were down 7% at $1.55 billion. Its cash flow per share stood at $1.65, while the dividend-payout ratio was a healthy 49%.

TC Energy continues to invest heavily in expansion programs and has allocated $37 billion for the same. It completed $3 billion of new assets in the first six months of 2020 and will spend another $2 billion by the end of 2020. These expansion programs will help the company sustain and increase dividend yields over the next few years.

TC Energy expects to increase dividends between 8% and 10% in 2021 and grow it at an annual rate of between 5% and 7% post-2021. TC Energy expects 98% of EBITDA to come from regulated and long-term contracted assets, making its yield of 5.3% one of the safest in the energy space.

If you invest $10,000 in TC Energy stock and hold it in your TFSA, you can generate $532 annually in tax-free dividend income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:TRP (TC Energy Corporation)

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Date
2025/09/10
Date Created
2020/09/11
Author
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