Canada Revenue Agency: Mark This Day in September on Your Calendar!

Description

In 2020, the Canada Revenue Agency (CRA) changed the deadlines for filing and paying taxes. To help Canadians cope with COVID-19, Trudeau had the agency increase the filing date to June 1 and the payment deadline to September 1. The filing deadline has come and gone with no changes. However, the payment deadline has been extended once more. And — as you're about to see — the new date has more significance than meets the eye.

So, what is the new tax-payment deadline, and why is it so important?

September 30

In July, the Canada Revenue Agency extended the tax-payment deadline to September 30. That means you can take until that date to pay your taxes without penalty. If your only source of income is employment, you're unlikely to owe taxes. It can happen, but it's fairly rare.

If you're self-employed or an investor, however, having to "pay in" is pretty common. Every year, you have to manually send your self-employment and investment taxes to the CRA. If you're in either category, this deadline extension is good news for you. Not only does it mean that you won't get a penalty for missing the (former) September 1st deadline, but it also means you could avoid late-filing penalties.

More than just the deadline for payment

In 2020, there are two tax deadlines you need to meet:

- The filing deadline (June 1).
- The payment deadline (September 30).

The filing deadline is the last date on which you're supposed to have your taxes filed. The payment deadline is the last date on which you can pay taxes owed without also paying interest. Usually, you'll pay late-filing penalties if you file late no matter what. However, in 2020, you will pay no late filing penalties as long as you've *filed* your taxes by the *payment* deadline. This makes September 30 not only the deadline for paying, but also the *de facto* deadline for filing. So, even if you haven't *filed* your taxes yet, you may be in the clear.

This is big news if you're an investor

If you're an investor who hasn't filed your taxes yet, the September 30th deadline is big news. Not only does it help you avoid penalties, but it also gives you the opportunity to find deductions that could save you money.

Let's imagine that at the start of this year, you held a $100,000 position in **Enbridge** (TSX:ENB)(NYSE:ENB) stock. Enbridge is an oil and gas stock that pays big dividends, but whose share price declined this year. If you had a $100,000 position in Enbridge at the beginning of the year and sold at the end, you'd have received about $7,500 in dividends and incurred a $20,000 capital loss (assuming the stock price stays the same from now until January 1). You'd have to pay taxes on the dividends. However, you could use the capital loss to *offset* other capital gains — lowering your overall tax burden.

All of this is going off 2020 numbers, which apply to the taxes you'll be filing next year. However, the same basic logic applies to shares you held in 2019 — the tax year you file for this year.

The actual accounting behind all this can be time consuming. But with the extended filing and payment deadlines this year, you've been given more time to do it. The result could be a more thorough tax return, leading to better net-of-tax results from your investments.

CATEGORY

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2. Investing

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