2 Giant COVID-19 Tax Breaks the CRA Is Dishing Out in 2020

Description

Canada's immediate response to the coronavirus outbreak was to move back the tax-filing and tax-payment deadlines. COVID-19 hit the country in time for the 2020 tax season. The extensions by the Canada Revenue Agency (CRA) gave taxpayers ample time to prepare, as they prioritize health and safety over income tax returns.

Apart from the tax date changes, the CRA came out with several tax breaks this year as additional support to distressed Canadians. Two of the prominent ones are the Canada Child Benefit (CCB) and the workspace-in-the-home tax deduction.

Workspace-in-the-home tax deduction

Remote work became prevalent, as the government implemented lockdown measures to prevent the spread of COVID-19. The CRA deduction isn't new, but the disruption forced people to perform work or conduct business at home. You can claim the lucrative tax deduction if you convert your home into a workplace or business office.

The CRA sets two conditions before you can deduct expenses. First, you must be working more than 50% of the time in your makeshift office or workspace in your home. Second, the purpose of using a place in your home as an office or place of business is to earn employment income.

Tax-free CCB enhancement

The closure of schools and daycare centres meant Canadian parents need to stay home with the children and work from home at the same time. CRA has $2 billion to enhance the CCB and provide eligible recipients with a one-time top-up of $300.

CCB recipients, however, must file their 2019 tax returns to receive the higher benefits for 2020-21.The CRA will stop the payments in October 2020 if your tax return is not with them in early September.The pandemic isn't over, so you shouldn't miss claiming the tax-free benefit.

TFSA stock

The tax breaks in 2020 are helpful in many ways because families have income support during the crisis. Canadians with investable funds can invest to earn tax-free income through the Tax-Free Savings Account (TFSA).

Capital Power (TSX:CPX) is excellent in your TFSA. The utility stock is a good buy at $29.43 per share, given its very high 7.23% dividend. For as low as $5,000 investment, you earn $361.50 in tax-free income per year. Make it $50,000, and it's a whopping $3,615 in passive income annually.

This $3.1 billion company from Edmonton has been in existence since 1891. Currently, Capital Power owns and operates power-generation facilities in the home country and the neighbouring United States. The independent power producer company generates revenue from its highly contracted and diversified portfolio of generation assets.

While some high-yield stocks are dividend traps, slashing dividends to preserve capital or boost liquidity isn't in the plan. The utility stock even raised its dividend by 6.8% in the third quarter of 2020. It has seven straight years of dividend increases, too.

Important

Sometimes tax breaks come few and far between. However, the CRA has a host of tax-relief measures available in 2020. Canadian taxpayers shouldn't miss claiming what is due them, regardless of amount. Every dollar in a deep recession is important.

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