Canada Revenue Agency: Tax Deadline Is Here. Minimize Taxes Next Year

Description

Today is the last day to pay your dues to The Man, otherwise known as the Canada Revenue Agency (CRA). If you've delayed paying your personal taxes till this point, congratulations; you've been holding an interest free loan from the government for a few extra months.

Nevertheless, the act of eventually paying your taxes is likely to be just as painful this year as any other year. Here are some of the ways you can reduce this burden next year using maneuvers approved by the CRA itself.

Tax-loss harvesting

I know this sounds like a convoluted technical term, but it's actually fairly simple. You can use the losses on some stocks to offset the taxes you would have to pay on others. So, if you lost $100 in an airline stock this year but gained $100 in a tech stock, you can sell the tech stock and lock in profits for $0 taxes.

You can also carry that tax loss for several years in the future to offset future gains. So, if you lost $100 this year but gained $100 in 2023, again, you can offset taxes. Speak to your accountant to learn more.

Donate stocks to charity

Very few investors know this, but you can re-balance your portfolio without triggering heavy taxes. Instead of selling your winners outright, consider transferring ownership of the stocks to the registered charity. The CRA offers you a tax receipt for this donation that can be used to offset your taxable income.

In other words, you can lock the profits in on a good investment without paying a portion to the CRA. Speak to your accountant to learn more.

Invest in REITs instead of dividend stocks

There are, of course, several tax advantages to investing in real estate. However, you can access some of these advantages, even if you don't want to be a landlord or manage a rental condo. Dividends from real estate investment trusts (REITs) could help you generate passive income without the hassle.

A REIT like **Brookfield Property Partners** (TSX:BPY.UN)(NASDAQ:BPY) can offer better dividend yields than most traditional dividend stocks. That's because Brookfield doesn't have to pay corporation tax on the rental income it generates. This tax saving and a bulk of the rental income is offered directly to investors instead. That's why the REIT's current dividend yield is an impressive 11.3%.

There are also other ways dividend income from REITs are more tax efficient. Brookfield shareholders are given information about the company's capital gains, capital returns, and rental income in every quarter. For the investor, rental income is taxed at their marginal rate while capital gains are taxed at half of the margin rate.

Finally, a return of capital is considered, as Brookfield giving you your money back, according to the CRA. This means your cost basis for the stock is reduced by the given amount, effectively increasing your profit without triggering any CRA taxes.

Bottom line

The tax deadline is here, and millions of Canadians are paying their dues to the CRA today. If you've paid your taxes this year, consider some of the tactics mentioned above to reduce your burden for next year.

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1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BPY.UN (Brookfield Property Partners)

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