



## 2 Helpful COVID-19 Tax Breaks the CRA Is Handing Out

### Description

Canada complements its [income support measures](#) with various [tax breaks](#) during the COVID-19 pandemic. Most are still in effect, as the country moves to the recovery phase. Two of the tax credits the Canada Revenue Agency (CRA) is handing out are very helpful to millions of Canadians.

### Medical Expense Tax Credit

If you paid medical expenses for you, your spouse or common-law partner, or child under 18, you can claim the Medical Expense Tax Credit (METC). You must be claiming the medical costs paid out within any 12 months ending in the current tax year, not in the prior tax year.

A couple can combine the medical expenses on one tax return to get a higher credit. Usually, it's the spouse with the lowest net income, unless there is no tax to offset because the income is very low.

Also, more than one person supporting a dependent can each claim the benefit, as long as it does not exceed the total medical costs allowed. It should be advantageous for those with high medical expenses. Each supporting person, however, must present a receipt when making a claim.

### Home Accessibility Tax Credit

The federal government has paraded several tax credits for senior citizens to improve their quality of life. Canadians who are 65 years old or older could receive the Home Accessibility Tax Credit (HATC) if there were home improvement expenses. This non-refundable credit tax credit reduces the tax owed to the government but doesn't become a refund.

HATC allows seniors to claim up to \$10,000 in home improvement expenses, and 15% of the cost comes back as credit. The CRA accept a claim for expenses such as the widening of doors, wheelchair ramps, non-slip bathroom flooring, and easy-to-use door locks, among others. You're also eligible for HATC if you're supporting a related senior.

## Lend to invest

A taxpayer in a higher tax bracket can lend money to a low-income spouse or child to purchase investments. The CRA will apply a lower marginal rate on investment income. The tax agency CRA revises the interest rates every calendar quarterly. For Q4 2020, the prescribed interest rate is 1%

The investment should be in a separate investment account in the borrower's name. If you're doing this, you can invest in a strong financial institution, and a Dividend Aristocrat at that. The dividend track record of **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) is 152 years.

CIBC has a market capitalization of \$44.96 billion. The bank stock is down by only 1.85% year to date and paying a generous 5.8% dividend. A \$100,000 position will generate \$1,450 in quarterly income. Hold the stock for 10 years, and your money will compound to \$175,734.36.

Since CIBC perennially pays the highest dividend in the banking sector, it's the core holding of the vast majority of income investors. Three primary business segments (retail & business banking, wealth management, and capital markets) combined to deliver \$17.47 billion in annual revenue over the last three years.

## Lessen your tax burden

Canadians are getting a superior boost from various emergency benefits and tax breaks in 2020. However, the pandemic is far from over. You can lessen your tax burden further if you're eligible to claim the METC and HATC.

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