Canada Revenue Agency: 2 Useful New Tax Breaks for 2020

Description

COVID-19 caused massive disruption worldwide. In Canada, the unemployment rate jumped to an all-time high of 13.7% in May 2020. The labour market lost about 55% of jobs due to the pandemic. The federal government spent billions of dollars on the COVID-19 Response Plan and will spend billions more on the recovery benefits.

Meanwhile, the Canada Revenue Agency (CRA) provides tax breaks to Canadian taxpayers in 2020 to reduce financial stress. Among the most useful relates to the changing work protocols and goods and services. If you're eligible, the amount could be lucrative to help you save money during the pandemic.

1. Work-space-in-the-home tax deduction

The pandemic lockdowns have since forced many Canadians to work remotely and convert home areas as makeshift office spaces. According to Statistics Canada, four in ten Canadians can perform their work remotely. Chances are two-thirds would continue to work from home in the post-pandemic.

You can claim the work-space-in-the-home tax deduction if you work from home more than 50% of the time. Canadians with separate home office and use the premises to meet clients could claim as well.

The deduction is useful because taxpayers can reduce their tax bills by claiming a portion of household expenses such as utilities, cleaning and rent. If working from home becomes part of employment terms, have your employer fill out a T-2200 form. The CRA would require it if you were to claim this deduction.

2. One-time GST credit

The one-time top-up of the Goods and Services Tax (GST) credit in 2020 was helpful as the $400 emergency GST credit financial relief nearly doubles the amount an eligible recipient should be pocketing. However, the CRA reminds taxpayers that the benefits payment extension is over.

If you did receive a GST credit payment on October 5, 2020, it means you did not file your 2019 tax return. If you received a credit in July, you might need to return the payment. Assuming you're still eligible and want to reinstate your GST credits, file the tax return for the income year 2019 as soon as possible.

Choice of risk-averse investors

You can triple the one-time GST credit if you own $24,000 worth of the **Canadian Utilities** (TSX:CU) stock. The $9.07 billion diversified utility company pays a 5.2% dividend. Since 1972, the company has increased its dividends. It's a mean feat to raise the payouts to investors for 47 straight years.

Canadian Utilities is a perennial choice of income investors because 85% of revenues are regulated. The remaining 15% are under long-term contracts. Its core investments are in electricity, pipelines & liquids and retail energy business units. Cash flows are predictable, and therefore, there's less worry if you were to invest.

To summarize the investment thesis, Canadian Utilities is an **ATCO** company and the business solutions it provides in utilities, energy infrastructure, and retail energy are enduring and for the long haul. This is a buy-and-hold stock for risk-averse investors. The current share price of $33.12 (12.3% off its 2019 year-end price) is a good entry point for a buy-and-hold stock.

Potential tax savings

The CRA is fully supportive of the plight of Canadian taxpayers in 2020. It would best to know other tax breaks, credits, and deductions available before the next tax filing deadline in 2021. You might save thousands.

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