Canada Revenue Agency: 2 Useful Tax Breaks for 2020

Description

The COVID-19 pandemic has disrupted the professional and personal lives of people all around the world. In Canada, unemployment rates touched 13.7% in May 2020 and have fallen to 8.9% in October. According to multiple reports, the labour market lost around 55% of jobs amid the pandemic.

The federal government had to step in and provide billions of dollars via benefit payments to stabilize consumer spending and boost the economy. Further, the Canada Revenue Agency (CRA) also introduced tax breaks in 2020, which will ease the financial burden on Canadian residents.

You can take a look at two such tax breaks that can be availed of, if you are eligible.

Workspace-in-the-home tax break

Due to the coronavirus, some companies have allowed employees to work remotely, which meant they had to convert home areas into a temporary office space. Statistics Canada estimates about 40% of Canadians can perform their work remotely and about 65% of these would continue to work from home in the near future.

The Canada Revenue Agency allows you to claim the workspace-in-the-home deduction if you work from home over 50% of the time. According to the CRA, "You can deduct the part of your costs that relates to your work space, such as the cost of electricity, heating, maintenance, property taxes, and home insurance. However, you cannot deduct mortgage interest or capital cost allowance."

One-time GST credit

Another tax break is the one-time top-up of the GST (Goods and Services Tax) credit in 2020. This emergency GST credit was issued earlier this year to people already receiving the GST/HST credit. So, how much will you get if you are eligible?

If you are single, the maximum GST amount for the 2019-2020 benefit year will increase from $443 to

$886. If you are married, the amount will be $1,160, up from $580.

Invest these savings in a TFSA

You can invest the savings from these CRA tax breaks and hold quality dividend stocks such as **Canadian Utilities** (TSX:CU) in your TFSA (Tax-Free Savings Account). The TFSA is a registered account where dividends or capital gains can be withdrawn without paying any taxes to the Canada Revenue Agency.

Canadian Utilities is a Dividend Aristocrat and has increased payouts for 48 consecutive years. This utility company has a recession-proof business model and generates revenue from regulated assets or long-term contracts. Canadian Utilities has a forward dividend yield of 5.71%, which means a $25,000 investment in this utility giant will derive $1,427 in annual dividend payments.

Further, since 2000 CU has increased dividend payouts at an annual rate of 6.6%. So, if you invested $10,000 in CU stock two decades back, you would have purchased 1,081 shares. That investment would now be worth $35,000 after excluding dividends. The company paid a dividend of $0.45 per share in 2000, which indicates investors would have received an annual payout of $486.5, given the $10,000 investment.

This payout would have ballooned to $1,882 a year in 2020 and cumulative dividend payments would be over $20,000. We can see how investing in blue-chip companies can help build long-term wealth, especially if these stocks have an attractive yield and stable cash flows, allowing them to increase payouts regularly.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CU (Canadian Utilities Limited)

PARTNER-FEEDS

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Date

2025/08/24
Date Created
2020/11/09
Author
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