CRA Tax Breaks: 2 Obscure Deductions That Could Save You Money

Description

The Canada Revenue Agency (CRA) literally has a plateful of tax breaks, tax credits, and tax deductions for taxpayers. It would help to know them all in preparation for the 2021 tax season.

The country is in deep recession, so these CRA offerings are crucial if you want to reduce your tax bills . Canadian taxpayers often miss out on or overlook two obscure deductions. You can save money by earning credit from both at tax time.

1. Often missed medical expenses

With or without the pandemic, it's customary to claim medical expenses in Canada. However, Canadian taxpayers often miss some than others. The best way to get the most out of your claim is to have one spouse claim all the immediate family's medical expenses (for spouses and children under 18).

In case you're supporting a dependent such as an elderly parent, you can claim the medical expense credit separately. Such expense is apart from the claims for spouses and minors.

Assuming you had to travel more than 40 kilometres one way to seek medical attention or care, you can claim medical travel expenses for the trip. You can include meals and accommodation costs if the trip is over 80 kilometres, any private insurance premium payments throughout the year could be eligible for medical expenses too.

2. Overlooked moving expenses

You can claim a wide range of moving expenses if you're relocating for work. If you're moving to a home with the proximity of at least 40 km to your new place of work, you can claim related moving costs. Other overlooked moving expenses include travel, vehicle, accommodation, and meal expenses for your family.

Claims extend to fees associated with a change of address on documents or identification such as driver's license, vehicle registration, and other legal documents. Also, you can claim the title transfer expense for your new home. Even the cost of utility hookups and disconnections qualify as a moving expense.

Earn more tax-free income

Give yourself more tax breaks by earning tax-free income. Use your 2020 Tax-Free Savings Account (TFSA) annual contribution limit of $6,000 if you haven't. Purchase shares of **TransAlta Renewables** (TSX:RNW) for its generous 5.46% dividend. You can create $327.60 in passive income.

Like most utility stocks, TransAlta is a defensive and recession-resistant investment. The $4.59 billion renewable energy company operates 23 wind facilities, 13 hydroelectric facilities, and seven natural gas generation facilities. It also has one facility each i n solar power and natural gas pipeline.

TransAlta's highly diversified facilities in various geographies (Canada, Australia, and the U.S.) continue to deliver. The stock is up 16.8% year to date. Also, cash flows are stable due to the highly contracted renewable and natural gas power generation assets. The long-term contracts are with strong counterparties.

Other plus factors are strong operating expertise and extensive experience in constructing and developing projects. This top-notch company is well positioned to serve more corporate and industrial customers, shifting to renewable technologies. Analysts estimate TransAlta's annual growth in the next five years to be around 8.6%.

Save more, pay fewer taxes

The CRA is extremely busy disbursing recovery benefits and collecting taxes at the same time. It's therefore necessary to become familiar with all available tax breaks or credits for Canadian taxpayers to save more and pay fewer taxes.

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