Did You Know the CRA Gives You $500 Digital News Subscription Tax Credit?

Description

One of the crucial elements of a well-functioning democracy is an informed public, and for that, you need strong and independent news media. Local journalism is the staple of Canadian cities and towns. According to data from the Reuters Institute for the Study of Journalism, local newspapers are the most trusted brands in Canada. However, these local news publishers have been struggling even before the pandemic.

CRA support digital journalism

Hence, in Budget 2019, the Canadian government proposed tax measures to support journalism. One of the tax measures is the digital news subscription tax credit. The government is giving this tax credit to any individual who supports Canada's digital news publishers by subscribing to some of their subscriptions that qualify for the credit.

The Canada Revenue Agency (CRA) will give you a 15% tax credit on the amount you spend on qualifying subscriptions. You can get a maximum tax credit of $75 per year on up to $500 spent on qualifying subscriptions. This credit is non-refundable. Hence, apply for this only if your 2020 income tax bill after other tax breaks is above $75. The new tax credit is available for only four years, from 2020 to 2024.

The outcome of this new digital news subscription tax credit is that more people are paying for online news, thereby giving local newspapers a higher reader base.

How to get the digital news subscription tax credit

You might ask which news subscription you should buy to qualify for the digital news subscription tax credit? No one knows. The CRA states that the news provider should be a qualified Canadian journalism organization (QCJO). It is still working out the list of QCJOs and has invited news agencies to apply for the qualified status and claim the tax benefits. It will release the list of QCJOs on its web page. But so far, it has not released any such list.

How will you know which content to subscribe to?

If your news subscriber is a QCJO, it will mention the qualifying subscription expense amount on the subscription receipt. Another way is you can subscribe to those digital news subscriptions:

- Who produces original news content (digital-only or print and digital both)
- Who doesn't holds a broadcasting license
- If it is a print newspaper, it provides its readers access to content in digital form.

If your local newspaper meets these three criteria, it is more likely to become a QCJO provided it applies for the same. The CRA will give you retroactive benefits if you spent on qualifying subscriptions in 2020 and didn't claim the tax credit.

How to benefit from digital news subscription

As I said, an informed public is important for a democracy. Choose your news subscriptions wisely. For instance, financial and economic updates can help you stay informed about the new tax breaks and benefits the CRA launches. The economic updates can help you plan your investments ahead.

For instance, a recent update on a possible COVID-19 vaccine pushed stocks of **Air Canada** and **Suncor Energy** (TSX:SU)(NYSE:SU) more than 25% in just one day. Smart investors who held these stocks cashed out profits the next day. Updates like these can help you identify good stocks.

At the same time, you can use that $75 in tax savings and invest it in one of these stocks. Suncor Energy is currently in the middle of the six-year-long oil crisis, which was aggravated by the pandemic. The lockdown reduced oil demand leaving Suncor and other oil companies with excess oil inventory.

However, Warren Buffett sees value in Suncor and is therefore staying invested in it. There is no better substitute for oil in transportation fuel at least or the next 10 years. Hence, the oil demand will return when the travel industry recovers. And Suncor, being Canada's largest integrated oil company, will stand to gain.

Foolish takeaway

When the economy recovers, Suncor stock will surge to the pre-pandemic level of over $40 in the next three to five years. In the meantime, it will pay a dividend yield of 4.39%. By 2025, your $75 tax credit could convert to $175 ($16.5 in dividend income and $83 in capital appreciation.

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