Hate Taxes? Then You'll Love These 3 New CRA Tax Breaks

Description

Do you hate taxes?

Then I've got good news for you. The CRA offers a number of tax breaks that can lower your overall tax burden. By claiming them, you can get a generous refund after you file your taxes. This year, there are several *new* credits available that you can claim that weren't available in past years. In this article I'll explore three of them in detail.

Canada Caregiver Credit

The Canada Caregiver Credit is a new tax credit for people who care for disabled dependents. It's basically a consolidation of three credits that existed previously:

- The infirm dependent credit
- The caregiver credit (for in-home care of relatives)
- The family caregiver amount

The value of the credit is based on the amount of money you spent caring for the dependent. According to Canada.ca, you can claim up to $7,140. That would result in a tax savings of $1,071.

Digital News Tax Credit

The Digital News Tax Credit is a new $500 tax credit for 2020. It can save you $75 on your taxes if you claim it. It's based on digital news that you pay money to subscribe to. The credit saves you 15% of the value of your subscriptions. So, for example, if you had $300 in subscriptions, you'd save $45.

New TFSA space

Last but not least, we have new TFSA space. The TFSA is a special account that gives you a 100%

tax break on any investments you hold in it. The TFSA itself isn't new, but you'll be getting new contribution room next year. The amount of new contribution space is likely to be $6,000.

By holding stocks in a TFSA, you can create a generous "tax break" for yourself. We can illustrate how this works with an example.

Imagine that you held $50,000 worth of **Canadian Imperial Bank of Commerce** stock in non-TFSA account. CM is a bank stock that yields 5.4% at today's prices. That yield means you'd get $2,700 in annual cash back on the position. That alone could generate significant taxes. With a 33% marginal rate, you'd pay about $670. On top of that, you'd have to pay your full tax rate on 50% of any capital gain you generated. The combined tax (on both dividends and capital gains combined) could be substantial. If you paid $670 in dividend taxes and $1,000 in capital gains tax, you'd pay $1,670 in total taxes.

By holding your shares in a TFSA, you skip all of those taxes. So, just by choosing to hold your investments in a TFSA, you give yourself a tax break potentially worth thousands of dollars. In 2021, you'll probably get $6,000 in new TFSA space, so you can give yourself this "tax break" even if your TFSA is already maxed out.

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Date
2025/09/18
Date Created
2020/11/19

Author
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