3 Ways to Earn Passive Income the CRA Won't Tax

Description

Canada introduced a variety of financial measures in 2020 for individuals and businesses affected by the coronavirus pandemic. To further cushion the impact, the Canada Revenue Agency (CRA) came out with several tax-free benefits aside from extending tax filing and payment deadlines.

The temporary income support programs like the Canada Emergency Response Benefit (CERB) and Canada Recovery Benefit (CRB) are taxable incomes. Recipients will still contend with taxes in the coming tax season. However, you can lessen the tax burden by earning tax-free passive income in three ways.

1. Use your TFSA

Nothing beats the Tax-Free Savings Account (TFSA) when it comes to tax-free advantages and money growth. Purchase a Dividend Aristocrat like **Canadian Utilities** (TSX: CU) to invest in your TFSA to earn non-taxable passive income. You can withdraw any amount, anytime, and the CRA won't be at your back.

Canadian Utilities is one of the largest utilities in Canada. Its holding company, **Atco Ltd**, has more than 50% stake in this $8.68 billion dividend achiever. The utility stock pays a mouth-watering 5.53% dividend. The company has raised dividends for 48 straight years. The payouts should be safe and lasting, given the low-risk business model.

CU derives earnings from regulated sources (86%) and long-term contracted assets (14%). Its core businesses are in utilities, energy infrastructure, and retail energy. Since the services are all essentials, the stock is recession-resistant. CU's ongoing capital investment should drive utility asset growth for sure.

2. Invest in real estate via REITs

Your second reliable option to earn passive income is to invest in real estate through real estate investment trusts (REITs). Again, you make use of your TFSA. A high-yield income stock that's best in your TFSA is **NorthWest Healthcare Properties** (TSX:NWH.UN).

The only real estate stock in the cure sector pays a fantastic 6.49% dividend. Imagine earning a tax-free income of $389.40 from a $6,000 capital. NorthWest Healthcare has a market capitalization of $2.13 billion and operates a portfolio of high-quality medical office buildings, clinics, and hospitals.

NorthWest Healthcare's 189 income-producing properties are in Canada, Australia, Brazil, New Zealand, and Europe. In Q3 2020 (quarter ended September 30, 2020), the REIT posted $72.2 million in net operating income, a 3.4% year-over-year increase. The occupancy rate held steady at a high 97.2%.

Performance-wise, the real estate stock's year-to-date gain is 7.89%. Buying a property in uncertain times is a bit risky. The next-best alternative to owning one is to buy NorthWest Healthcare shares less cash outlay and a recurring income stream.

3. File your 2019 tax return

If you're eligible for the Canada Child Benefit (CCB), but did not file your 2019 tax return, make sure you file as soon as possible. The CCB enhancements took effect in July 2020. CCB is more of a benefit than passive income. Nevertheless, the monthly payment is tax-free.

For the 2020-21 benefit year, the maximum amount is $6,765 per child under age six ($563.75 per month and $5,708 per ~~child~~ age six through 17 ($475.67 per month).

Less strenuous ways

The three ways are simple. Let your free cash work in 2020 and beyond by maximizing your TFSA. Claim tax-free benefits like the CCB if you're eligible to boost household income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CU (Canadian Utilities Limited)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise

7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/23
Date Created
2020/11/26
Author
cliew