Hate Taxes? 3 Tax Write-Offs You Can Use to Save Money

Description

For Canadian taxpayers, the 2020 tax year is different from previous years. There's an extension of the tax filing and payment deadlines and the introduction of new cash benefits and tax breaks by the Canada Revenue Agency (CRA). Nothing is definite if there'll be similar extensions in 2021.

Taxpayers welcome the Canada Emergency Response Benefit (CERB) and Canada Recovery Benefit (CRB) but will have to contend with taxes next year. However, you can use three tax breaks or write-offs to save money or compensate for taxes due from COVID-19 benefits.

1. Enhance skills and get $250

Employed and unemployed Canadians who are staying home during the pandemic can get $250. If you take occupational-skills or post-secondary courses to enhance your skills, you can claim the Canada Training Credit (CTC).

From 2020 onward, a taxpayer can claim the refundable CTC against the tuition fee or training cost provided it's from an eligible institution.

2. Working from home 50% of the time

The work-from-home culture is catching on fast due to the coronavirus outbreak. If you convert a space or portion of your home into a work station, there's a lucrative tax break for you. It's called the "work-space-in-the-home" deduction.

You can deduct part of your expenses (25%) like electricity, heating, maintenance, and rent from your taxable income. The CRA allows the claim, provided you spend more than 50% of the time working from home or conduct business and client meetings in your abode. Deductions must not exceed your income.

3. Claim tax benefit on RRSP

Another way to reduce your tax bill is by investing in a Registered Retirement Savings Plan (RRSP). You can claim the tax benefit on RRSP contributions. Invest in the account if your current tax bill is high and withdraw when taxes due are low.

If securing permanent employment is unlikely in the next couple of months, investing some money in your RRSP reduces the current tax bill.

Ideal RRSP holding

A compelling investment option for RRSP users is **TC Energy** (TSX:TRP)(NYSE:TRP). Since the energy stock is a high-yielder, it's a good choice for tax-free money growth in an RRSP. This $55.05 billion Canadian midstream operator pays a 5.53%. It's safe to say the dividends are sustainable because the payout ratio is a low 67.23%.

TC Energy's operations are diversified. It engages in natural gas, liquids, power and storage businesses. The company's 92,600 km network of natural gas pipelines serves customers in Canada, Mexico, and the United States. While the energy markets are volatile in 2020, TC can endure the downturn due to its regulated assets.

The stock's total return over the last 20 years is 830.49%. Similarly, TC Energy has increased its dividends for 20 straight years at 7% CAGR. Management plans to expand it some more, between 8% and 10% in 2021. The goal is achievable, given the regulated and contracted cash flows and growth projects in the pipeline.

Hate taxes, but know the breaks

While you can hate taxes all you want, you still need to prepare for them every tax season. It would be best to know the tax breaks available. The three mentioned above can significantly reduce your tax bill. Sometimes, you might even bring down the amount and pay the CRA zero.

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cliew