Hooray! The CRA Is Providing a $500 Digital News Tax Credit

Description

The federal government in Canada is truly walking the talk when it promises Canadian individuals and businesses that no one will be left behind. One business the COVID-19 pandemic continues to ravage is digital news media. Besides a significant reduction in advertising revenues, Canadian digital news media organizations face stiff competition from international news providers.

To support and keep the business model financially sustainable, the government introduced a new temporary, non-refundable 15% tax credit for qualifying subscribers of eligible digital news media. Canadian taxpayers who frequent digital platforms for news can now help through the $500 Digital News Subscription Tax Credit (DNSTC).

Small help for a noble cause

Digital news media organizations need your support in 2020. The Canadian Radio-Television and Telecommunication Commission (CRTC) also wants to promote the "discoverability" of national content, news, and entertainment on digital platforms.

If you're a taxpayer, you can claim a tax break for qualifying subscription expenses after 2019 and before 2025. All you need to do is enter an agreement with a Qualified Canadian Journalism Organization (QCJO) that offers online news subscriptions. Make sure your access to news is in digital form.

Rare tax break

DNSTC is one of several tax breaks from the Canada Revenue Agency (CRA) in 2020. This non-refundable tax credit is the incentive for taxpayers who are supporting Canadian news media. You can visit the tax agency's webpages to know the digital news media organizations with QCJO status.

The CRA calculates the maximum credit as follows: they multiply the lowest personal income tax rate (15%) by the total of all amounts paid by individuals for qualifying subscription expenses in a taxation year up to $500. The resulting maximum tax credit is $75.

Remember that non-digital content is not a qualifying expense. The CRA allows taxpayers to claim this rare tax break only on expenses for standalone digital subscriptions.

On track for a healthy recovery

If you want to add dividend income to your tax savings, consider investing in a quality name in the telecom industry. **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) is Canada's third-largest telco with its $30.91 billion market capitalization.

The telco stock pays a decent 3.35% dividend but has the potential to grow its yield. A $54,000 investment today will produce a $150.75 in monthly income, or double the maximum DNSTC you can get in a year. Since money is tight in the current recession, the income from Rogers should be a welcome boost.

Business is picking in Q3 2020 following the hit from the pandemic. COVID-19 virtually stopped sports operations, although revenue from Rogers's media segment rose 1% during the quarter. Heading into Q4, Rogers's free cash flow stood at $868 million (+13% year on year), while its liquidity position was $5.5 billion.

The good news is the robust consumer adoption of Rogers Infinite unlimited data plans. Year to date (nine months ended September 30, 2020), total subscribers went up by nearly 60% to 2.2 million. Analysts are bullish and forecast the stock to rise 26% to $77 in the next 12 months.

Subscriber's reward

If you're an avid follower of digital news, show your support to local media organizations. Your subscription with a QCJO can keep the business afloat and improve its chances of surviving the crisis. DNSTC is your reward.

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