Canada Revenue Agency: Reduce Your Tax Bill With 3 Easy Deductions

Description

Whether or not you like the fact that the Canada Revenue Agency (CRA) gives you a substantial tax bill, you know that you have to pay your dues. Without a taxation system like the one we have, I doubt we would have been able to make it through the loss of income during this pandemic.

Paying your taxes is an obligation, but it also provides you several facilities that you can benefit from in Canada. With all that being said, there is nothing stopping you from reducing your tax bill. There are various tax credits and deductions that can help you minimize your tax bill.

Most of the tax benefits are geared towards low-income households and individuals. However, there are many tax deductions that most people can leverage. Here are some of the most useful deductions that can help you reduce your tax bill.

Childcare expenses

If you have a household with children, this is something you and your spouse can take advantage of in Canada. If both of you work and have to hire a caregiver or admit your child to a daycare facility, you can claim the expense.

Childcare expenses are deductible for eligible children under the age of 16. You can use this tax deduction to claim up to $8,000 for children under the age of seven and $5,000 for children between eight and 16.

Home office tax credit

Many people are working from home these days. If you have to use space in your home as an office space, you can apply for this tax deduction. You should know that this tax deduction was designed for freelancers and people running businesses from home. There is a chance you can qualify for the tax credit if you spend most of your working hours at home in a designated space. Additionally, you can qualify if you use the space primarily for work, and you have invested in improving the workspace.

RRSP tax deduction

Perhaps the most straightforward deduction you can go for is the Registered Retirement Savings Plan (RRSP). You can claim a significant amount in tax deductions if you are contributing to an RRSP. Maxing out your contributions to the retirement savings account can help you make the most of it.

While you can make cash contributions to your RRSP, you can make better use of the opportunity. Instead of using the account to hold cash, you can use it to store income-generating assets like **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS). BNS is a well-known name among Canadian investors and a staple investment for many.

The RRSP provides you with tax-deferred growth in your account. Any holdings within your account can grow your account balance tax-free as long as you remain invested. BNS can be the perfect long-term investment for this purpose. Scotiabank is the third-largest bank in Canada that took a beating this year.

BNS made significant investments to expand its operations to Latin American nations like Chile, Peru, Mexico, and Columbia. These markets suffered greatly due to the pandemic. However, a recovery in these markets can prove beneficial for the Canadian bank in the long run.

BNS is a reliable dividend stock with a wide financial moat that can see it make it through to the other side of its current financial challenges. The stock is trading for $64.65 per share at writing, and it is paying its shareholders at a juicy 5.57% dividend yield.

Investing in the stock can help you reduce your tax bill through your contributions. Additionally, you can benefit from the capital gains with its gradual recovery and continue growing your account balance through the reliable dividend income.

Foolish takeaway

The situation might be less than ideal right now with the pandemic. However, there is some positive news on the vaccine front. Who knows? 2021 might be a year to look forward to for most people. You should try to make the most of it by reducing your tax bill using these deductions.

I think that BNS could be useful in the short term for reducing your tax bill through RRSP contributions. Additionally, it can provide you with long-term financial security through tax-deferred growth in the account.

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