Canada Revenue Agency: Don't Forget to Claim These 2 Juicy Tax Deductions

Description

Canadian taxpayers must be aware of income tax deductions or credits available. The 2021 tax season is in a few months, and a taxpayer shouldn't miss out on credits to lower taxable income or reduce tax payables directly. The Canada Revenue (CRA) has a slew of tax deductions and credits in 2020, all of which benefit individual taxpayers.

Tax deductions are the amounts you can subtract from your tax due and are non-refundable. Claiming the deductions reduces your tax payable, sometimes to zero. There are two juicy tax deductions you mustn't forget if you're looking to pay fewer taxes or derive tax savings next year.

1. Child care expense deduction

Canadian taxpayers can claim up to $8,000 per child (for children under the age of seven years at the end of the year). The child care expense deduction is a deduction from gross income if the claim's purpose is to earn a living or go to school. Parents with disabled children of any age that qualify for the disability tax credit can claim as much as $11,000.

The CRA allows claims on the following childcare expenses you incur in the tax year:

- Caregiver costs, such as nannies and babysitters
- Expenditures on day nursery schools and daycare centres
- Payments to educational institutions that provide childcare services
- Charges by day camps and day sports schools with a primary goal of childcare
- Outlays on boarding schools, overnight sports schools, or camps where lodging is involved

Note that only a spouse or common-law partner can claim this deduction. You'll also not qualify if one of the parents is not working, studying, or receiving Employment Insurance (EI).

2. Deduction for an elected split-pension amount

Canadian seniors have potential tax savings when retirement comes and one spouse has more income than the other. The CRA allows the transfer of up to 50% of pension income through splitting between spouses.

Eligible pension income includes payments from a Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF), company pension plan, and some annuities. Pension splitting is also a proven way to avoid the 15% Old Age Security (OAS) clawback.

Growing passive income

Canadians who seek a growing passive income in 2021 should look no further. **Fortis** (TSX:FTS)(NYSE:FTS) ranks number one in any income investor's shopping list. This $23.89 billion electric utility company generates nearly all its earnings from regulated utility assets. Such a business model makes it a low-risk and defensive investment.

In the 2020 pandemic, Fortis is again displacing resiliency. At the current price of $51.42 per share, this top-notch utility stock pays a decent 3.93% dividend. The company has increased its dividends for 47 straight calendar years. Meanwhile, management promises to increase dividends by 6% annually through 2025. The foray into renewable power should drive growth further.

If you're starting with $100,000 worth of shares, the passive income is $3,930. In a 20-year window, income will grow to $216,181.51. Retirees can fill the inadequacy of the Canada Pension Plan and Old Age Security pensions with the recurring income stream from Fortis.

Don't forget…

Taxes are the most significant expense for most Canadian families. However, savvy taxpayers can lessen the tax bite by not forgetting the juiciest tax deductions.

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