Canada Revenue Agency: 3 Helpful Tax Deductions You Might Have Missed in 2020

Description

Time flies, and the new tax season would be here soon. The Canada Revenue Agency (CRA) extended the tax filing and tax payments in 2020 (for the income year 2019) but hasn't announced an extension for 2021. However, it would be best for Canadian taxpayers to review their tax forms this early.

Tax experts recommend a line-by-line check, if possible, to make sure taxpayers know what to claim to reduce their 2020 tax bills. There are three tax deductions people often overlook. If you're eligible, these deductions could even bring your tax payable to zero.

1. Moving expenses

Did you move in 2020 to work or start a business in a new location? The CRA allows employed and self-employed individuals to claim moving expenses. Students who moved for education purposes and enrolled as a full-time student enrolled in a post-secondary program can also claim the cost.

You can also claim moving expenses if the transfer is at least 40 kilometres closer to the new work or school. Among the allowable costs are travel from the old to the new site, transportation and storage for household effects, accommodation, meals, and temporary living expenses near the new or old residence. Charges on address change on legal documents qualify too.

2. Child or spousal support payments

You can claim a tax deduction for either child support or spousal support payments but not both. A taxpayer can't claim a tax deduction for spousal support payments if there were child support payments. The latter doesn't count as taxable income of the spouse, but spousal support payments received must be declared.

3. Simplified work-space-in-the-home tax deduction

If you're conducting business at home or using a space as a make-shift office, you can claim the work-space-in-the-home tax deduction. Based on the fall economic statement dated November 30, 2020, the process to claim this tax deduction has been simplified.

The CRA will allow employees and self-employed individuals working from or doing business at home to claim up to $400. The tax deduction depends on the amount of time working from home. There's no need to track detailed expenses anymore.

Earn tax-free from an income stock

Transcontinental (TSX:TCL.A), one of the better-performing stocks in 2020, pays a fantastic 4.45% dividend. You can max out your $6,000 Tax-Free Savings Account (TFSA) contribution limit in 2021 to earn a tax-free income of $267. The payout should be safe, given the low payout ratio of 40.27%.

The $1.92 billion company from Montreal, Canada, is the acknowledged leader in North America's flexible packaging industry. It's the largest printing company in the home country, where Transcontinental also has specialty media segments. The packaging business (53%) has overtaken the core printing business (44%) in contribution to total revenue.

While revenues in Q3 2020 decreased by 19.4% to $728.9 million compared to Q3 2019, operating earnings increased by 33% to $18.7 million. Management attributes the lower volume in the printing sector to the COVID-19 pandemic. Despite the temporary strain on the business, Transcontinental expects to continue generating significant cash flows from all its activities.

Claim and recoup

If the tax deductions aren't enough for you, use your TFSA to recoup your tax payables. Your TFSA contributions are not tax-deductible, and you get your full investment return from a dividend stock holding.

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