Here's a $6,000 Passive Income Source the CRA Won't Tax

Description

The Canada Revenue Agency (CRA) hasn't announced an extension for the tax filing and tax payment dates for the coming year. Rather, the agency encourages taxpayers to get ready not to miss the deadline on April 30, 2021. Self-employed or individuals with a spouse or a common-law partner who is self-employed have until June 15, 2021, to file tax returns.

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No income is off the hook for taxes except earnings from one source. If you have a Tax-Free Savings Account (TFSA) and utilize the new $6,000 annual contribution for 2021, the CRA won't tax the passive income you'll generate. Also, your tax-free income could be higher if you have an unused contribution room in 2020.

Rolling contribution limits

The TFSA contribution room accumulates every year. If at any time in the calendar year you turn 18 years old, you can open a TFSA. You must be residing in Canada and have a valid Social Insurance Number (SIN) for the CRA to accept your TFSA contributions.

Filing an income tax and benefit return or opening a TFSA are not pre-conditions for the TFSA contribution room to accumulate. Likewise, investment income earned in the account and changes in your TFSA investments' value doesn't affect contribution room for the current or future years.

Tax protection in 2021

Like the Registered Retirement Savings Plan (RRSP), a TFSA is a long-term savings vehicle available to Canadians. Its salient feature unmatched by any investment account is tax protection.

Whatever interest, gains, or dividends that accrue within your TFSA is 100% tax-exempt. Aside from the rolling contribution limits, withdrawal options are flexible. You can take out or withdraw as many funds as you want from your TFSA, at any time, without penalty. However, excess contributions are subject to a monthly 1% interest penalty.

Continuing growth

The additional $6,000 contribution room next year can produce non-taxable passive income anew. If you don't expect to use the money anytime soon, **Jamieson Wellness** (TSX:JWEL) is an attractive investment option.

The $1.39 billion company manufactures, distributes, and sells high-quality natural health products. It's well-positioned to deliver massive gains in 2021 and beyond. After reporting impressive financial results in Q3 2020, analysts expect strong growth across all segments and elevated demand for Jamieson's products to continue.

COVID-19 is mostly the reason for the accelerating demand for immunity and general health supplements. In Q3 2020, net income rose 146% versus Q3 2019. For the nine months ended September 30, 2020, Jamieson posted revenue and net income growth of 17% and 42% compared to the same period last year.

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Because analysts expect consumers to seek health and wellness solutions in 2021, they recommend a buy rating for Jamieson Wellness. They forecast the stock price to soar by 43% to $50 in the next 12 months. Your $6,000 could be worth $8,573.88 in one year.

Tax-free income for life

Great the New Year with a bang and prioritize saving money in 2021. A TFSA has no maturity date. Hence, the best strategy for old and new users is to max out the CRA's limit every year. Keep it open, contribute as long as you wish, and make it your source of tax-free income for life.

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1. Dividend Stocks
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