



Canada Revenue Agency: 2 Big Changes Coming to Your 2020 Tax Bill

Description

The 2020 tax year will be different from the earlier years, as COVID-19 wreaked havoc worldwide. In the light of the pandemic, the Canada Revenue Agency (CRA) gave [cash benefits](#) and introduced new tax breaks. You should start calculating your taxable income early, as there are several one-time items in your 2020 tax bill.

What are the changes in your 2020 tax bill?

The CERB: The CRA gave \$2,000 per month in the Canada Emergency Response Benefit (CERB) last year to support Canadians who lost their jobs because of the pandemic. Eligible people received the CERB for the March 15 to September 26, 2020 period. You can get a maximum of \$14,000 in CERB. You will have to include it in your 2020 taxable income.

The CRB: The CRA is giving the CRB to people who lost their jobs or took a pay cut because of the pandemic. These people are not entitled to receive Employment Insurance (EI) benefits. Eligible Canadians can apply for the benefit between September 27, 2020, and September 25, 2021. You can get a pre-tax CRB payment of \$1,000 every two weeks for a maximum of 26 weeks.

Work-from-home tax deduction: The CRA allows you to deduct \$2 per day up to a maximum of \$400 in the [home office expenses](#) for the days you worked from home last year. The \$400 is equivalent to 200 days of working from home. The working days exclude sick leaves, vacations, and statutory holidays. You can claim this tax deduction only if you worked from home for more than half of your working hours for four consecutive weeks. Further, you can deduct only the expenses you incurred to work from home and were not reimbursed for by your employer.

How the one-off items impact your taxes

Let us understand this with the help of an example. Nils is a chef and lives in Toronto. He was laid off in September, as his company was cutting costs following losses due to the pandemic. In his free time, Nils started baking cakes as a hobby. He supplied his cakes to an online bakery shop in the last

quarter of 2020. He got his job back in January. So, he stopped supplying cakes to the online bakery.

Nils can claim a work-from-home tax deduction of \$120 as he worked from home for 60 days (20 days each month for three months). Nils can also get the CRB payment for the 12 weeks that he supplied cakes to an online bakery shop. He will get \$5,400 after-tax in CRB payment.

How to maximize the CRA benefits

You can put some portion of the CRA benefits in the Registered Retirement Savings Plan (RRSP). The CRA allows you to put 18% of your earnings or \$27,230, whichever is lower, in an RRSP. You can contribute to an RRSP till March 1, 2021, and deduct your contribution from your taxable income.

It is unadvisable to withdraw from the RRSP as the CRA can charge you up to 30% on the amount you withdraw. Since RRSP is a long-term investment plan, you can invest in dividend aristocrat **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). The company has built a reputation by growing its dividend, even during the pandemic. It was able to do so as it has been building pipeline infrastructure over the years.

Enbridge is one of the leading oil and natural gas pipeline operators in North America. It continues to expand its pipeline infrastructure, with three new projects likely to go live between 2021 and 2023. The company will continue to pay dividends as long as there is a demand for natural gas and oil. Even when renewable energy replaces oil and natural gas, Enbridge will be able to generate cash, as it is expanding into renewable energy and gas storage.

If you invest \$2,000 from the CRA benefits in Enbridge, it will give you an annual dividend of over \$152 in 2021. This amount will increase to around \$330 in the next 10 years if the company increases its dividend per share at an 8% compounded annual growth rate.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Personal Finance

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Personal Finance

Date

2025/09/15

Date Created

2021/01/27

Author

pujatayal

default watermark

default watermark