



Canada Revenue Agency: Avoid These 3 Mistakes While Filing Your 2020 Income Tax

Description

The 2020 tax year is over and, unlike last year, the Canada Revenue Agency (CRA) won't extend the income tax-filing deadline in 2021. It's better to start reading about your taxes and collecting supporting documents as that will take time. Although the deadline to pay your 2020 income tax [is April 30](#), the CRA encourages you to file your returns as early as February's end. Here are three common mistakes that delay the whole tax process.

Not filing income tax returns because you don't have an income

Many Canadians don't file their income tax returns if they have no working income. But they could forget to account for the money you earned from investments or income splitting with your spouse. Even if you don't work, you should file your tax returns, as the CRA offers many refundable benefits to low- and mid-income earners.

For instance, a single person above 19 years of age can get an average goods and service tax (GST) credit of \$296 and up to \$451. You can also get \$1,381 in the Canada Workers Benefit (CWB). For both credits, your annual net income should be below \$47,527 and \$24,573, respectively. You can also get child benefit if you are a parent and the old age security (OAS) pension if you are above 65 years of age.

You can get all the above cash benefits just by filing your returns.

Not reporting income from all sources

The CRA noted another common mistake Canadians make while filing returns is that they only state their working income. There is other income like tips, gratuity, income from part-time work, dividends, investment income, and taxable benefits like the Canada Pension Plan (CPP). This year, there will be

an addition of Canada Emergency Response Benefit (CERB), Canada Recovery Benefit (CRB), and other taxable COVID-19 benefits.

Ensure that you add these benefits to your 2020 taxable income. If you have maxed out your CERB and Canada Recovery Benefit (CRB), you will have to add \$19,500 (\$14,000 from CERB and \$5,400 from after-tax CRB) in your 2020 taxable income.

Claiming the wrong deductions or missing out on eligible tax breaks

The third most common mistake is missing or misunderstanding the tax breaks. The CRA offers many tax credits and deductions depending on your age, income, marital status, and the number of children. There are tax breaks like the basic personal amount, pension income amount, age amount, and caregiver amount.

Moreover, the CRA introduced three new tax breaks in 2021: the digital new subscription credit, Canada training credit, and home office expense deduction. You can learn about these tax credits in my [Tax Planning 101](#) series.

Make your investment grow in a tax-effective way

The right information can significantly reduce your tax bill and give you several tax-free cash benefits. The CRA also offers another way to grow your investment income in a tax-efficient way. You can contribute \$6,000 in your Tax-Free Savings Account (TFSA). This contribution will be taxed, but your income from these investments will not.

The tech stocks surged to unprecedented levels last year, limiting their upside. If you are looking for strong growth, you can consider investing in electric vehicles (EV). Many EV-related stocks came into the limelight as the U.S. president Joe Biden supported EV adoption and EV infrastructure.

Ballard Power Systems ([TSX:BLDP](#))([NASDAQ:BLDP](#)) is not directly related to EV. But it supports the electrification of heavy-duty vehicles. Its fuel cells are an effective way for buses, trucks, and trains to reduce carbon emissions.

Ballard Power has won several contracts in Europe and China. The addition of the United States opens a huge market for the fuel cell maker. Moreover, the rising e-commerce trend is driving logistics demand to the next level. Companies like **Amazon** and **Shopify** adopt environmentally friendly initiatives to reduce their carbon footprint.

For the last few decades, clean energy companies have suffered from tepid growth. But the growing awareness of environment, social, and governance policies is making capital easily available for such companies. Moreover, they are benefitting from government policies and generous subsidies. Ballard Power stock has surged almost 65% year to date and has the potential to grow significantly in the 2030 decade.

CATEGORY

1. Investing
2. Personal Finance

TICKERS GLOBAL

1. NASDAQ:BLDP (Ballard Power Systems Inc.)
2. TSX:BLDP (Ballard Power Systems Inc.)

PARTNER-FEEDS

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

Category

1. Investing
2. Personal Finance

Date

2025/09/02

Date Created

2021/01/27

Author

pujatayal

default watermark

default watermark