CRA: 2 New Tax Mistakes Investors Could Make in 2021

Description

Every year, the Canada Revenue Agency (CRA) must tackle mistakes and errors on individual filings. The tax system is just so complex that some things are bound to slip through the cracks.

However, the health and economic crisis of the past year could make the 2020 filing exceptionally complicated. Millions of Canadians saw their lifestyle disrupted in some way, and their financial situation may have changed drastically over the past 12 months. Meanwhile, the CRA has introduced new rules, benefits, and deductions to support the economy.

All things considered, there's more room for error than ever before. Here are the top two income tax mistakes Canadians could make this year.

Not claiming all sources of income

Under normal circumstances, income is derived from a limited number of sources. Usually, you must declare money made from employment, self-employment, dividends, interest, and capital appreciation separately. This year, you may have to declare and pay taxes on benefits, too.

The CRA's Canada Emergency Response Benefit (CERB), Canada Recovery Benefit (CRB), and other COVID-related benefits are taxable. This means you must set some money aside to pay a portion of your benefits and declare this amount in your filings.

Overlooking benefits as a taxable form of income could be one of the most common mistakes taxpayers make this year.

Missing out on CRA deductions

With millions of Canadians working from home for the first time, the CRA introduced the home office expense deduction. This deduction usually applied to self-employed workers or remote workers under special circumstances. This year, it could potentially apply to everyone.

You may need to ask your employer to sign a form and account for all your home expenses. Altogether this deduction could be up to $400. Missing out on it could be a common error in this year's filing season.

Reduce taxes and invest deductions

Filing your taxes efficiently could help you reduce penalties and maximize deductions. Put simply, it leaves you with more cash to save and invest. One of my top investment picks for 2021 and beyond is utility giant **Fortis** (TSX:FTS)(NYSE:FTS).

What I like about Fortis is how stable and predictable it is. It's a service provider that's absolutely essential. People pay their utility bills, even during a crisis or market crash. Furthermore, roughly two-thirds of Fortis's cash flows are locked in with long-term corporate and government contracts. Only the remainder is residential.

Put simply, Fortis can forecast cash flows several years in advance. This allows it to allocate a dividend with confidence. In fact, the company has bumped up dividends every year for the past 46 years. It's promised to hike dividends until 2023 at least.

Currently trading at $51.7, this stock offers a lucrative 3.9% dividend yield. If the CRA leaves you some cash to spare, consider investing it here.

Bottom line

Canadian tax filers could make plenty of mistakes this year. The CRA has rolled out benefits and new deductions, which could be complicated to declare on your tax filing. However, getting it right will leave you with savings you can invest into dividend stocks like Fortis.

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Date
2025/09/12
Date Created
2021/01/29
Author
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