Canada Revenue Agency: 3 Under-the-Radar Tax Deductions to Claim

Description

Taxes are an essential part of every functional society. It's how a government generates funds and keeps the country functioning. Taxes pay for many welfare and emergency benefit programs (among other things), and we saw how crucial it was firsthand in 2020. But taxes aren't just a financial responsibility; they are also a financial burden on tax payer's wallet.

Some taxpayers, especially those who have to pay every single tax dollar out of their own pocket (business people, freelancers, etc.), usually require significant financial discipline and planning to ensure that when the time to pay taxes comes, they have enough funds. Since it doesn't come out of their paycheque, they need to plan accordingly.

But there are methods that every tax-payer can employ to reduce that tax burden a bit. Plenty of deductions are available for Canadian tax-payers. Some of them cater to the whole tax-payer population, while others are for specific segments.

Share your good fortune with others

If you are in the habit of sharing your good fortune with others and donate generously, you'll also be rewarded by the CRA if you contribute to a qualified charity. You can write these donations off on both your federal and provincial taxes and get a non-refundable tax credit, which reaches 33% (max) on the federal tax level.

Child care expense

This tax break is ideal for single parents or households where both parents work. Parents can claim child care expenses for an eligible child – under 16 years of age and earning less than $13,229. The age restriction doesn't apply to children with disabilities.

The maximum amount you can claim varies with the child's age, i.e., $8,000 if they are under seven years of age and $5,000 for children between the ages of 7 and 16. You can claim daycare, nanny, caregiver, and even the section of the school fee that pertains to the child's care as an eligible child care expense.

The most sizeable deduction

One of the most generous and usually the most sizeable deduction you can get is maximizing your RRSP contributions. The more you save and invest in your future, the more sizeable your tax deduction would be. One stock that might do well in your RRSP is **True North Commercial REIT** (TSX:TNT.UN). The REIT is offering a mouthwatering 9.2% yield, and it can create a lot of cash in your RRSP, given enough time.

The payout ratio is in dangerous territory at 181%, but the company has managed to sustain its dividends through payout ratios higher than 100% in the past as well. The chances are that it might stay healthy and doesn't slash its dividends. One fact that endorses this "hope" is that the company has been increasing its revenues like clockwork for the last seven years, and the trend has continued till the last quarter.

With a healthy revenue stream, the company will likely be able to sustain its dividends.

Foolish takeaway

You might not be eligible for every tax deduction and credit out there, but it's essential that you leverage every single tax break that you can get. The money you save from giving away to the CRA can go toward your investments and help you create a safe financial future for yourself. Taxes are necessary, but you shouldn't pay more than you absolutely have to.

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