Want to Pay Less Taxes? Listen to These 3 Little-Known Tax Breaks

Description

Tax-break announcements, regardless of amount, are the music to the ears of taxpayers. In Canada, not everyone knows all the tax breaks from the Canada Revenue Agency (CRA). Usually, the cramming begins when the tax-filing and tax-payment deadlines are near.

Taxpayers want to reduce tax obligations as much as possible every tax season. If you want to pay fewer taxes to the CRA, you can claim three little-known tax breaks. You shouldn't miss them this time, if applicable to your current situation.

1. Childcare expenses

The support to parents is not limited to the Canada Child Benefit (CCB). Parents spend for nanny, caretaker, daycare, and other related expenses if both spouses have no one to look for their children while they're at work. The spouse or parent with lower income can claim this necessary expenditure on the income tax return.

The amount of claim could be up to $8,000 yearly for children below seven. If the child is between the ages of seven and 16, a parent can claim up to $5,000 in childcare expenses. Collect the receipts and obtain the SIN of the service providers.

2. Pension splitting

The CRA has no qualms when spouses split the Canada Pension Plan (CPP) pension by up to 50%, because the scheme is legitimate. It's a tax-saving tool for seniors of at least 60 and if a spouse's income is higher than the other. The spouse in the higher tax bracket can instantly lower the tax bill.

3. Transfer of tax credits to a spouse

Similar to pension splitting, the CRA allows the transfer of tax credits to a spouse. This method works best if a spouse or common-law partner has certain tax credits, but the tax obligation isn't enough to cancel or zero out taxes after application.

In such a case, you can transfer excess tax credits to a spouse or common-law partner. The higher-income spouse can offset the tax obligation and lighten the couple's tax burden. Tuition fees, education costs, textbook amounts, pension, and disability amounts are among the eligible expenses.

Popular tax-advantaged account

Canadians know the Tax-Free Savings Account (TFSA) very well, because the CRA can't tax any income or gains inside this investment account. If you plan to max out your $6,000 TFSA limit in 2021, pick a dividend stock that has weathered the 2020 market crash. **Transcontinental** (TSX:TCL.A) shares sank to as low as $9.23 on March 23, 2020.

Today, the stock price is $21.60, or a meteoric rise of 134%. Despite the 14.7% drop in revenue in the nine months ended September 30, 2020, operating earnings rose by 4.5% versus the same period in 2019. For would-be investors, the current dividend offer is a respectable 4.17%. Your $6,000 will produce $282.60 in tax-free money.

Transcontinental has a $1.88 billion market cap and currently the largest printing company in Canada. In North America, it's the industry leader in flexible packaging. Meanwhile, the full synergy of all business segments is an ongoing concern. It should result in operational efficiency and organic growth in the near term.

Tax breaks to soften the tax bite

The little-known taxes should help taxpayers save cash and soften the tax bite. If you're eligible for one or all, don't miss them when you file your tax returns.

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