



Canada Revenue Agency: File Your Income Tax Returns in 3 Easy Steps

Description

Are you 19? Are you still studying and don't have any income or any significant income? If your answer is yes, then you should file your income tax returns in April. You may ask why. There is a misconception that only those who have taxable income are supposed to file income tax returns.

Why should you file income tax returns?

The Canada Revenue Agency (CRA) encourages every Canadian above 19 to have a valid Social Insurance Number and file their returns. It uses your income tax return to get information about your age, income, marital status, and the number of children.

Once the CRA has the updated information about you in its system, it calculates the various benefits you are eligible for. It automatically credits the benefit amount into your bank account updated in its system during the July–June period.

April 30 is the [last date](#) to file your income tax returns and pay any pending dues, or the CRA will impose interest/penalties for late filing.

File your income tax returns in three easy steps

There are three steps to file your income tax returns:

Gather tax information: The first step is to calculate the income you earned from employment, self-employment (T4 slip), benefits (TR4/TRE slip), and investments (T5 slip). For the 2020 tax year, you will have to add to your taxable income the COVID-19 benefits you received. If you earned investment income from your Tax-Free Savings Account (TFSA), you need not add that to your taxable income.

Complete your tax returns: Once you have come to the taxable income figure, it is time to complete your income tax returns. Update your personal information like date of birth, marital status, and bank account. Attach all the income slips and apply necessary deductions, expenses, and [tax credits](#) that

apply to you, like digital subscription tax credit and home-office expenses. You should save the receipts to support your claims if the CRA asks. The CRA advises you to keep all your tax documents and receipts for at least six years.

Pay the balance owed, and after you have completed and checked, and re-checked your income tax returns, send it using software, on paper via mail, or by phone. The CRA encourages you to submit your returns electronically as it eases and expedites the process.

You will get a notice of assessment (NOA) immediately after you file your returns electronically. If you want to make any change to your returns do so after you receive the NOA. If there is any refund, the CRA will credit it into your account within eight business days in the case of online filing and eight weeks in the case of paper filing.

Set aside a portion of your investment for tax bill

Your annual income tax bill can run into thousands of dollars. If you don't prepare for it ahead, tax season can leave you cash-strapped in April. Every week you can invest \$100 in a low-risk, high-yielding dividend stock like **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) through your TFSA.

Enbridge's pipeline business model helps it generate predicated cash flows irrespective of the economic conditions. It earns 99% of its revenue from long-term oil and natural gas transportation contracts with utilities and energy companies. This predictable cash flow allows Enbridge to pay incremental dividends every year for the last 26 years.

Enbridge has a dividend yield of 7.6% at present. If you invest \$100 every week, you will have \$5,200 in the stock by the end of the year. You will earn an average dividend yield of 6%. It will earn you more than \$310 in annual dividend income. This way you will have \$5,500 by March of every year that will prepare you well for tax bills.

Tax filing is about maintaining a balance between claiming the right tax benefits, getting the CRA cash benefits you deserve, and planning your tax bill.

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