
CRA: 3 Mistakes to Avoid When Filing Your 2021 Taxes

### Description

Filing returns in the 2021 tax season could be more “taxing” than the previous ones because the computation of taxable income for 2020 is a bit complicated. The Canada Revenue Agency (CRA) dished out several taxable benefits due to the COVID-19 pandemic. If you’re a recipient of some or all, you need to account for them.



This month is the best time to remind Canadian about three possible mistakes when doing their annual duties as taxpayers. If you can avoid them, your tax filing and tax payment should be problem-free.

## 1. Don’t miss the tax deadline

The CRA was lenient in 2020 because the health crisis disrupted tax preparations. It became necessary to give taxpayers respite by granting tax filing and tax payment deadline extensions. So far, there’s no announcement, so it’s back to the regular April 30 deadline.

Tax returns should be in by April 30, 2021, except for the self-employed or those whose spouses or common-law partners are self-employed who have until June 15, 2021, to file taxes. However, the tax payment deadline for all is still on April 30, 2021. Late filing can slow down assessment and delay payments of refund, benefits, and credits.

## 2. Include your COVID-19 benefits

Recipients of COVID-19 emergency or recovery benefits from the CRA in 2020 must include specific taxable benefits. Among them are the Canada Emergency Response Benefit (CERB) or the three new recovery benefits.

COVID-19 benefits from the CRA have a T4A slip (T4E from Service Canada). You need to enter the total amount you received in your tax return because it forms part of your taxable income. You may owe taxes on your CERB or CESB as the CRA didn’t deduct the withholding tax.

## 3. Claim available deductions

Millions of Canadians did remote work or worked from home in 2020. If you're one of them and incurred expenses when converting home spaces into workstations, claim the home office expense deduction. You can claim a temporary flat rate of $2 per day (up to $400) or actual amounts (detailed method). You can reduce your taxable income by claiming this new deduction.

## Offset your tax payables

Tax-conscious Canadians can derive substantial tax savings using their available Tax-Free Savings Account (TFSA) contribution rooms. For instance, a generous dividend-payer like the Canadian **Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) will generate tax-free income.

Assuming your TFSA unused contribution room plus the new 2021 limit totals $50,000, the $2,545 annual dividend from the blue-chip stock's 5.09% dividend is 100% tax-exempt. CIBC is a buy-and-hold asset owing to its 152 years dividend track record.

Aside from weathering the coronavirus headwinds, CIBC is spearheading the climate change initiatives in the banking sector. It's the first Canadian bank to partner with RMI's Center for Climate-Aligned Finance. The Center aims to develop agreements and tools necessary to align financial decision-making with the real economy's long-term decarbonization.



CIBC, along with **Bank of America**, **Goldman Sachs**, **JPMorgan Chase**, and **Wells Fargo** are the Center's key financial-sector partners. In 2020, the bank issued a US$500 million five-year green bond to help finance new and existing green projects, assets, and businesses that mitigate the risks and effects of climate change.

## File early and online

The CRA encourages taxpayers to prepare and file their tax returns early. To reduce potential exposure to COVID-19, you can file online beginning February 22, 2021.

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