



CRA: Brace Yourself for a Busy Tax Season

Description

The Canada Revenue Agency (CRA) moved deadlines for filing and paying taxes for the 2019 income year due to COVID-19 to give people more time to sort through the chaotic situation. Most people had until June 30, 2020, to file tax returns, while the payment extension went up to September 30, 2020.

With the second wave of the pandemic underway, the new tax season is here. However, the government agency has not announced any extensions for this tax season. Taxpayers will have until the regular deadline to file their tax returns and pay taxes owed to the government for the 2020 income year.

Filing taxes in the pandemic

There are discussions regarding extending the tax deadlines. Whether an extension comes to pass for the 2020 income year remains to be seen. It goes without saying that this tax season was already going to be quite complicated for taxpayers. There would be various ways to assess the taxable income, considering the substantial tax breaks and benefits people received during the pandemic.

The global health crisis changed everyone's lives, including earning income and financial situations. Government transfers, subsidies, and tax credits helped Canadians cope with the loss of employment income or any fluctuations in their ability to generate revenue. Many people began [working from home](#).

Canadians will also have something new to tackle during this year's tax season. If you received government benefits as a result of COVID-19, you might have to pay taxes on some of the benefit amounts, depending on your total income last year.

The CRA is taking on additional help

It is no secret that this tax season is going to be extraordinarily busy for taxpayers, but the CRA will have a lot more on its hands as well. To compensate for the overwhelming workload, the government agency has made the unusual move of hiring a private company to answer some questions Canadians

may have regarding pandemic benefits.

The CRA insists that it is a short-term initiative to deal with the situation at hand, but many people are raising concerns regarding their privacy. The CRA has said that the private company employees will only answer general questions regarding taxes but will not have access to taxpayers' personal information.

It is yet unclear how many people the CRA will hire to handle queries regarding tax benefits. This move comes after the CRA announced that it will hire 2,000 additional in-house agents to deal with the queries. It seems that even with the additional staff, the agency anticipates a lot of problems with helping people address their concerns during the tax season.

Generate tax-free passive income

Amid all the chaos and confusion due to the pandemic, one thing became really clear: it is crucial to have more than one income stream. Investing in a stock like **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) and storing it in your Tax-Free Savings Account (TFSA) can let you create a revenue stream to add more money to your bank balance without creating any tax issues.

Fortis is an ideal stock to consider for your TFSA due to its reliability. The Canadian Dividend Aristocrat has been paying its shareholders increasing dividends for almost 50 years. The company generates predictable revenues through its highly regulated and contracted assets.

It means that Fortis has a clearer picture of its cash flows that it can use to finance its growing dividend payouts and expanding its services. Fortis provides utilities to its customers across Canada, the U.S., and the Caribbean. It can continue generating consistent and predictable cash flows regardless of the economic environment.

Foolish takeaway

The TFSA was designed to encourage better savings practices among Canadians by incentivizing them with tax-free earnings on assets stored in the account. Additionally, you can withdraw from your account without incurring any early withdrawal charges like with the Registered Retirement Savings Plan (RRSP).

Your TFSA can be an ideal way to [generate tax-free passive income](#) that the CRA cannot tax, and Fortis could be an excellent stock to begin building a dividend income portfolio in your tax-sheltered account.

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