



CRA: 3 Key COVID Details to Know When Filing Your Taxes

Description

Filing your tax returns in 2021 for the 2020 income year can become more of a taxing experience than previous years. Calculating the taxable income for 2020 is not as straightforward as it has been due to the extraordinary circumstances everyone faced last year.

The primary reason for additional complications is the onset of COVID-19, its economic fallout, and the Canada Revenue Agency's (CRA) response to the pandemic. The CRA disbursed several taxable benefits due to the global health crisis. If you are a recipient of some or all of these benefits, you need to take them into account.

Today I will discuss three key details you should know when you are filing your taxes this year.

The deadline is near

The CRA was very lenient in 2020 because the pandemic disrupted every aspect of our lives, including tax preparations. Amid all the chaos and confusion due to the unprecedented situation, preparing taxes was one of the last things on everybody's minds. The CRA delayed the tax filing and payment deadlines by several months to help Canadians prepare their taxes.

However, the CRA has made no announcements to delay tax filing and payment deadlines this year. The tax payment deadline is on April 20, 2021, and late filing can slow down assessment and delay payments for refunds, benefits, and credits. Make sure that you prepare your taxes as soon as possible if you have not started yet.

Your COVID-19 benefits also count

Benefits like the Canada Emergency Response Benefit (CERB), Canada Emergency Student Benefit (CESB), and several others are all taxable payments made by the government agency. The COVID-19 benefits from the CRA have a T4A slip, benefits disbursed by Service Canada have a T4E slip.

Make sure that you enter the entire amount you received through the benefits in your tax return because it forms part of your taxable income. You might likely owe taxes on your CERB and CESB because the CRA did not deduct any withholding taxes.

Make sure you claim any available deductions

Millions of Canadians worked remotely or worked from home during 2020. Many of them incurred expenses to convert spaces in their homes into workstations. If you are one of them, you can claim the home office expense deduction on this year's tax returns. You can claim the temporary flat rate of \$2 per day for an amount up to \$400. The tax deduction can significantly reduce your taxable income.

Use your TFSA investments to offset your tax bill

Financially savvy Canadians find ways to reduce their tax bills by claiming tax credits, deductions, and other means. The Tax-Free Savings Account (TFSA) is an amazing tool for Canadians to reduce their out-of-pocket expenses for the tax bill. For instance, investing in a generous dividend-paying stock like the **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) can generate substantial tax-free income to reduce your out-of-pocket expenses this tax season.

The Bank of Montreal could be one of the best banks for your buck after it climbed out of the depths of March 2020. The stock's valuation was cut nearly in half due to its situation immediately with the pandemic's onset. The bank had its fair share of [oil and gas](#) loans, causing it to decline even further than its peers. However, the damage was overdone.

BMO has made a remarkable recovery from its March 2020 bottom and pays its shareholders at a juicy 4.00% dividend yield at writing. It could be an excellent investment to consider with your TFSA contribution room to generate reliable, passive, and tax-free income that you can use to reduce your out-of-pocket expenses for the tax bill in 2021.

Foolish takeaway

The earlier you begin preparing your taxes, the easier it will be for you to sort everything out. With April right around the corner, I suggest getting to work to sort out all your taxes and learning about all the tax credits you can use to reduce your tax bill. You can further offset your out-of-pocket expenses by using [tax-free income from your TFSA](#).

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/02

Date Created

2021/03/04

Author

adamothonman

default watermark

default watermark