



## CRA Tax-Filing Benefits: Pay No Interest on 2020 Income Tax Debt

### Description

Are you ready to do your taxes? You must have received a T4A [slip](#) from the Canada Revenue Agency (CRA) summarizing all the COVID-19 benefits you received last year. It will also state any benefits that you need to repay. Repaying the cash benefit can significantly increase your 2020 income tax bill.

Where will you get thousands of dollars before April 30, and in an economy where the job market is cold? With the current scenario in mind, the CRA introduced a one-year interest relief on your 2020 income tax debt. Here is everything you need to know about this new relief.

### The CRA interest relief on 2020 income tax debt

Last year, the CRA paid up to \$14,000 in Canada Emergency Response Benefit (CERB) and \$5,400 in Canada Recovery Benefit (CRB). If you claimed the maximum CRB and your 2020 taxable income is \$50,000, the CRA will claw back your entire CRB amount. It will add this \$5,400 to your 2020 income tax debt over and above your tax bill.

The general guidelines require you to submit your income tax returns and pay your taxes before April 30. Any delays will lead to an interest in the tax dues. Moreover, the CRA will adjust your tax dues from the tax refunds you qualify for, like the goods and services tax (GST) refund or the Canada Child Benefit (CCB).

But the CRA announced interest relief to encourage Canadians to file their tax returns without losing their night's sleep on the tax bill. Under this relief, it won't charge you any interest on your outstanding income tax debt for the 2020 tax year until April 30, 2022. So, you have one year to pay your tax bill. Moreover, the CRA will not deduct your tax dues from the CCB and GST credit.

### Are you eligible for the CRA interest relief?

The CRA is targeting [interest relief](#) on low- and mid-income earners who are relying on the COVID-19 benefits. You can get the relief if your 2020 taxable income is \$75,000 or less and you received any

one of the COVID-19 benefits. The benefits include the CERB, the CRB, Employment Insurance, sickness, caregiving, and student emergency benefits.

Now that you have an interest relief, I would suggest you file your returns before April 30. The CRA will assess your 2020 returns and calculate your GST refund and many such benefits. You can get up to \$450 in GST refund and \$8,000 in CCB for children under six. You can use these cash benefits plus any additional CRB that you qualify for to pay off your income tax debt.

## How to use the CRA cash benefits to pay your income tax debt

This year, the CRA announced an additional \$1,200 CCB to parents of children under six years of age. Moreover, it has extended the CRB by 12 weeks. So, if you qualify for the benefit, invest the additional CCB and CRB in a good dividend stock through the Tax-Free Savings Account (TFSA).

At present, **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is a good option with a 7.45% dividend yield. This is a good time to lock in the high dividend yield before the stock recovers to pre-pandemic levels. Moreover, the company will continue its 26-year history of increasing dividends every year. If you invest \$1,200 in Enbridge now, you will get \$89 in an annual dividend. If Enbridge increases its dividends at an 8% average rate, the \$89 annual dividend income will become \$193 by 2030.

## Taxpayer's takeaway

A 7.45% dividend yield will give you some relief from the 15% federal tax. I would suggest you stay invested and withdraw the dividend money during the tax season. You pay just a one-time tax on the \$1,200 TFSA contribution and get a lifetime tax relief. Every year, your tax bill will grow with your taxable income, and so will your dividend income.

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