



3 Reasons You Should File Your 2020 Income Tax Returns Before April 30

Description

The tax season is here, and the time is ticking. The last day to file your 2020 income tax returns is April 30. The Canada Revenue Agency (CRA) has given an interest relief on the 2020 income tax dues, which means any late income tax payments won't incur interest until April 2022. But if you miss the deadline, you will lose a lot more than that. The CRA gives many cash benefits to low and mid-income earners who regularly file their taxes.

It assesses your tax returns and calculates the benefit for the July-June period based on your marital status, age, family income, and the number of children. Even if you don't earn but are above 19 years of age, file your returns for three reasons.

GST refund of up to \$451

The CRA gives you a tax-free Goods and Services Tax (GST) refund by the fifth of every quarter. If you are single and your 2020 adjusted family net income (AFNI) is below \$38,892, you can get the [maximum GST refund](#) of \$456. If you are married, you can get a GST credit of \$598, and if you have a child under 19 years of age, you will get an additional \$157 per child. A husband, wife, and child can get a maximum GST refund of \$755 in the July 2021-June 2020 period.

Canada Child Benefit of up to \$8,000

The CRA gives parents of children under 18 a tax-free Canada Child Benefit (CCB) by the 20th of every month. If the quarterly refund is less than \$50, it credits the entire amount in July. To get the benefit you have to register your child's name with the CRA.

If your 2020 AFNI is below \$32,028, you can get \$6,833 [CCB](#) for a child under six and \$5,765 for a child between six and 17 years of age. Your CCB starts phasing out if your income exceeds \$32,028. For the 2021 tax year, the CRA is giving a temporary CCB of \$300/quarter to parents of children under six, with a 2020 AFNI of less than \$120,000. If your income exceeds this amount, your temporary CCB halves to \$150/quarter.

Your six-year-old can get you up to \$8,033 in the CCB in 2021.

OAS pension of up to \$7,384

If you have turned 65, Service Canada gives you an Old Age Pension (OAS) of up to \$615.37/month (\$7,384 in a year), provided your 2021 income is less than \$ 79,845. But if your net income is below \$18,648, Service Canada will give you up to \$919.12/month in Guaranteed Income Supplement (GIS). You can get up to \$1,534/month in the combined pension. But unlike the CCB and the GST, this pension benefit is taxable. To avail of the pension, you should be a Canadian resident and apply with Service Canada.

Make the most of your tax benefits

If you study the CRA benefits, you can minimize your tax bill and maximize your cash benefit. You can also earn some passive tax-free money from these benefits using your Tax-Free Savings Account (TFSA). For instance, you can invest the \$450 GST refund in the **iShares S&P/TSX Capped Information Technology Index ETF** ([TSX:XIT](#)).

The XIT ETF gives you exposure to the 18 top tech stocks trading on the **Toronto Stock Exchange**. The ETF has a perfect blend of various stocks in different growth stages. It has holdings in high-growth stocks like **Shopify** and **Lightspeed POS**, mature stocks like **OpenText** and **CGI** that enjoy stable cash flows, and resilient stocks like **Descartes Systems**.

The XIT ETF surged more than 50% last year, led by triple-digit growth in Shopify and Lightspeed. But when these two stocks corrected (over 10% decline) in March, the resilient stocks limited the ETF's downside (7% decline).

The ETF can tap the 5G revolution and deliver over 10% average annual returns in the next 10 years. It can convert your \$450 GST refund to over \$1,100 in 10 years, taking a bearish estimate.

CATEGORY

1. Investing
2. Personal Finance
3. Tech Stocks

TICKERS GLOBAL

1. TSX:XIT (iShares S&P/TSX Capped Information Technology Index ETF)

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