



Hooray! The CRA Is Giving 1-Year Interest Relief on 2020 Income Tax

Description

Have you done your taxes yet? If not, now is the time. The Canada Revenue Agency (CRA) has set April 30 as the deadline to file your income tax returns for 2020. You first need to calculate your taxable income. Apart from the working income, your taxable income should also include all the benefits that you received from the CRA under the COVID-19 pandemic relief program.

The CRA is [giving](#) interest relief of one year on your unpaid 2020 income tax bill in the light of the pandemic. With this move, the CRA aims to encourage Canadians to file their income tax returns. This article will tell you everything you need to know about this interest relief.

The CRA offers interest relief on the 2020 tax bill

The CRA usually charges interest on the taxes that you owe after the income tax deadline has crossed. However, for 2020, the agency has waived this interest component until April 30, 2022, due to the pandemic. This gives you an ample amount of time to pay your income tax debt. The CRA will start charging interest if you do not pay your income tax bill after April 30, 2022.

Who is eligible for interest relief?

The CRA has set certain conditions you need to meet to be eligible for the interest relief on your 2020 tax bill.

- Your taxable income for 2020 should not be more than \$75,000.
- You should have received at least one of the following COVID-19 benefits last year: Employment Insurance (EI) benefit, Canada Recovery Sickness Benefit (CRSB), Canada Recovery Caregiving Benefit (CRCB), Canada Recovery Benefit (CRB), Canada Emergency Student Benefit (CESB), Canada Emergency Response Benefit (CERB), or provincial or territorial emergency benefits.

You should meet both the conditions and file your returns to qualify for interest relief. Please note that

the interest relief will not apply to your previous outstanding debts with the CRA.

The CRA retains the late-filing penalty

The CRA will charge a penalty of 5% if you file your income tax returns after the deadline. This will increase your income tax bill. The agency will also charge an additional 1% per month, up to 12 months, if you fail to file your income tax returns even after one month of the deadline. This will inflate your income tax bill further.

You should file your income tax returns before the deadline to avoid the late-filing penalty. This way, you can take advantage of the interest relief.

How can you earn tax-free income?

If you have received even one COVID-19 benefit in 2020, you can put some of that amount in your Tax-Free Savings Account (TFSA). The CRA does not charge any tax on the withdrawals that you make from this [account](#). You can put a maximum of \$6,000 in your TFSA in 2021.

Dividend Aristocrat **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is a good investment. The company has +25 years of history of paying incremental dividends. It increased its dividend, even during the pandemic. The company managed to give dividends on the back of cash flows from the robust pipeline infrastructure it has built through years of investments.

Taxpayer's corner

Enbridge currently has a dividend yield of 7.34%. It is the right time to invest in the company before the stock recovers and starts trading at the pre-pandemic level. If you invest \$1,000 in Enbridge today, you will earn \$73 as dividend income by the end of the year. If the company increases its dividend at a compounded annual growth rate of 8%, your annual dividend income of \$73 will increase to around \$158 over the next 10 years.

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