CRA: Claim These 3 Unusual Tax Breaks on Your 2021 Tax Return

Description

The tax deadline is nearing and the Canada Revenue Agency (CRA) hasn't announced an extension for this year's tax season. Thus, individual taxpayers have until April 30, 2021, to file tax returns for the 2020 income year and pay taxes owed to the government.

You still have time to research more tax breaks available to reduce the tax bill and boost disposable income. In case you're unaware, the CRA offers three unusual tax breaks due to the unprecedented events since March 2020.

1. Vehicle-related expenses

Self-employed individuals could claim vehicle-related expenses if they use their cars to earn business income. Among the qualified expenses are gas, maintenance, repairs, licensing, and registration fees. Leasing costs and interest on amount financed to purchase a car.

You can claim the capital cost allowance (CCA) if you purchase a car for business purposes. However, there are maximum vehicle costs of $30,000 for passenger vehicles and $55,000 for zero-emission passenger vehicles. For leases, the deduction is $800 before sales tax for your monthly lease payment.

Taxpayers using personal vehicles can write off a portion used for business purposes. Keep a logbook showing details like dates, the purpose of trips, mileage. Gather receipts as documentation support. Employed individuals could qualify under certain conditions. Visit the CRA website and go to the section on allowable motor vehicle expenses.

2. Professional association and union fees

Professionals and union members can claim deductions on required professional board dues, insurance premiums, and trade union membership fees. Some expenses of employed individuals such as cell phone bills and office supplies could qualify, provided they are stipulated in the employment contract.

3. Student loan interest claim

You can claim interest paid on student loans under the Canada Student Financial Assistance Act, the *Canada Student Loans Act,* and equivalent provincial or territorial programs. Interest on personal loans, credit lines, home equity lines, and student loans from foreign banks don't qualify for this non-refundable tax credit. It lowers the tax bill, but the CRA won't issue a tax refund. You can save it too to claim later when the tax bill is high.

Outperforming the Big Six

Canadian taxpayers can reduce their tax payables further through the Tax-Free Savings Account (TFSA). Use your free cash purchase a dividend stock like the **National Bank of Canada** (TSX:NA) for your TFSA to create non-taxable income. The $29.32 billion bank is outperforming its bigger industry peers in Q1 fiscal 2021.

Canada's sixth-largest bank reported a 26.5% year-over-year increase in adjusted earnings, which handily beat consensus estimates. Thus far, in 2021, the bank stock's year-to-date gain is 22% versus the top two banks (**Royal Bank of Canada** +12% and **Toronto-Dominion Bank** +15%).

The dividend yield for prospective investors is 3.26%, while the payout ratio is less than 50%. Analysts are bullish and set a price target of $98 in the next 12 months, a 13% appreciation from its current share price of $87.08. Over the last 10 years, the National Bank of Canada delivered a 259.56% total return (13.64% compound annual growth rate).

Don't miss all available tax breaks

Tax preparations in 2021 are daunting and more cumbersome due to the various government transfers. Still, it's worth knowing all tax breaks, even the unusual ones, and pay fewer taxes.

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Date
2025/08/24
Date Created
2021/03/15
Author
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