Canada Revenue Agency: 2 Handy Tax Breaks You Can Claim in 2021

Description

Working and retired Canadians have adjusted household budgets, changed spending habits and other needless expenses in 2020. Fear and uncertainty grip millions because COVID-19 is mutating, and transmissions are faster with the new variants. While every expense matters, the single biggest expense for most is due on April 30, 2021.

The new tax season has officially begun on February 22, 2021, and the Canada Revenue Agency (CRA) encourages all taxpayers to prepare and file early. Whether you're working or retired, the CRA has tax handy breaks you can claim to bring down taxes owed to the government.

For the average remote worker

Last year saw considerable disruptions in the work environment. About 2.4 million Canadians accustomed to an office atmosphere had to transition to remote work. Many employees converted spaces in the home into makeshift workstations. The transition entails costs, and as such, the federal government introduced a new method to claim home office expenses.

Remote employees no longer need to submit a T2200 form to claim the work-from-home tax deduction. The CRA uses a flat rate method to simplify the process so many could claim the tax break. To qualify, employees must have worked from home at least 50% of the time for four consecutive weeks.

If you're in this group, you can claim $2 per day for each day worked, up to $400 at most (200 days worked from home). The simplified method is more accessible and less cumbersome to the average remote worker. The CRA allows the detailed way for those with larger home office expenses but with additional paperwork and documentary requirements.

For seniors and retirees

Canadian seniors or retirees worry about taxes, too, especially the 15% Old Age Security (OAS) clawback. If you're older than 75 years old and earning less than $77,580, your monthly OAS benefit is higher by 10%. The absolute annual amount of increase of $729 starting in July 2020. Low-income seniors also received a boost to their Goods & Services Tax (GST) credits.

Immediate tax reliefs

Regardless of age or employment status, Canadians gain immediate tax reliefs from either a Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP). The former creates non-taxable income while taxable income reduces by the amount of RRSP contributions.

If you want a significant reduction in your tax bill, Enbridge (TSX:ENB)(NYSE:ENB) should be your core holding or anchor in your Tax-Free Savings Account (TFSA) or RRSP stock portfolio. The $92 billion pipeline operator in North America pays a fantastic 7.35% dividend. A $15,000 investment will generate $1,102.50 in passive income. It's a generous tax saving in a TFSA and tax shelter in an RRSP.

Don't listen to the noise about Enbridge being a risky investment. The energy sector is volatile, but its standing is unique because of the business model. Long-time investors will tell you that the pipeline infrastructure provides robust and stable cash flows, year in and year out. Furthermore, Enbridge is a dividend aristocrat owing to its record of increasing dividends for 25 straight calendar years.

Hybrid tax season

The 2021 tax season is hybrid compared to previous ones because it's a mixture of regular income and COVID emergency and recovery benefits. Nonetheless, a slew of tax breaks is available to the young and old. You'll get more money or save taxes from your tax return.

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