What Happens if You Don’t File Your Taxes With the CRA?

Description

Canadians, with or without tax payables, must still file their tax returns. The Canada Revenue Agency (CRA) didn’t announce an extension like last year, so individual taxpayers must comply with the April 30, 2021, deadline for the 2020 income year.

Every taxpayer in Canada must file their tax returns every year. Some taxpayers fall behind filing tax returns for various reasons. While non-filing and late filing are different situations, both carry severe consequences. Moreover, correct the notion that tax will go away by itself if you don’t file at all.

Criminal offence

Canadian taxpayers, individuals, or businesses who don’t file taxes intentionally are basically ignoring the country’s tax law. It’s not a crime to have tax debts, but you commit tax evasion if you don’t file your tax returns.

Since non-filing of tax return is a criminal offence, you risk damaging your reputation and jeopardizing your future. The penalties for tax evasion are severe. Guilty parties will have a criminal record, will pay court-imposed fines, and could serve prison time.

Late filers: Beware

First and foremost, Canada’s tax system is based on self-assessment and mandatory compliance. It requires every taxpayer to file their returns every year and on or before the deadline. As the administrator of tax laws, the CRA treats late tax filing as a serious matter.

The tax agency will not seek tax-evasion charges against late filers but could impose stiff late-filing penalties and charge interest on any taxes owed to the government. If you miss the tax-filing deadline, the late-filing penalty is 5% of the tax year’s balance or bill. The CRA adds 1% of the balance owing for each full month your return is late, up to a maximum of 12 months.

Those who are frequently late face steeper penalties. The penalty could increase to 10%, while the interest for each full month the return is late could be 2%, up to a maximum of 20 months. It happens to taxpayers charged late-filing penalties in any of the three previous years and the most recent year.

Offset your tax payables

Canadians are fortunate the Tax-Free Savings Account (TFSA) is available to them. The tax-advantaged account is one way to offset tax payables or reduce tax bills. All interest, gains, or dividends within a TFSA is off-limits to the CRA. Your investment income from a high-yield dividend stock like **Canadian Utilities** (TSX:CU) is tax-free.

The $8.78 billion diversified utility company pays a juicy 5.56% dividend. Would-be investors must know that Canadian Utilities is a distinguished Dividend Aristocrat owing to its record of increasing dividends for 49 consecutive years. Likewise, you don't need substantial seed capital, because the utility stock trades at less than $40 per share.

Canadian Utilities is a reliable income stock due to its regulated assets and contracted assets plus high-quality earnings base. Since cash flows are predictable and enduring, the company can sustain dividend payments for years to come. The utility behemoth provides electricity and natural gas transmission and distribution across Canada, Australia, Chile, and Mexico.

The CRA's mandate

The CRA is dead serious about tax-filing and tax-payment deadlines. It has the mandate to go after tax evaders and impose heavy penalties on late filers. Furthermore, the agency wants a prompt assessment of tax returns to avoid disruption of benefit payments to Canadians.

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