



Canada Revenue Agency: How to File 2020 Income Tax Returns

Description

Don't take taxes lightly. It can cost you more than your tax bill, especially if you are a parent of a kid under six. The Canada Revenue Agency (CRA) offers many tax-free cash benefits to those who file their income tax returns on time. This year, it is giving an additional \$1,200 Canada Child Benefit (CCB) to parents who have a net income of less than \$150,000. Like this, there are many permanent benefits for taxpayers. And if you are not filing returns because you don't know how, then read this short guide on tax filing.

A four-step guide to filing your income tax returns

The CRA has laid out a step-by-step guide to filing income tax returns. Every Canadian or permanent resident of Canada above 19 years of age should file their income tax returns with the CRA whether or not they are earning.

In your tax returns, make sure the segment of personal details is updated. The CRA uses these details to calculate your cash benefits. The deadline to file your taxes is April 30, but you can file your returns as early as February 22.

Now that you know the pre-requisite for doing taxes, let's get to filing returns.

Step one: Get updated on what's new for 2020 returns

Every year, the CRA introduces new tax deductions and additions that were applicable for that period. Like for the 2020 income tax returns, it [introduced](#) the following changes:

- The \$500/week COVID-19 emergency and recovery benefits will form a part of your 2020 taxable income.
- Any income you received under the Canada Emergency Wage Subsidy (CEWS) will be treated as employment income.
- Two new tax credits can reduce your federal tax bill: the digital new subscription tax credit (non-

refundable) and the Canada training credit (refundable).

- The CRA has introduced a temporary flat rate method for those who want to claim a home-office-expense tax deduction.
- You need not have to pay interest on your 2020 tax debt until April 30, 2022. However, if you file your returns after April 30, 2021, the CRA will charge you a 5% penalty plus 1% on every month of delay up to 12 months.

Step two: Collect all necessary documents

Once you know the changes, start collecting all the necessary documents. Your employer gives you a T4 slip summarizing your employment income and deductions like the Canada Pension Plan and Employment Insurance contribution.

This year you will get an [additional](#) T4A slip if you collected COVID-19 benefits from the CRA and T4E slip if you got the benefits from Service Canada. Then there is a T777S form you need to fill out to claim the home-office-expense. You will need your digital news subscription invoice. Check all the supporting documents you need to claim tax benefits.

Step three: Calculate your taxable income and deductions

The next step is to calculate your income and deductions. For 2020, you can claim \$1,984 in basic personal amount tax credit if your taxable income is below \$150,473. If you are above 65, you can claim an additional age amount tax credit of up to \$1,146 if your taxable income is between \$38,508 and \$89,421.

Step four: Find ways to file your income tax returns

Once you have all the details, you can file your returns online by logging on to your MyCRA Account, by paper, or using a third-party service. Once you file your returns, the CRA will assess the documents and accordingly give you a cash benefit for the June 2020 to July 2021 period. For 2020, the CRA won't adjust these benefits with your outstanding tax bill.

Create a tax fund

Make the most of this one-year tax relief and invests some of the benefits' amount in **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). The stock is paying a 7.35% dividend yield, which means a \$2,000 investment will earn you \$147 in dividend income by next April. Plus, the stock will see some recovery rally as oil demand surges. Enbridge stock is trading at a 23% discount from the pre-pandemic levels. Even if the stock sees a 10-12% rally, it means another \$200 in capital appreciation. This \$2,350 can come in handy to pay the tax bill.

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Date

2025/07/08

Date Created

2021/03/18

Author

pujatayal

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