April Is Coming: Don’t Miss These 3 Overlooked Tax Breaks!

Description

April is just around the corner. And what better time to look for tax breaks? When you file your taxes each year, you have the opportunity to claim deductions and credits that lower your overall tax bill. Some of them — like RRSP contributions — are fairly obvious. Others are not as easy to find. By April 30, you’ll need to have your taxes filed and sent to the CRA. So, it’s a good idea to start researching the tax breaks you’re entitled to now. With that in mind, here are three tax breaks you may be able to claim when you file your taxes in April.

Work-from-home deduction

The work-from-home tax deduction is a $2-per-day deduction you can claim for days you worked from home. You can claim up to $400 for 200 days of working from home. The way this deduction is pretty straightforward: you add up the number of days you worked from home in 2020, multiply that number by two, then claim that amount. If the amount goes over $400, you can only claim $400.

Dividend tax credit

The dividend tax credit is a special tax break on eligible dividends. Not all dividend stocks are eligible for the credit, but all large-cap Canadian stocks are.

The dividend tax credit lowers your taxes by slashing 15% off of your dividend tax. It goes off of a “grossed up” amount, so the savings can be even bigger than that 15% would suggest.

Let’s imagine you had a $100,000 position in **Enbridge** (TSX:ENB)(NYSE:ENB) stock. Enbridge is a dividend stock with a very high yield (7.33%). On a $100,000 position, you’d get back $7,330 in dividends back every single year. In fact, the amount could increase if Enbridge raises its payout — as it has done every year for the last 10 years.

Let’s see how the dividend tax credit on those Enbridge shares works.

First, you gross up the dividends by 38%. That gives you an amount of $10,115.

Next, you apply the 15.0198% tax credit to the grossed up amount.

That gives you a $1,519 tax credit that you can shave off your tax bill.

It's a significant tax break, but one you could easily miss if you didn't know about it.

Digital news tax credit

Last but not least, we have the digital news tax credit.

In 2019, Trudeau's liberals announced a special tax break for Canadians subscribing to paid digital news.

The way it works is simple. You add up the cost of all your "approved" Canadian digital media subscriptions up to a maximum of $500. You apply a 15% credit to the total. Whatever numerical amount that 15% works out to is your credit. So, if you subscribed to $500 worth of approved digital news, you'd save $150.

That's not a bad tax credit, considering that you get it for media services you're already using. It's not quite the mammoth tax break you can get from the dividend tax credit, but it's something — particularly if you were going to be subscribing to digital media one way or the other, as many Canadians who are interested in current events do.

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