
CRA: 3 Major Tax Errors You Must Avoid

**Description**

It's tax season again, which means the Canada Revenue Agency (CRA) expects a filing soon. The tedious task of analyzing bank statements, collecting receipts, and estimating mileage is so error prone that the average Canadian is almost certainly leaving some money on the table.

With that in mind, here are the three biggest tax-filing mistakes the CRA hopes you avoid this season.



## Forgetting credits

There's a long list of tax incentives and credits offered by the CRA to cover certain types of expenses. In previous years, you could claim a credit for moving to a new city or paying for examinations, medical expenses, or childcare. This year you can also claim an additional credit for working from home.

Missing any of these could cut hundreds of dollars out of your tax refund.

## Claiming the wrong credits

While missing credits is a costly mistake, taking the wrong ones could be far more expensive. Your moving costs, for instance, cannot include the costs of staging, repairs, or mail forwarding. Each deduction and credit is backed by a myriad of rules that you or your accountant may need to sift through to figure out exactly what the CRA owes you.

## Neglecting to transfer unused tax

Most Canadians may already know that they can transfer unused tax credits to immediate family members. The $5,000 tuition tax credit, for example, can be transferred to your spouse, parents, or grandparents. Several other deductions can be spread across members of your family.

Not managing your credits could impact your family's finances in a tangible way.

## Mitigating CRA taxes

Avoiding any of the errors mentioned above should help you lower your tax bill. However, lowering your income taxes is probably the best way to mitigate tax liabilities. Maximizing your Registered Retirement Savings Plan (RRSP) or Tax-Free Savings Account (TFSA) could help you shave off thousands of dollars in potential taxes.

The best way to use these accounts is to deploy them in a robust stock like **Enbridge** (TSX:ENB)(NYSE:ENB). Enbridge has been beaten down along with the rest of Canada's energy sector. Last year, when oil consumption diminished due to global lockdowns, Enbridge lost 34% of its value in a single month.

Since then, the stock has gradually clawed back up. But it's still trading below its pre-crisis levels. Meanwhile, energy demand is expected to rebound sharply as people start traveling again. Enbridge has stable earnings and long-term contracts that give it exposure to all of this upside without much downside risk.

The stock is trading at $36.8 and offers an attractive 7% dividend yield. Adding this to your RRSP or TFSA could be an ideal tax-mitigation strategy.



## Bottom line

It's tax season, and Canadians must file their returns with the CRA before the end of the month. Missing out on credits or claiming the wrong ones are usually the biggest mistakes people make. However, not utilizing the TFSA or RRSP is arguably just as bad. Consider robust value stocks like Enbridge for your long-term retirement portfolio.

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