



Canada Revenue Agency: How to Benefit From the 2020 Income Tax Interest Relief

Description

April is the month of taxes. There is no point delaying doing your income tax till the last minute. You might miss out on some important income tax deductions and credits the Canada Revenue Agency (CRA) offers. Moreover, your 2020 tax bill will be different, as it will include taxes on COVID-19 benefits as well as any repayments of these benefits. But you need not lose your mind over the tax bill, as you don't have to pay the entire amount by month-end. The CRA has introduced a one-year interest relief to help you through the pandemic crisis.

Everything you need to know about the CRA interest relief

Generally, the CRA [charges](#) interest if you fail to clear your income tax bill by the deadline. However, in the light of the pandemic, it is giving a one-year interest relief on your income tax amount for 2020. You need to file your income tax returns by April 30, 2021, but you can pay your taxes by April 30, 2022. Also, the agency will not deduct your income tax dues from your Canada Child Benefit (CCB) and Goods and Services Tax (GST) refund. The CRA will start charging interest on the unpaid tax dues after April 30, 2022.

The CRA has gotten rid of the interest component for 2020, but it has retained the late-filing penalty. If you do not file your returns by April 30, the CRA will charge a 5% penalty on your unpaid 2020 income tax bill. It will charge another 1% per month for a maximum of 12 months as a penalty for late filing.

Filing your income tax returns before April 30 has two benefits. You will get the one-year interest relief, and you can avoid paying the late-filing penalty. There is one disadvantage to filing your income tax returns after April 30. It could impact your CCB and GST refund.

Who qualifies for the relief?

The interest relief is not for all. You need to meet the following conditions to be eligible for the interest relief:

- Your taxable income for 2020 should be less than \$75,000.
- You must have received at least one COVID-19 benefit last year.

The CRA introduced several benefits under the COVID-19 emergency response program. These benefits include Canada Emergency Response Benefit (CERB), Canada Emergency Student Benefit (CESB), Canada Recovery Benefit (CRB), Canada Recovery Caregiving Benefit (CRCB), Canada Recovery Sickness Benefit (CRSB), Employment Insurance (EI) benefits, and provincial or territorial emergency benefits.

If you qualify, you can avail of the interest relief on the 2020 tax bill. Note that the relief is not applicable on any other tax dues that you might have outstanding with the CRA. You have to clear those unpaid tax bills separately.

How will the CRA's interest relief benefit you?

This interest relief has multifold benefits for you. Firstly, you will get enough time to accumulate money to pay your taxes. Secondly, the CRA has extended the CRB by 12 more weeks. This means you can claim another \$5,400 in stimulus checks if you qualify.

You can invest a portion of the CRB (maybe \$200 a month) and your GST refund and CCB in a dividend stock. For this, you can make use of your Tax-Free Savings Account (TFSA) [limit](#) of \$6,000. The dividend, interest, and capital gain you earn in this account will be exempt from tax and can come in handy to share some of your tax burdens.

North America's largest pipeline operator **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is a good dividend stock to invest in. Utilities use Enbridge's pipelines to transport oil and natural gas. The company's business model helps it generate regular cash flows. Enbridge ensures that its shareholders get a portion of this cash flow through dividends. Over the last +25 years, the company has increased its dividend at an average rate of 10% per annum.

If you invest \$200 per month in Enbridge for 12 months, your \$2,400 investment will get you over \$150 in dividend. This dividend income will rise to \$301 over the next 10 years if the dividend grows at an average annual rate of 6%.

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Date

2025/07/07

Date Created

2021/04/07

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