Canada Revenue Agency: 4 Lesser-Known Tax Breaks You Can't Miss in 2021

Description

The Canada Revenue Agency (CRA) loves collecting taxes, and there are plenty of federal and provincial taxes that take out a chunk of your paycheck each year. However, the CRA also offers countless tax breaks available to Canadian taxpayers. People tend to miss some of the common ones.

With the tax deadline near, it would be wise to understand the tax deductions Canadians often miss. If you are eligible for these tax breaks, you can have more money in your pocket by significantly lowering your tax payables.

1. Professional or union dues

Did you know that members of professional organizations or unions can claim dues or professional fees during tax season? Make sure you save receipts as documentary evidence to claim the tax break. These dues could even include certification or licensing exam costs for a profession because they qualify as tuition expenses. The expenses would not qualify for the tax break if your employer reimbursed you for them.

2. Student loan interest

You can claim the interest you pay on your student loans as a non-refundable tax credit. A personal loan or credit line that you used to fund your studies does not qualify. Only student loans received under the Canada Student Financial Assistance Act and Canada Student Loans Act are eligible for the tax credit.

3. Medical expenses

Most Canadians are familiar with tax claims on medical costs. However, like private medical insurance premiums, several expenses are tax deductible. If you seek medical treatment in a hospital or a clinic that is over 40 km away, your travel expenses also qualify for a deduction. You can also derive tax reliefs from dental implants, dentures, prescription glasses, or lenses.

4. Tax credit for charitable donations

Philanthropic Canadians who believe in giving to the needy through charitable donations can claim the Charitable Donations Tax Credit. If you donate to a qualifying recipient, the tax credit could be up to 33% of the offering at a federal level. Depending on which province you live in, you can even be entitled to an additional 24% tax credit.

Reduce your tax burdens further through the RRSP

The Registered Retirement Savings Plan (RRSP) is an excellent way to generate tax-sheltered income and minimize your tax burdens. RRSP contributions are deductible. It means that maximizing your contributions to an RRSP each year can help you significantly reduce your taxable income for the tax year when tax season finally arrives.

Fortis (TSX:FTS)(NYSE:FTS) is an excellent asset to consider for this purpose. The utility operator has a robust and resilient business model that allows the company to generate predictable and reliable cash flows. With most of its income coming from highly regulated assets, Fortis can continue earning money regardless of the economic environment.

The company plans to spend over $19 billion in the next five years to increase its rate base. This increase could drive Fortis's cash flows and earnings further. The Canadian Dividend Aristocrat is nearing the 50-year dividend-growth streak. The company's plans to grow its rate base could allow it to comfortably reach that mark, as it plans to increase its dividends at a compounded annual growth rate of 6% in the next five years.

Foolish takeaway

Your RRSP contributions do not just decrease your taxable income for the year when you file your taxes. It also lets you generate significant wealth over time when you use the RRSP to buy and hold high-quality, income-generating assets for the long term.

Earnings from high-quality dividend stocks can grow your account balance by lining it with cash over time and through capital gains. Fortis could be an excellent stock to consider for this purpose.

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Author
adamothman