Will the CRA Extend the Tax-Filing Deadline Amid the 3rd Wave?

Description

Are you delaying filing income tax returns till the last minute, because you hate all that number crunching? Or is it because you are praying, like last year, the Canada Revenue Agency (CRA) will extend the tax-filing deadline? Amid the third wave of the pandemic, the Justin Trudeau government could take some serious measures. But extending the tax-filing deadline isn't one of them.

The U.S. Internal Revenue Service (IRS) has extended the federal income tax-filing deadline for the 2020 tax year to May 17, 2021, from April 15. But these individuals even have to pay their taxes by May 17. The CRA has prepared for the worst.

The CRA's tax-filing deadline is April 30, 2021

In March, the CRA announced one-year relief on the interest charged on income tax dues. This means you have until April 30, 2022, to pay your taxes without accruing interest on the same. But to get this benefit, you need to file your returns before April 30, 2021. Moreover, you should have received some COVID-19 benefits, and your 2020 income should be below $75,000.

You can file your income tax returns online without stepping out of your home. If you are procrastinating because you fear the tax-filing process, you can take help from an accountant or the CRA itself.

Why should you meet the tax-filing deadline?

The one-year time frame is sufficient for the third and possible fourth wave as well. There is another element to the interest relief. The CRA will not deduct your tax dues from the cash benefits it gives taxpayers based on their income and family size.

The CRA will give up to $456 in the Goods and Service Tax (GST) refund if you are single with an adjusted family net income of $38,000. You will get an additional $157 GST refund if you have a child below 18. This year, the CRA is giving an additional Canada Child Benefit (CCB) of $1,200 to parents of children below six. You can avail of this benefit if your net income is below $150,000.

The low- and mid-income earners will benefit the most from the CRA benefits. For instance, Anna is a single mother of a four year old. She has been relying on the COVID-19 benefits and has worked from home since March 2020. Her total income after adding these benefits but excluding tax-free benefits like the CCB and GST refund is $32,000.

Anna's federal tax bill comes to around $2,500 after deducting basic personal amount tax credit and home office expense. She can get up to $8,646 in cash benefits, which is more than three times her tax bill.

How to use TFSA to reduce your tax burden

A survey from H&R Block Canada asked Canadians how they planned to use their refunds this year. Most of them stated they will use their benefits to pay bills, debt, and daily essentials. The benefits amount is to help Canadians with their expenses. But don't forget you also have to pay taxes. Planning your expenses and refraining from impulsive buying can help you save some amount for your taxes.

From the $8,646 cash benefit, if Anna could save $400 for her Tax-Free Savings Account (TFSA), that could further relieve the tax burden. As Anna doesn't have much money to spare, she has a low-risk appetite. She can invest in a resilient stock like **Enbridge** (TSX:ENB)(NYSE:ENB), which pays a 7.23% dividend yield. A $400 investment can fetch her $29 in annual dividend income for a lifetime.

Enbridge is a safer bet because of its robust business model of pipeline toll that fetches regular cash flows. It increased its dividend per share at an average annual rate of 10% in the last 26 years. The company has the potential to grow the dividend at an average rate of 6% for the next 10 years, which can help you reduce your tax burden.

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