



## Tax Filing: 3 Quick Tips From the Canada Revenue Agency

### Description

April is almost over. And you know what that means: it's time to file your taxes!

If you don't get your taxes in on time, you'll have to pay penalties. That alone is a good reason to file your taxes promptly. On top of that, there's the fact that doing the work now spares you the headache later. With that in mind, here are three tips on filing your taxes — direct from the Canada Revenue Agency's website.

### Tip #1: File your taxes electronically

In general, it's better to file your taxes electronically than to send them in by mail. The reason is that electronic filing speeds up the process. It can take up to a week for a letter to be sent by mail domestically. With electronic filing, it's instantaneous. This plays a role in how long it takes to get your taxes assessed. That, in turn, determines how long it takes to get your refund. So, file electronically, if at all possible. You'll get your refund back faster!

### Tip #2: Claim deductions and credits

Most likely, you're planning to claim a few deductions and credits on your tax return — perhaps some RRSP contributions and charitable donations. That's all fine and dandy. But you may be able to claim more. There are countless tax deductions out there: [home office space](#), tuition, student loan interest, and the list goes on. The more you claim, the less you pay. When in doubt, speak with an accountant, as they'll help you identify which deductions and credits you're truly entitled to.

### Tip #3: Don't forget your investments!

Last but not least, don't forget to claim your investment income to the Canada Revenue Agency when you file your taxes. The banks and brokers generally send this information to the CRA themselves, but it's still on you to include it in your tax return. If you don't report it, you could face penalties or fines.

You can save a lot of money on investment taxes by filing them carefully. Stocks have a variety of credits applied to them that save you ample amounts of money. If you file your taxes properly, you can get all these credits.

Let's imagine that you held \$100,000 worth of **iShares S&P/TSX 60 Index Fund** ([TSX:XIU](#)). That's a [large-cap TSX fund](#) with a 2.5% dividend yield. With that yield, you'll get \$2,500 in annual dividends on a \$100,000 position. That's a fair bit of income. You might think that you'd pay a lot of taxes on it. But think again. Dividends have a generous tax credit applied to them. The amount of the dividends is grossed up by 38%, bringing it to \$3,450. Then a 15% tax credit is applied to the grossed up amount. The result? A \$517 tax credit! And you get that in a normal brokerage account — no need for an RRSP or TFSA!

The tax treatment of capital gains is arguably even more generous. If you were to realize a 10% (\$10,000) gain on your XIU shares, you'd only have to pay taxes on half of it. That effectively slashes the tax rate in half compared to employment income. That's a lot of tax savings you can grab right there, but only if you file your taxes on time. If you don't, the savings will be eaten away by penalties.

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1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:XIU (iShares S&P/TSX 60 Index ETF)

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**Author**  
andrewbutton

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