



Countdown Begins: File 2020 Income Tax in 10 Days and Avoid CRB Delays

Description

The countdown has begun. You have 10 days to file your 2020 income tax returns and secure your \$2,000/month Canada Recovery Benefit (CRB). Yes, you read it right. Last week, the Canada Revenue Agency (CRA) [warned](#) that delays in 2020 tax filing could delay your CRB and other COVID-19 benefits by two months.

Co-relation between the income tax return and CRB delays

The CRA uses your income tax return to determine your eligibility for the various government benefits. The COVID-19 recovery benefits are a replacement for your income. Hence, the primary qualification for these benefits is you should have earned at least \$5,000 in 2019 or 2020.

For these recovery benefits, the CRA uses up-front verification and security measures to expedite the claims in three to five business days. In order the system to declare you eligible for the CRB, it needs your 2019 and 2020 income details, which can only be input from your income tax returns.

If the income data is blank, the CRA will ask the applicant to provide supporting documents to prove their eligibility. This entire process could take up to eight weeks. Hence, the CRA is requesting all Canadians and residents of Canada to file their income tax returns by April 30. If you are self-employed, you have until June 15 to file your returns.

Although accountants have filed a petition to extend the deadline and Quebec has also extended it until May end, the CRA has not budged till now.

How to file your income tax returns in 10 days

Don't hope for the CRA to extend the deadline. You can still file your returns online. All you need is the T4 slip and other forms and documents if you are claiming tax deductions and credits. For instance, if you are claiming the home-office-expense deduction, you need to fill the Form T777S.

Take help from the tax clinic volunteers, your accountant, or use the auto-fill option if you are a low and mid-income earner. There are many tax filing software to help you with the process. Submit your

returns before April 30. If your 2020 taxable income is less than \$75,000 and you have received a COVID-19 benefit, the CRA will give you a one-year interest relief. This means you have until 12 months to clear your tax dues without incurring interest.

With the on-time filing, you can avoid a 5% penalty. You can also secure up to \$456 in Goods and Service Tax (GST) refund.

An effective tax planning goes a long way

Rather than fire-fighting and asking the CRA for a deadline extension, do tax planning from the start. Use your Tax-Free Savings Account (TFSA) to create a small tax fund. Make it a habit to contribute \$100 every month in this fund and put that money in resilient stocks or dividend stocks. This way, you will accumulate \$1,200 every year, and this money won't move much with resilient or dividend stocks.

Consider **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) stock for its 6% dividend yield and its 12-year history of paying an incremental dividend. In these 12 years, it increased its dividends at a compound annual growth rate (CAGR) of 8%. If I do the math, a \$1,200 investment will lock \$72 in annual dividend. If BCE maintains its legacy of increasing dividend even at 6% CAGR, the \$72 dividend income will grow to \$92 by 2025.

While it may look like a small number, your dividends will take of the increase in your tax bill. Looking at BCE's future in the [5G revolution](#), there is a possibility that it might even increase dividend growth rate as 5G cash flow starts coming.

Final thoughts

Don't leave your income tax for the last minute. The CRA introduces many tax benefits. If you keep yourself updated, you can leverage these benefits and bring significant tax savings. Just an hour every month in tax planning can save you thousands of dollars in taxes. These tax savings can be better utilized in the TFSA.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Personal Finance

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn

4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Personal Finance

Date

2025/09/04

Date Created

2021/04/21

Author

pujatayal

default watermark

default watermark