



Avail the CRA 2020 Income Tax Interest Relief: File Now Pay Later

Description

Today is the last day to file your income tax returns. Avail the Canada Revenue Agency (CRA) interest relief scheme now. File your 2020 income tax returns today and pay the income tax by April 30, 2021. And don't worry, the CRA won't charge any interest on your tax dues. It will also not deduct the tax amount from your CRA cash benefits like the Goods and Service Tax (GST) refund and Canada Child Benefit (CCB). Note that the interest relief is only for 2020 tax dues. Your earlier dues will entail interest.

Are you eligible for the CRA interest relief?

To avail of the CRA interest relief, you should [meet](#) all the following conditions:

- You received at least one COVID-19 benefit from the CRA or Service Canada.
- Your 2020 taxable income is \$75,000 or less.
- You have filed your 2020 returns.

It is not clear if you can avail of the interest relief if you delay tax filing, but I won't take the chance. The 2020 tax filing deadline is April 30 for salaried employees and June 15 for self-employed.

If you don't file your returns on time, you will have to pay a 5% penalty for a one-month delay. And for any subsequent delays, the CRA will charge you a 1% penalty per month for the next 12 months. To add to the suffering, you won't be eligible for a GST refund or CCB. The CRA might also delay your COVID-19 recovery benefits.

Timely tax filing can save you from all the above and also give you more benefits.

How will the CRA interest relief benefit you?

Last year, the CRA extended the tax filing deadline to September 30, 2020, in light of the pandemic. But that didn't help those who did not do tax planning beforehand. You had to pay taxes on your 2019 income by September 2020, when the job market was low and many people were living on the CRA emergency benefits. Hence, the CRA came up with a better alternative.

Instead of extending the tax filing deadline, it increased the tax payment deadline by 12 months. It is encouraging Canadians to file their returns to smoothen the process of benefits payment.

You can file your returns to get uninterrupted tax-free benefits. Put these benefits to work by investing them in some resilient growth stocks through your Tax-Free Savings Account (TFSA). These CRA benefits can arrange for the tax bill.

Plan your taxes now

One year is a decent enough time to create a tax fund in your TFSA. The CRA allows you to contribute \$6,000 in the TFSA in 2021 to avail of tax-free withdrawals. Calculate your 2020 tax bill and also make an estimate of your 2021 tax bill. Start contributing to the TFSA tax fund accordingly.

For instance, Jack's 2020 tax bill comes to \$4,000. It will be safe to assume that his 2021 tax bill will be \$4,000 or more as the CRA keeps increasing its tax benefits and tax brackets to adjust for income and inflation. Now, Jack should save \$8,000 in his tax fund.

TFSA tax fund

Set aside \$100 every week in your TFSA tax fund and invest in **Enbridge** and **Magna International** ([TSX:MG](#))([NYSE:MGA](#)). By the end of 12 months, your contribution will be \$5,200. A \$2,500 investment in Enbridge will give you an average dividend yield of 6%. A \$2,500 investment in Magna can give you more than 10% capital appreciation as the stock is in a growth cycle.

As the world's third-largest auto components supplier and third-party auto manufacturer, Magna is at the core of the electric vehicle (EV) wave. The top auto markets (China, Europe, America) have introduced policies and subsidies that support EV adoption. Magna has partnered with **LG Electronics** to develop e-Powertrains. It has also [partnered](#) with many tech companies to build their futuristic cars.

Investors are gradually pricing in their expectations in the stock. Magna stock surged 37% year to date. This level of growth is its five-year growth combined. Jumping early into the future trend can help you benefit from capital appreciation.

CATEGORY

1. Dividend Stocks
2. Investing
3. Personal Finance

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)

2. TSX:MG (Magna International Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
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