



Earning Income From a Side Hustle? The CRA Might Be Watching!

Description

Did you know that about 40% of millennials in Canada are part of the gig economy? The number is mixed between millennials who seek gigs or freelance work for passive or part-time income or people who rely on it for their primary income. It includes freelance office work, babysitting, house sitting, personal assistance services, paid work through online platforms, etc.

But that doesn't even come near the full spectrum of what you might call a "side hustle." Earning income from things like **Airbnb**, ride-sharing, renting out your vehicle, parking space, and others might all come under the definition of a side hustle ... and the CRA wants its cut.

The CRA wants its due

The CRA is worried about all the new ways of earning income (and potential income tax dollars) that might be slipping through the cracks. The tighter observation and a closer eye on crypto traders is one example of how the CRA is tightening the circle around taxpayers who might be under-reporting their income.

Now, the department might do the same with freelancers and gig workers. It might be quite easy for the CRA to track the income and contract details when freelancers leverage platforms to connect with potential employers. These platforms, by design, keep their own cut (usually around 20%) from a freelancing job. The taxation on top of it is a variable that freelancers will have to "plug in" when pricing a job.

These platforms are relatively easy to "police" for the CRA. However, many freelancers focus on cultivating direct relationships with clients in order to cut the platform fee out of the equation. These are the people the CRA might have to devise specific policies for. The good idea is to report all your side hustle income to the CRA.

If you are unsure or fear that you might be prosecuted for late reporting, consider the Voluntary Disclosure Program. The good part about reporting all your side hustle income is that you might also claim expenses.

Balance it out with tax-free income

You can balance out your taxable income stream (from a side hustle) with a tax-free passive-income stream by adding a decent [dividend stock](#) like **Canadian Utilities** ([TSX:CU](#)). The company is currently offering a juicy yield of 5%. If you can invest a sizeable sum like \$30,000 into the company, you can expect a slowly rising monthly tax-free income of \$125.

Canadian Utilities has been operating for over 90 years. It now comes under the **ATCO** sphere and has two major business lines: electricity and natural gas. The company is also gearing up to serve hydrogen — the clean fuel of the future. The company operates 75,000 km of electric lines, 64,000 km of pipelines and has a decent water infrastructure and gas storage capacity. The assets are valued at about \$20 billion.

The balance sheet is strong, and though the revenues and profits are slipping now, the company has the potential and presence to [turn this around](#).

Foolish takeaway

It's never a good idea to hide things from the CRA. You might be able to save some tax dollars until the CRA catches up, but if it decides to penalize people for not sharing all their income details (including the income from side hustles), you might lose more than you saved.

CATEGORY

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1. TSX:CU (Canadian Utilities Limited)

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