Canada Revenue Agency: 2 Useful Tax Breaks for 2021

Description

The Canada Revenue Agency (CRA) did not find it necessary to extend the tax filing and tax payment deadlines in 2021 for the income year 2020. Thus, it will most likely stick to the usual deadlines in the coming tax season. However, Canadian taxpayers can expect the tax agency to accept tax returns for the income year 2021 earlier just as it did this year.

If you're a taxpayer, mark April 30, 2022, as a very important day in your calendar. You don't want to be late because the CRA charges penalties for late filing of tax returns. Apart from early preparation, it would be best to review available tax breaks to reduce your tax payables. Here are two useful ones for 2021.

1. New BPA

Every Canadian taxpayer is entitled to the claim basic personal amount (BPA) during tax seasons. The amount adjusts higher annually so people can cope with inflation. For the 2021 tax year, the BPA is $13,808 versus the previous year's $13,229. Thus, an individual taxpayer gets an additional tax break of $579.

The income up to the extent of the new BPA is non-taxable, provided net income is $151,978 or less. Also, the additional amount reduces as you go up the income tax bracket.

2. Work-from-home tax breaks

The CRA is aware that many Canadians still work from home or are doing remote work in 2021. This tax break is available if you spent at least 50% of your working hours at home for four consecutive weeks this year. There are two ways to go about the claim.

The maximum amount is $400 or $2 per day for 200 working days in the temporary flat rate method. Individual taxpayers with higher home-office expenses to write off can use the detailed method. However, the CRA requires an employer-signed T2200S form.

Increase non-taxable income

There are many ways you can use these tax breaks in order to boost your investment income. You can use these tax breaks to purchase stocks or investments and hold them in your tax-advantaged accounts.

Tax-conscious Canadians use their Tax-Free Savings Accounts (TFSAs) to create non-taxable income. Similarly, seniors maximize their TFSAs to avoid or lessen the impact of the 15% Old Age Security (OAS) clawback. All interest, income, and gains from the account are tax-exempt. Even TFSA withdrawals are tax-free.

Most TFSA investors prefer dividend stocks to hold in their tax-advantaged accounts. For example, **Alaris Equity Partners** (TSX:AD.UN) is one of the **TSX's** dividend titans. The $828.65 million private equity firm pays a super-high 7.16% dividend. A $25,000 in the stock will generate $1,790 tax-free income in a TFSA.

Alaris has a pending issue with the CRA regarding the use of non-capital losses, accumulated scientific research, and experimental development expenditures and investment tax credits. The company contests the tax agency's reassessed taxes and interest (2009 to 2020) of approximately $58.0 million.

Reduce tax payables

The new BPA and work-from-home or medical expense tax breaks are useful in reducing tax payables. Visit the CRA's website for other tax credits and deductions you might be missing out on. Optimize your TFSA as much as possible to increase non-taxable income.

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