Canada Revenue Agency: 1 Big Change to Watch Out for in 2020

Description

In the final weeks of 2019, I'd discussed some tips for investors when it came to their registered accounts and filing with the Canada Revenue Agency. A new decade has brought about some changes in the way Canadians will be able to move forward with their tax accounts. Today I want to look at one of the most significant changes as we kick off the 2020s.

Basic Personal Amount (BPA)

It's no secret that Canadians are being squeezed by higher levels of personal debt. Indeed, the debt-to-income ratio in Canada is one of the highest in the developed world.

Although there has been incremental progress in 2019, it's still dangerously high. Policymakers have long worried about the impacts of a recession with such high levels of personal debt.

The federal government has stepped in to provide some relief in the form of a tax benefit. One of the bigger changes in 2020 is to the Basic Personal Amount (BPA). The stated purpose of the BPA is "to help all Canadians cover their most basic needs," which it will achieve by imposing no federal income tax on a certain amount of income that an individual earns.

This mechanism will allow for Canadians to pay no federal income tax up to a certain amount to start the year. An individual Canadian taxpayer can earn up to $12,069 for 2019 before paying any federal income tax.

The Liberal election victory last year will see them begin to accelerate one of their promises – to bring the BPA to $15,000 by 2023. For 2020, the BPA will increase to $13,229.

For high income earners, it will be a different story, however. The BPA will be slowly phased out for wealthier Canadians. Taxpayers with a net income above $150,473 will see the BPA gradually reduced until it has been fully phased out by the taxpayers' income.

1 stock that fits the theme

Fool readers may or may not be excited about this change, but either way, one stock fits within the theme of offering savers relief.

Goeasy (TSX:GSY) is a Canadian alternative financial company that offers loans to subprime borrowers through easyfinancial, and furniture and other durable goods on a rent-to-own basis through its easyhome segment.

Shares of Goeasy have achieved average annual returns of 23% over the past 10 years.

In the year-to-date period at the end of Q3 2019, Goeasy reported revenue growth of 21% to $444 million. Net income rose 55% to $57.7 million and diluted earnings per share increased 47% to $3.72.

The company is forecasting total revenue growth between 14% and 16% in 2020, and between 10% and 12% in 2021. Goeasy is a company that is catering to a new Canadian consumer, and it is well worth targeting to kick off the New Year.

Goeasy also offers a quarterly dividend of $0.31 per share at writing, which represents a 1.7% yield.

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