Hate Taxes? Then You'll Love This New 2020 CRA Tax Cut

Description

People generally hate taxes but love a tax cut. In Canada, federal tax changes took effect to start the year. The lowering of taxes was an election campaign promise. Hence, the tax-free earnings of most Canadians, including retirees, will increase in the 2020 tax year.

Tax savings

The basic personal amount (BPA) bumps up by $931 such that an individual Canadian taxpayer can earn up to $13,229 before paying any federal income tax. The limit will gradually increase until it reaches $15,000 by 2023.

The rationale behind the BPA increase is to help Canadians cover their basic needs. Nearly 20 million will benefit from lower taxes, and once full implementation is complete, the annual tax savings of individuals would be $300.

The 2020 tax changes might not be significant but could help Canadian taxpayers a little. What could help you more is to maximize the use of your TFSA. This investment account is still the hands-down choice to make the most of your money this year.

Tax-free earnings

Let us assume you have an extra $13,229 for investing. You can purchase shares of dividend kings like **Inovalis** (TSX:INO.UN) and **Keg Royalties** (TSX:KEG.UN).

Inovalis is a $305 million real estate investment trust (REIT) and one of Western Europe's leading privately owned REITs. You can realize tax-free annual earnings of $1,037.15, as the stock pays a high 7.84% dividend.

Since this REIT is European-focused, you gain exposure to the real estate sector abroad. The rental properties it owns and operates are in France and Germany plus a few in Spain. Inovalis rents out and derives rental income from office spaces located in prime and posh areas.

Inovalis has a moneyed institutional backer in France. Some pension fund managers are showing interest in this REIT but are awaiting a European economic recovery. With sizable funding support, Inovalis can pursue expansion to add more top-tier assets to its portfolio.

This REIT is a pure dividend play with minimal capital gain potential. Inovalis can be an investment option too in case you have worries about a housing market crash in Canada.

Keg Royalties is another dividend king. If you love great steaks, you'll love this royalty stock even more for its juicy dividend. Your $13,229 has the potential to earn $984.24 yearly from Keg's 7.44% yield.

This $174 million income fund was able to establish a unique position in Canada's restaurant industry. Its operations as an unincorporated, open-ended limited purpose trust began in 1971. The focus is on the high-end casual dining restaurant segment.

Keg, through The Keg Rights Limited Partnership, operates 105 Keg steakhouse restaurants and bars. All rights to the steak chain like the trade name, trademark, operating procedures, and systems, plus other intellectual property, belong to Keg.

Although the business has little potential for growth, Keg will continue to rake in profits due to stable cash flow every year. The brand has loyal followers, mostly "steak lovers." Not only is Keg a top-line royalty trust but a "cash register" as well.

Plant the seed

You can start small and plant the seed today by investing in Inovalis and Keg Royalties. Dividend machines like the two companies, not tax cuts, are your vehicles to build wealth.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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1. TSX:INO.UN (Inovalis Real Estate Investment Trust)
2. TSX:KEG.UN (The Keg Royalties Income Fund)

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