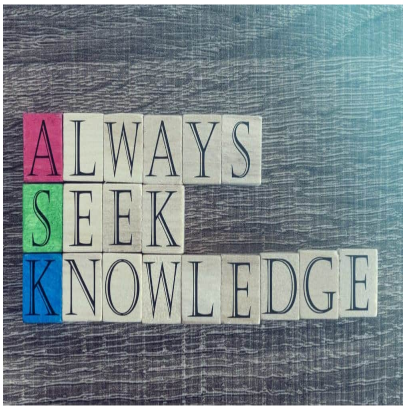

Canada Revenue Agency: 3 CRA Changes You Need to Know

Description

As we approach the end of February 2020, the tax season is almost upon us. There are some significant changes this year that you need to be aware of to stay on top of your investment game.

If you're a Tax-Free Savings Account (TFSA) investor or pay into Employment Insurance (EI), you may have some opportunities to reduce the amount in taxes you pay.

Of course, the changes introduced by the Canada Revenue Agency (CRA) can also result in you paying extra if you don't know what's what.

Today I'm going to discuss three CRA tax changes this year that will affect you heading into the 2020 tax season.

Your EI premiums might come down

A significant tax change that occurred in 2019 is something you might notice while filing taxes this year — a reduction in the EI premiums. The CRA decreased EI premiums from $1.66 to $1.62 per $100 of insurable revenue.

If you have a regular job, the EI is automatically deducted from your paycheck, so you might not have noticed this. If you're self-employed, you might be delighted with the reduced EI premiums as you file your taxes in April 2020.

You can stand to save a significant amount on reduced EI premiums, which you can invest elsewhere.

CPP enhancement

The CRA introduced the CPP Enhancement in 2019, a program designed to increase CPP benefits from a third to a fourth of pensionable revenue.

While it will take at least 40 years for the promised benefits to see the light of day, the more pertinent issue is higher premiums for the 2019 tax year, which means you should expect a higher tax bill when you file in April 2020.

Larger contribution room

The CRA has added more to the maximum contribution limit to the TFSA every year since the account type was introduced in 2009. One of the changes you need to know about in 2020 is that you have an additional $6,000 contribution room in your TFSA this year. The maximum contribution room in the TFSA has increased to $69,500.

While TFSAs don't have a deadline as RRSPs do, tax season is an excellent opportunity to get some cash into your TFSA so you can make your money work for you.

With savings from reduced EI premiums and some additional cash, you can use the extra $6,000 contribution to invest in a stock like **Suncor Energy Inc.** (TSX:SU)(NYSE:SU).

Suncor Energy is the preferred stock for Warren Buffett to gain exposure to Canada's oil patch. It's a promising prospect in Canada's energy sector. The company has a reputation for rewarding its shareholders through good times and bad.

The dividend-paying stock has a decent dividend yield of 4.71% at the time of writing. Its earnings are insulated due to its integrated structure. Despite a challenging industry environment, Suncor rewarded its shareholders with a massive 11% dividend increase.

Its shares are trading at around 13 times next year's expected earnings and 1.44 times book/ ratio.

Foolish takeaway

The CPP enhancement will increase your tax bill. Changes like the reduced EI premiums and larger TFSA contribution room can help you offset the higher tax bills.

I believe that stocks like Suncor could make an ideal addition to your TFSA portfolio with the additional contribution room.

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adamothman