Dislike Taxes? This CRA Rule Update Means You Will Pay Less in 2020

Description

The most notable tax change in 2020 is the increase in the basic personal amount (BPA). According to proponents, the measure is significant as 20 million Canadian taxpayers would benefit once full implementation is complete by 2023.

Based on the Canada Revenue Agency (CRA) rule, the new BPA in 2020 is $13,229. It means that an individual taxpayer's income is tax-free up to the extent of the BPA. The amount will rise gradually and would be $13,808 in 2021, $14,398 in 2022, and $15,000 by 2023.

Many people dislike paying taxes, but for the resourceful, any tax relief means more money to the pocket. The tax-free $13,229 is more than twice the sum of the annual Tax-Free Savings Account (TFSA) contributions in 2019 and 2020. If the available room is $12,000, why not invest in incoming-producing assets to create tax-free income?

Be a quasi-landlord

Make the most of the tax relief and consider investing in high-yield real estate investment trusts (REITs). These asset classes are the present-day alternatives to buying real estate directly. **BTB** (TSX:BTB.UN) and **Inovalis** (TSX:INO.UN), for example, are bangs for your buck.

There will be greater worth for your money as these income-producers averages 7.66% dividend. You can own BTB for $5.49 per share, while you can purchase Inovalis at $11.02 per share. An investment of $12,000 or $6,000 in each returns $919.20 in passive income.

BTB has a knowledgeable management team. This $340.58 million REIT is displaying dynamic growth because of its smart acquisition strategy. TB buys real estate properties whose prices do not fall below $3 million or exceed $30 million.

By setting these limits, BTB evades competing with institutional buyers and large REITs with a penchant for assets worth over $30 million. Meanwhile, the amount of $3 million is stiff for local investors. Thus, BTB gets most of the high-quality real estate properties in the middle-market.

European-focused Inovalis is an exciting dividend play. If you want exposure to the real estate sector in Europe, this $315.85 million REIT is yours for the picking. You'll be a pseudo-landlord of prime and luxurious office spaces in France and Germany.

As this REIT is European-focused, you gain exposure to the real estate sector abroad. The rental properties it owns and operates are in France (8) and Germany (5). Inovalis rents out and derives rental income from office spaces whose locations attract high-profile tenants.

There are rumours that a pension fund is the financial backer of Inovalis. If an economic boom returns to Europe, Inovalis can expand coverage and add more high-class rental properties. For now, the long-term leases deliver a steady revenue stream. This REIT maintains a high 91% occupancy rate.

Performance-wise, Inovalis is not a disappointment. Over the last three and five years, the gains of the stock were 49.66% and 85.11%, respectively. BTB isn't doing badly either. The 53.19% and 76.93% returns during the same periods are respectable.

Welcome the tax cut

The CRA tax cut is inadequate, although any amount that would add to the creation of income is most welcome. The dividends from REIT stocks should boost your tax-free income.

But before investing, be mindful of the risks. The economic environment and declining value properties can affect the rental business.

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