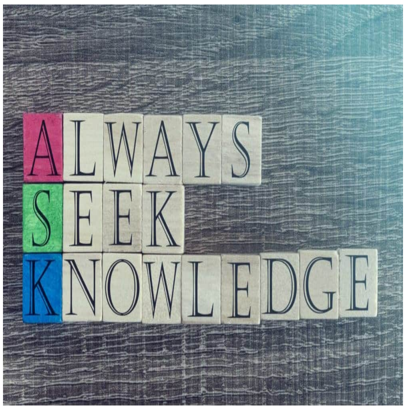

Canada Revenue Agency: 3 Top CRA Changes for 2020

Description

Its tax time for investors, and there are some significant changes that you need to be aware of for 2020. We'll look at the three most important changes introduced by the Canada Revenue Agency (CRA) that can help lower taxes this year.

Basic personal amount

Last year, the Canadian government tabled a motion to amend the Income Tax Act. It wanted to increase the basic personal amount (BPA) from $12,298 in 2019 to $15,000 by 2023. The BPA is a tax credit that can be claimed by all Canadians.

It is a non-refundable tax credit and provides a reduction from federal income tax to individuals with a taxable income below the BPA. For individuals with a taxable income above the BPA, it provides a partial reduction.

The maximum BPA for 2020 has been increased to $13,229 for individuals with a net income of up to $150,473. As the average Canadian is struggling with high debt-to-income levels, the BPA will help individuals cover basic necessities. This amendment might benefit about 20 million Canadians and result in annual tax savings of $300.

CPP enhancement for 2020

The Canadian Pension Plan (CPP) is a retirement benefit for Canadians. In 2020, the CPP contribution has been increased from 5.1% to 5.25%, which means the total CPP contribution will increase from 10.2% to 10.5%. The CPP contribution rate will continue to rise up until 2023 to reach a combined contribution figure of 11.9%.

This gradual enhancement will mean higher payouts for retirees in exchange for higher contributions. The maximum monthly amount for a recipient starting pension at the age of 65 was $1,175.83 for2020, and the average monthly payout was $672.87.

The CPP payout largely depends on the average annual earnings and contributions. It replaces 25% of an individual's average work earnings and with the enhancements, it will replace about 33% of average annual earnings.

Tax-Free Savings Account

The Tax-Free Savings Account (TFSA) is one of the most flexible investment options for Canadians. The contribution room for the TFSA in 2020 has been increased to $6,000, which means the maximum contribution limit now stands at $69,500.

As TFSA withdrawals (capital gains and dividends) are tax-free, investors can look to add dividend stocks, such as **Chemtrade Logistics Income Fund** (TSX:CHE.UN), to their portfolios. This company pays monthly dividends, which means a steady stream of income for investors.

Chemtrade has maintained its annual dividend payout of $1.2 per share for the last five years. The stock has lost close to 60% in market value since March 2015, which means its dividend yield now stands at an impressive 13.45%.

A $10,000 investment in Chemtrade will result in annual payouts of $1,345, or $112 per month. For investors concerned with the company's high dividend yield, you need to be aware that it paid dividends, even during the market crash of 2008.

Chemtrade ended 2019 with a debt balance of $1.54 billion and cash reserves of $13.5 million. Given its operating cash flow of $139.5 million, Chemtrade's dividend payout looks sustainable at this point.

Analysts expect Chemtrade sales to rise by 2% in 2020 and 3.6% in 2021. This will boost company earnings by 88% this year and by 215% in 2021. With a price-to-sales ratio of 0.51 and a price-to-book ratio of 1.04, Chemtrade is one of the cheapest stocks to bet on.

This means investors can benefit from capital appreciation as well. Analysts tracking Chemtrade have a 12-month average target price of $11.26, which is 26% above the current target price.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:CHE.UN (Chemtrade Logistics Income Fund)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/06/29
Date Created
2020/03/05
Author
araghunath