



Canada Revenue Agency: 3 CRA Tax Breaks for Canadians in 2020

Description

The Canada Revenue Agency (CRA) has made a few changes which will benefit taxpayers in 2020. While a tax break may seem insignificant for some, it results in incremental savings that can be invested to create long-term wealth.

CRA increases basic personal income

Last year, the Canadian government proposed increasing the BPA (basic personal income) amount from \$12,298 in 2019 to \$15,000 in 2023. This means that for 2020, [the BPA will rise by](#) \$931 to \$13,229. The BPA is a tax credit that can be claimed by most Canadians.

It's a non-refundable tax credit and reduces an individual's federal income tax. This tax break is set to impact 20 million Canadians and result in annual tax savings of \$300.

RRSP contributions can reduce CRA taxes

Contributions to your registered retirement savings plan (RRSP) are tax-deductible and can be used to reduce your tax. Any income earned in this account is tax-exempt as long as they remain in the plan. However, RRSP withdrawals are taxed.

For 2020, the RRSP deduction limit stands at \$27,230 or 18% of pre-tax income (whichever is lower). CRA has steadily increased the RRSP contribution limit over the years.

Age amount

The age amount is a tax break for Canadians who are 65 years or older and with a net income of below \$87,750. In case your net income is below \$37,790, you can claim \$7,494 on your return. The deduction varies for net income between the range of \$37,790 and \$87,750.

Savings from these CRA tax breaks can be used to purchase Canadian stocks trading at attractive valuations with the potential to create long-term shareholder wealth. The broader markets are expected to be volatile driven by the COVID-19 pandemic and low oil prices.

However, even amid these uncertain times, there are stocks that can outperform the indexes. One such company is **Cascades** ([TSX:CAS](#)), a paper and packaging firm that manufactures containerboards, tissue papers, packaging products, and coated box boards.

The tissue paper segment accounts for close to 30% of sales and this business may well be the key driver of the company's top line in 2020 as customers are stocking up on this product to fight off the dreaded coronavirus.

While the **iShares S&P TSX 60 Index ETF** is down 23% from record highs, Cascades shares have also remained volatile. However, Cascades stock has recovered and outperformed the index in 2020.

The stock is trading at an attractive multiple. Cascades sales have risen from \$4.3 billion in 2017 to \$5 billion in 2019. According to consensus estimates, company sales might touch \$5.16 billion in 2021.

Cascades stock has a forward market cap-to-sales ratio of 0.21 and an enterprise value to sales ratio of 0.58. Analysts expect company earnings to grow at an annual rate of 37% in the next five years. Compare this to its forward price to earnings multiple of 10.2 and we can see that the stock is grossly undervalued.

Cascades also has a dividend yield of 2.84%. Analysts covering Cascades have a 12-month average target price of \$13.67, which is 21% higher than the current trading price.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CAS (Cascades Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
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Author

araghunath

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