Canada Revenue Agency: 3 Top CRA Tax Breaks in 2020

Description

The Canada Revenue Agency (CRA) has extended the tax filing deadline for individuals and businesses, in the wake of the COVID-19 pandemic. The CRA has pushed the tax deadline to June 1, 2020, for individuals while for self-employed workers it is June 15, 2020.

The relief period for a balance owed on last year's tax returns has been extended by four months to August 31, 2020. The CRA is trying its best to reduce the burden on Canadians in these turbulent times. However, taxes still need to be paid and here we look at three Canada Revenue Agency changes that individuals need to be aware of for 2020.

Basic personal amount

In December 2019, the Canadian government tabled a motion to propose an amendment to *The Income Tax Act.* This motion aims to increase the basic personal amount (BPA) to $15,000 by 2023. The BPA is a non-refundable tax credit that can be claimed by all individuals.

It provides a full reduction from federal income tax to all individuals with taxable income below the BPA. In 2020, the BPA has increased from $12,298 to $13,229 for individuals with a net income of below $150,473.

Home Buyers Plan

The Home Buyers Plan (HBP) is a program that allows individuals to withdraw funds from their RRSP (registered retirement savings plan) to purchase a home. The withdrawal limit stands at $35,000 and the HBP is only applicable to first-time buyers. You then need to pay back the funds withdrawn within 15 years.

Medical expenses for marijuana

The tax credit for medical expenses is now expanded to cover medical marijuana products as well. For claiming the tax credit, the patient needs to hold a valid medical document and purchase these products from a licensed producer.

The CRA website states, “The Cannabis regulations require that the patient be registered as a client of the holder of a licence for sale and require the patient to make their purchases from the holder they are registered with.”

Invest in a high-quality dividend giant

The Canada Revenue Agency has provided some breathing space for individuals and businesses. However, Canadians can also look to generate a passive income stream in an uncertain market environment. The current bear market provides an opportunity to invest in top-quality dividend-paying stocks such as the **TC Energy** (TSX:TRP)(NYSE:TRP).

TC Energy stock is trading at $58, which is 25% below its 52-week high. This pullback has increased its forward yield to a tasty 5.6%. While energy stocks are trading at multi-year lows, TC Energy has outperformed peers due to its business model.

Similar to **Enbridge,** TC Energy is also a pipeline company whose assets include over 93,000 kilometers of natural gas pipelines and 4,900 kilometers of oil pipelines and gas storage.

The company also has 6,000 megawatts of power generation. As TC Energy generates over 90% of its EBITDA from regulated contracts, the company is a solid defensive buy due to its predictable cash flows, making a dividend cut highly unlikely.

TC Energy has a market cap of $54 billion. While its debt balance of $50 billion might concern investors, the company’s operating cash flows of $7.1 billion holds it in good stead. With a payout ratio of 70%, TC Energy can increase dividend payments as well going forward.

Equity markets are expected to be volatile in the near-term, which will likely make investors sweat. However, once global governments manage to tame the coronavirus and open up economies, energy prices should move up driving share prices of TC Energy and peers higher.

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