Canada Revenue Agency: 3 Major CRA Updates for 2020

Description

The COVID-19 pandemic has completely changed the business and economic scenario in the last two months. As businesses have closed down, the unemployment rate has touched unprecedented levels. The Canada Revenue Agency (CRA) also had to step in to provide residents and enterprises with relief.

One Statistics Canada report states that over a million people have lost jobs in Canada during March. Canada's unemployment rates have risen from 5.6% in February to 7.8% in March. The federal government is trying to boost the economy and announced billion-dollar relief packages.

Here let's take a look at three Canada Revenue Agency changes that will impact the taxpayer in 2020.

The Canada Revenue Agency extends tax-filing and payment deadlines

The Canada Revenue Agency has provided an extension to taxpayers in terms of filing and paying taxes. The standard deadline for filing personal tax returns was April 30, 2020. This date has now been extended to June 1, 2020. The CRA has also extended the deadline to pay the taxes to September 30, 2020.

These extended deadlines will provide Canadians will short-term liquidity during the current uncertain times.

The Canada Revenue Agency enhances CPP

The Canada Revenue Agency is gradually enhancing the Canadian Pension Plan (CPP). This means Canadians will receive higher benefits in exchange for higher contributions. The CPP aimed to replace about 25% of your average work earnings until 2019. The CPP enhancement should replace about 33% of the average work earnings.

This means the total contribution rate for employees will gradually increase from 4.95% to 5.95% between 2019 and 2023.

Basic Personal Amount

In late 2019, the federal government proposed to amend the Income Tax Act and increase the basic personal amount (BPA) to $15,000 by 2023. The basic personal amount is a non-refundable tax credit that can be claimed by all residents. The CRA will provide a full reduction from federal income tax to individuals with taxable income below the BPA.

It also provides a partial reduction to taxpayers with taxable income that's around the BPA. In 2020, the Canada Revenue Agency increased the BPA from $12,298 to $13,229 for individuals with a net income of up to $150,473.

This increase is gradually reduced as income levels move higher. For individuals with a net income above $214,368, the increase in BPA does not apply. In these cases, the BPA stands at $12,298.

Where do you invest these additional savings?

The Canada Revenue Agency has allowed Canadians to delay tax payments. The above-mentioned increase in the BPA will also result in savings for several individuals. So, where do you invest these incremental savings (though you will have to pay taxes eventually)?

The current pullback in equity markets makes dividend stocks ideal investments. You can invest in high-quality, dividend-paying stocks. The ongoing market volatility has driven share prices lower. This has increased forward yields for companies such as **Fortis** (TSX:FTS)(NYSE:FTS).

Utility companies such as Fortis are defensive investments. While consumer spending has fallen significantly, people are unlikely to delay the payment of electricity and gas bills. The predictable and stable cash flows make utility stocks such as Fortis almost recession-proof.

Fortis stock is trading at $55.6, which is 6% below its 52-week high. Comparatively, the **iShares S&P/TSX 60 Index ETF** is trading 14% below its 52-week high. Fortis has a forward yield of 3.43%, which means an investment of $20,000 in this stock will result in annual dividend payments of $686.

Fortis is one of the top stocks to hold in case recession fears come true. Its growing income, long-term growth prospects, and a regulated utility asset base make it a winning bet in the upcoming decade.

Fortis has also increased dividend payments for 45 consecutive years. As a majority of its operations are under long-term contracts, the company's earnings and cash flow remain stable across economic cycles, making a dividend cut very unlikely.

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