Canada Revenue Agency: 5 Major CRA Tax Breaks for 2020

Description

The Canada Revenue Agency (CRA) has extended the tax filing and tax payment dates for Canadians due to the ongoing COVID-19 pandemic. While the extension gives you more time to compute your dues, Canadians can look at the below CRA tax breaks to reduce the amount of taxes.

Basic personal amount

According to the CRA, the basic personal amount (BPA) is a non-refundable tax credit that can be claimed by all individuals. The purpose of this tax break is to provide a full deduction from federal income tax to Canadians with taxable income below the BPA. In 2020, the BPA increased from $12,298 to $13,229 for individuals with a net income of $150,473 or less.

CPP contributions

The Canada Pension Plan (CPP) is a pension program to help retires lead a comfortable life. However, you are eligible for a tax credit on CPP contributions, according to the CRA. The CPP contribution rate for 2020 is 5.25% for employees and employers up to an income of $58,700.

The maximum annual exemption is $3,500, which means individuals can contribute up to $2,898 toward the CPP. For self-employed individuals, the maximum CPP contribution doubles to $5,796.

So, if you earn over $58,700 in 2020, you multiple the total CPP contribution by 15% ($2,898*15%), which amounts to a tax break of $434.7.

Age amount

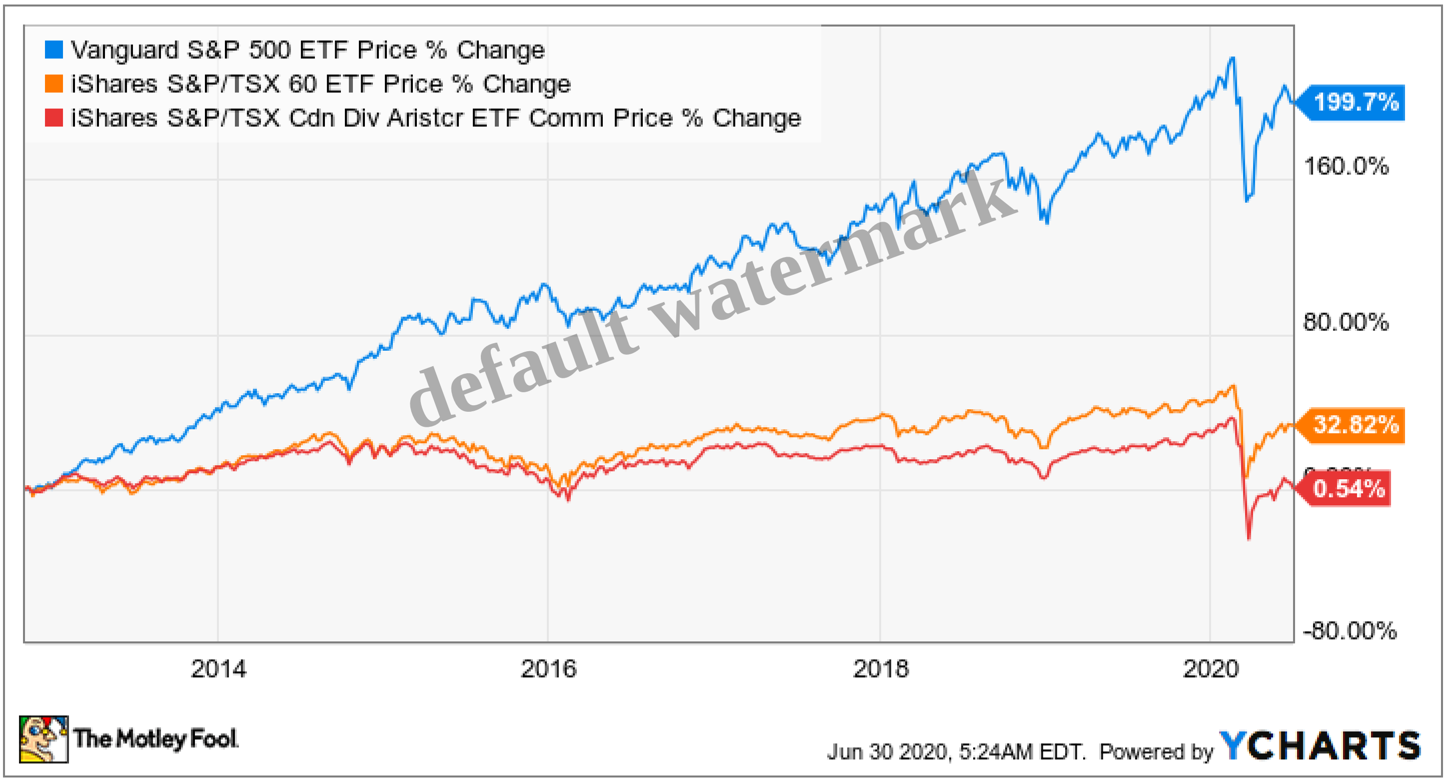
The age amount is a tax break for residents over the age of 65. According to the Canada Revenue Agency, the total claim for seniors with a net income below $37,790 is $7,494. Further, CRA rules state that if the net income is between $37,790 and $87,750, the tax break amount will vary. There is no tax break for seniors earning over $87,750.

Home buyers amount

This CRA tax credit benefits first-time home buyers. Eligible Canadians can claim up to $5,000 under the home buyers tax break in the year they purchase a home.

CRA states RRSP contributions are tax-deductible

The contributions toward the registered retirement savings plans (RRSPs) are tax-deductible. In 2019, the RRSP contribution limit stood at $26,500 and for 2020 it has increased to $27,230. However, the deduction limit is calculated as the lesser of 18% of your pre-tax income and the contribution limit.



[VFV](#) data by [YCharts](#)

Once you have contributed to your RRSP, you can use this amount to buy quality stocks. Alternatively, for Canadians who do not have the time or expertise to pick individual stocks, investing in exchange-traded funds such as the **Vanguard S&P 500 Index** (TSX:VFV) is a safe bet.

ETFs diversify risk significantly, as they hold a basket of stocks across sectors. Further, the VFV ETF provides Canadian investors exposure to top companies south of the border. The U.S. market is a powerhouse of growth stocks and has several multi-billion-dollar companies.

The VFV tracks the **S&P 500,** one of the world's most popular indexes. The S&P 500 has been one of the top-performing funds in the last decade due to a wide range of companies coupled with their ability to grow customer base and improve top-line rapidly.

As VFV is traded on the TSX, investors don't have to sweat over exchange rate fluctuations. The ETF holds over 500 companies and provides investors with enough diversification.

Though its dividend yield is low at 1.5%, it has a stellar history of capital gains and has outperformed major Canadian ETFs as seen in the above chart.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:VFV (Vanguard S&P 500 Index ETF)

PARTNER-FEEDS

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

Category

1. Investing
2. Tech Stocks

Date
2025/07/04
Date Created
2020/07/01
Author
araghunath