
Canada Revenue Agency: 2 Crucial COVID-19 Tax Breaks for 2020

**Description**

When COVID-19 spread throughout the world, personal finances and household budgets took a big hit. In Canada, the unemployment rate soared to 13.7% in May 2020 to beat the previous high of 13.1% in December 1982. Suddenly, people are anxious about expenses like mortgage, rent, food, transportation and taxes.



Canadian families spend the most on taxes, which makes it the biggest thorns. However, a slew of tax changes by the Canada Revenue Agency (CRA) came in the nick of time in 2020. It would help if you were to keep a tab of the changes, mainly two items, because they are crucial during the pandemic.

## 1. Basic personal amount

The change in basic personal amount (BPA) should matter now since all Canadian taxpayers can claim this non-refundable tax credit. BPA is the amount a taxpayer can earn without paying any income tax.

The maximum amount in 2019 was $12,298 but has increased to $13,229 if the individual's net income is $150,473 or less. Over the next three years, the maximum BPA will gradually rise in the following taxation years:

- $13,808 for 2021
- $14,398 for 2022
- $15,000 for 2023

In the subsequent years, the CRA will index the BPA for inflation. It would be best to remember the BPA provides a full reduction from federal income tax to all individuals whose taxable income is below it. Also, it's a partial reduction of taxes if your taxable income is above the BPA.

## 2. TFSA contribution limit

The cumulative contribution room of the Tax-Free Savings Account (TFSA) in 2020 has increased to $69,500 because the TFSA has upped the annual contribution limit to $6,000. If you've never contributed to the TFSA but eligible in 2009, you have a significant tax-free income earning potential.

If you're a regular TFSA user, keep track of your limit and don't over-contribute. The CRA will charge you a tax penalty equivalent to 1% of the excess contribution. You shouldn't pay any tax at all in a TFSA.

## Water down COVID-19 risks

**Hydro One** (TSX:H) is prominent in investors' radars in the 2020 bear market. It's one of the better stocks to own because it can mitigate the COVID-19 risks and endure the economic downturn. Thus far in October, the utility stock is outperforming with its 22.57% year-to-date gain.

In terms of earning potential in your Tax-Free Savings Account (TFSA), this $17.86 billion electrical transmission and distribution company pay a respectable 3.39% dividend. A $6,000 investment will produce $203.40 in tax-free income, while $69,500 will deliver $2,356.05.

Investing in a rate-regulated utility puts you in a defensive position. Hydro One's transmission lines serve 98% of Ontario. Since the government dictate power charges to customers, cash flows are visible, if not predictable, years in advance.



Aside from power, Hydro One provides telecommunications support services for and information technology solutions to various organizations for broadband network connectivity. There won't be labour problems in the future following the renewal of two collective agreements with the Power Workers' Union (PWU) recently.

## Tax breaks are advantages

No matter how much you hate taxes, you have to reckon with the CRA every year. However, the tax breaks in 2020 should be to your advantage as you navigate the coronavirus-induced recession.

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