



Canada Revenue Agency: Claim the \$1,984 Basic Personal Amount Tax Credit in 2020

Description

Did the 2019 tax bill leave you cash strapped? Don't repeat the same mistake. Plan your taxes ahead. The Canada Revenue Agency (CRA) offers several tax breaks that can help you reduce your taxable income and your tax payment. Among the many tax credits is the basic personal amount (BPA) deduction.

The CRA increased the BPA for the 2020 tax year to \$13,229 from \$12,298 last year. A \$931 increase in BPA can reduce your tax bill significantly. Here's how.

How does the basic personal amount tax credit work?

The CRA adjusts the BPA to allow for inflation and other factors. The BPA saves the federal income tax levied on your taxable income below the BPA. You can deduct the \$13,229 BPA if your 2020 net income is \$150,473 or less. How much tax can you save from this deduction?

For instance, Jane's 2020 taxable income stood at \$45,000, which resulted in a [federal tax bill](#) (15%) of \$6,750. He can deduct BPA from his taxable income and reduce his federal tax bill by \$1,984 to \$4,766.

Make the most of the \$1,984 basic personal amount tax credit

Nothing feels better than saving out on taxes. But you can do more from these tax savings. As this money is already removed from the tax, put it in your Tax-Free Savings Account (TFSA). And use this money to invest in growth stocks. The TFSA allows your investment to grow tax-free and will also protect your withdrawals from taxes.

You can use your BPA savings and invest \$600 each in **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)), **Descartes Systems** ([TSX:DSG](#))([NASDAQ:DSGX](#)), and **RioCan REIT** ([TSX:REI-UN](#)).

Lightspeed POS

Lightspeed POS is a high-growth stock enjoying a revenue growth rate of over 55%. It is a relatively new stock that started trading on the **Toronto Stock Exchange** in March 2019. Within 19 months, it surged from \$18 to \$50. If you had invested \$600 in its IPO, your money would have grown 167% to \$1,580. The stock still has the potential to double your money in the next two years as Lightspeed rides the e-commerce wave. It just announced the [acquisition of ShopKeep](#) to increase its recurring revenue and customer base.

Descartes Systems

Descartes stock is a medium-risk stock which has been growing steadily for the last five years. Its exposure to logistics and supply chain management gives it a diverse customer base. The weakness in industrial and airlines was offset by strength in e-commerce.

The stock is hovering in the \$68-\$78 price range since July as the pandemic-driven rally eased and the economy reopened. The stock just dipped to \$69 after it announced the acquisition of ShipTrack — a good entry point as Descartes will continue to grow with the recovery in global trade.

Its stock rose at a compound annual growth rate (CAGR) of 20%, and revenue surged at a CAGR of 12% in the last five years. Its stock will surge in the post-pandemic world where supply chain management is the biggest challenge. It has the potential to double your money in five to seven years.

RioCan

RioCan is a dividend stock with little price fluctuation. The REIT earns money on rental income and distributes it as dividends to shareholders. The pandemic has posed some challenges like reduction in occupancy rate and risk of default. But its retail shops are located in prime locations, which will help it increase the occupancy rate as the economy recovers. Moreover, it has security deposits, and most of its tenants have strong creditworthiness that mitigates the risk of default.

The assured and stable rental income RioCan is receiving is sufficient to pay dividends. The stock is currently trading at a 45% discount because of the pandemic. This has increased its dividend yield to 8.8%. As the economy recovers, the stock will surge 80% in the next three to five years to its pre-pandemic level.

Foolish takeaway

The three stocks can diversify your risk and can give you an average annual return of 20% in the next five years.

CATEGORY

1. Dividend Stocks
2. Investing

3. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. NYSE:LSPD (Lightspeed Commerce)
3. TSX:DSG (The Descartes Systems Group Inc)
4. TSX:LSPD (Lightspeed Commerce)
5. TSX:REI.UN (RioCan Real Estate Investment Trust)

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