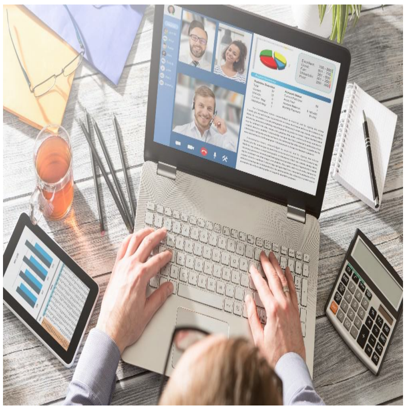

Canada Revenue Agency: 2 Tax Breaks That Could Give You More Cash

**Description**

Since households' spending on taxes is heavy, the Canada Revenue Agency (CRA) has been extending several tax breaks to taxpayers in 2020. Anything that enables tax savings or provides more cash in the pocket is helpful in the pandemic.



Two tax breaks matter now with the next tax season fast approaching. You could save more if you were aware of the benefits to taxpayers.

## 1. Basic personal amount

The basic personal amount (BPA) is a non-refundable tax credit available to all Canadians with taxable income. You can claim the tax credit and get a full reduction from federal income tax if your taxable income is below the BPA. The reduction is partial for individuals whose taxable income is above the BPA.

Generally, this non-refundable tax credit reduces what you may owe to the Canada Revenue Agency (CRA). However, your total non-refundable tax credits must not be more than what you owe. Otherwise, you don't get a refund for the difference.

BPA is the amount a taxpayer can earn without paying any income tax. In 2020, the maximum BPA is $13,229. If you make $35,000 this year, your federal taxable income tax will reduce to $21,771 ($35,000 minus BPA). Note that the BPA changes yearly. For 2021, the amount is $13,808.

## 2. Home Accessibility Tax Credit

Canadian seniors can also benefit from the Home Accessibility Tax Credit (HATC). The credit is one of several that individuals age 65 or older can claim. HATC is specific to home improvement expenses. While this non-refundable tax credit can reduce taxes owed to the government, it won't convert into a refund.

If you're a senior, you can claim up to $10,000 in home improvement expenses, and 15% of the total cost comes back to you as credit. Qualified home improvement expenses are door widening, easy-to-use door locks, wheelchair ramps, and non-slip bathroom flooring, among others. A taxpayer supporting a related senior could be eligible for HATC.

## Overcome market risks

**Hydro One** (TSX:H) is an asset that can deliver stable passive income and overcome market risks. In a Tax-Free Savings Account (TSA), all your earnings from this electrical transmission and distribution company are tax-free.

Hydro One is among the prominent recession-resistant stocks for dividend investors. The utility stock offers a respectable 3.59% dividend. A $35,000 position will produce $1,256.50 in passive income. If you elect to hold the stock for 20 years and keep reinvesting the dividends, the capital will compound to $70,863.84.

Performance-wise, current holders are gaining by 15.55% year to date. Analysts predict the price to climb from $28.20 to $33.00 (+17%) in the next 12 months. Furthermore, the payout ratio is only 32.68%, so the dividends should be safe and sustainable.



Hydro One is Ontario's largest electricity transmission and distribution provider. The business is low-risk, while cash flows are predictable because power charges are regulated. In nine months ended September 30, 2020, net income attributable to common shareholders grew by 184% to $1.6 billion versus the same period in 2019.

## Two-pronged assistance

Canada alleviates the hardships of its people due to COVID-19 with income support measures. The CRA complements the programs with tax breaks to further lessen the financial burden.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. TSX:H (Hydro One Limited)

**PARTNER-FEEDS**

1. Business Insider
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