



Are You Living and Working in Canada? Then Claim This \$2,000 CRA Tax Credit

Description

Canada offers many benefits to its citizens and the immigrants who live and work in Canada. In the COVID-19 crisis, the Canada Revenue Agency (CRA) opened up the \$2,000/month Canada Recovery Benefit (CRB) to immigrants as well. The CRA offers more benefits to those who regularly file their income tax returns. If you are above 18 years of age and working in Canada, you can get a tax credit of around \$2,000.

Claim the \$2,000 basic personal amount tax credit in 2020

If you are filing returns in Canada, you pay federal tax and provincial tax. Every year, the CRA calculates a basic personal amount (BPA) after adjusting for inflation. For the 2020 tax year, the [BPA is \\$13,229](#) — a \$931 increase from last year. You can claim this enhanced BPA if your 2020 net income is less than or equal to \$150,473.

How does the BPA work? The CRA exempts the minimum federal tax rate on the BPA. For 2020, the minimum federal tax is 15%. Hence, you can reduce your tax bill by \$1,984, which is just \$16 short of \$2,000.

And if you are above 65 years of age, you also get a \$1,145 in an [age tax credit](#), which has a similar calculation as the BPA tax credit. You can monetize this tax credit by investing the money in the stock market.

The changing phase of the stock market

The Toronto Stock Exchange has some good stocks that even Warren Buffett likes. While some of the best tech stocks trade on the NASDAQ, some of the best energy stocks trade on the TSX. In this past decade, Canadian software stocks have picked up momentum. The 2030 decade will see the rise of stocks that facilitate the move to digitization.

The tech stocks like **Shopify** and **Lightspeed POS** are making shopping and dining digital. Then there

is **Constellation Software** and **Enghouse**, which are acquiring software companies that serve the niche verticals. The first two stocks have been the winners of 2020, surging 145% and 77%, respectively. But their exorbitant rally has now made them a little risky. The latter two stocks surged modestly around 27-29%.

The market is currently unstable, as it is in the middle of a turnaround, where a COVID-19 vaccine can bring the pandemic-driven rally to a standstill. If you are still bullish on the tech stocks, rather than risking buying one overvalued stock, diversify your risk with a technology ETF.

iShares S&P/TSX Capped Information Technology Index ETF ([TSX:XIT](#)) gives you exposure to the price movement of Shopify and Constellation Software at \$41. If you go to buy these stocks individually, you need at least \$3,000. But the ETF has almost 50% of its holdings in these two stocks, which increases its upside. At the same time, it has invested the other half of its holdings in 17 tech stocks. This has reduced its downside.

In the second week of November, the vaccine news pulled down stock prices of Shopify and Constellation by 11% and 4.5%, respectively. But the ETF fell only 4%. In the week before that, the two stocks surged 11% and 12.4%, respectively, and the ETF rose 9%.

Enhance the \$2,000 BPA tax credit with the power of compounding

You can divide the \$2,000 BPA tax credit between the XIT ETF and the post-pandemic stocks that will surge with the economic recovery. One post-pandemic stock is **RioCan REIT** ([TSX:REI.UN](#)). The stock fell 33% to the 2009 level, as the pandemic forced non-essential retailers to close their stores temporarily. Some retailers couldn't bear the losses from the lockdown and closed their stores or reduced their store chains permanently.

As the economy recovers, the closed stores will reopen with new tenants and higher rent. This will increase RioCan's stock price by 50% in the next two years. The stock has already started to recover, surging 23% this month.

A \$1,000 in XIT ETF and a \$1,000 in RioCan will balance your risk, and you will stand to gain in whichever way the stock market moves.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Tech Stocks

TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)
2. TSX:XIT (iShares S&P/TSX Capped Information Technology Index ETF)

PARTNER-FEEDS

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Date

2025/09/06

Date Created

2020/11/25

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