



The CRA's \$2,000 Basic Personal Amount Tax Credit: No Canadian Left Behind

Description

Are you living and working in Canada? Do you pay taxes to the Canada Revenue Agency (CRA)? Then you are eligible for the almost \$2,000 tax credit. The CRA states that every individual needs a minimum amount to meet their basic needs. Hence, it does not levy income tax on that basic personal amount (BPA). The CRA calculates the BPA every year after adding the impact of inflation.

For the 2020 tax year, the CRA increased the BPA by \$931 to \$13,229 from \$12,298 last year. It won't levy a 15% federal tax on this amount, which comes to \$1,984. The CRA website calls this \$1,984 amount the BPA tax credit.

CRA: No Canadian left behind

The CRA offers many tax benefits, but the BPA tax credit applies to any Canadian above 19 years of age. Even if you are not a Canadian but a [resident of Canada](#) for income tax purposes, you can avail of the BPA tax credit.

As BPA is related to your income, the CRA looks at your net income to determine your tax credit. For the 2020 tax year:

- If your net income is \$150,473 or less, your BPA will be \$13,229, and you will get a tax credit of \$1,984.
- If your net income is between \$150,473 and \$214,368, the \$931 increase in BPA will gradually phase out. You can get a tax credit between \$1,983 and \$1,846.
- If your net income is above \$214,368, your BPA will be \$12,298, which means you won't get the advantage of the increase. You can get a tax credit of \$1,845.

But every person, rich and poor, can avail of the BPA tax credit. The above tax credit only applies to your federal tax. Every province has a separate BPA on which you get credit on provincial tax as well. For instance, Ontario has a BPA of \$10,783 for 2020, on which you are exempt from the 5.05% provincial tax. This tax credit comes to \$544.5.

Hence, a person living in Ontario can claim a total personal amount tax credit of \$2,528.5 (\$1,984 + \$544.5).

Maximize your CRA tax credits

If you have not yet started investing, this \$2,500 in tax savings can be a good start. The CRA gives you another tax benefit through the Tax-Free Savings Account (TFSA). The CRA allows you to contribute \$6,000 in your TFSA. If you invest the \$2,500 tax savings in TFSA, the CRA won't touch your investment income and won't even add the withdrawals to your taxable income.

You can use the TFSA to invest in stocks, bonds, ETFs, and many more instruments. Depending on your risk appetite, you can invest in defensive and growth stocks. I have talked in length about how to build your TFSA portfolio from scratch in a [previous article](#).

Always choose stocks by looking at their future growth potential, as you are investing now to get returns in the future. In the current market environment, the world has learned to live with COVID-19. The next big growth will come from stocks that will benefit when the vaccine arrives and the economy normalizes.

Stocks for the post-pandemic world

The post-pandemic world will see the return of the travel. One stock that will benefit from economic recovery is **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)). It provides gasoline, jet fuel, and other petroleum products.

Suncor stock is trading at a 40% discount as the travel restrictions significantly reduced oil demand and price. Suncor, and other oil companies associated with OPEC+, were forced to sell oil below cost, as they had no place to store oil. They reduced oil production to balance demand and supply and increase prices. As the economy recovers and travel returns, oil demand will increase, and so will Suncor stock. In the meantime, Suncor will pay a 3.5% dividend yield. Even Warren Buffett is staying invested in Suncor, as he sees value.

Here's a glimpse of what recovery looks like. Suncor's stock surged 55% in November after the vaccine news revived investor confidence. If you had invested \$2,500 in Suncor in October, you would now have \$3,875 in your TFSA.

CATEGORY

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3. Energy Stocks
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