CRA: 3 Big Tax Changes Coming in 2021

Description

Canada's tax system is one of the most transparent and robust in the world. Unfortunately, it's also one of the most expensive. Canadians pay a significant amount of their annual income in taxes, either directly or indirectly to the Canada Revenue Agency (CRA).

Now, as we enter a new year and resolve a critical health crisis, here are the tax changes Canadians should expect from the government.

CPP ceiling raised

The CRA has recently announced that the maximum pensionable earnings under the Canada Pension Plan (CPP) will be $61,600 in 2021. That's a whopping 4.9% higher than the $58,700 ceiling in 2020.

Whether you're employed or self-employed, expect to pay more in CPP contributions next year.

RRSP limit updated

The CRA has also created more room for citizens to contribute to their Registered Retirement Savings Plan (RRSP). Next year, you may deploy up to $27,830 in this account. That's about $500 higher than last year.

Consumption taxes

Besides income taxes, a slew of new taxes are expected for consumption too. CRA is expected to collect more in carbon taxes next year. This could mean drivers across the country pay an extra 2.3 cents per litre of gasoline in 2021.

Meanwhile, the government is considering a digital tax for foreign tech companies, which could make it more expensive to stream movies, listen to music or shop online with a foreign company.

Read the signs

The CRA is indicating that it's about to start balancing the book. After a year of unprecedented stimulus measures, the federal deficit is $381 billion. It's about to expand to a level not seen since the Second World War.

That means the government will have to start collecting more taxes, giving fewer benefits and generally being conservative for the foreseeable future.

With that in mind, you need to take steps to reduce your tax burden and build wealth. Investing in a robust growth stock in your tax-free savings account (TFSA) could be the best way to generate wealth tax-free.

One of the most consistent growth stocks on the market has been **Descartes** (TSX:DSG)(NASDAQ:DSGX). The logistics software provider has delivered a 19-fold return since 2009, which makes it one of the best-performing tech stocks that's still underrated.

The fact that most investors overlook this stock makes it ideal for a value-oriented investor. The company is cash flow positive, has little debt and is expanding the top line at steady clip. Meanwhile, the stock trades at just 40 times leverage-adjusted cash flow per share and 14 times sales per share.

Deploying your tax-free savings into this stock could bolster your ability to create wealth over the next decade beyond your income. Since these capital gains accumulate in the Tax-Free Savings Account (TFSA), you can save your freshly-minted wealth from the CRA.

Bottom line

The CRA is raising some consumption taxes, increasing the RRSP contribution limit and hiking the CPP contributions. Investors should expect tighter tax policy going forward. Save yourself by investing in robust growth stocks through your TFSA.

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