CRA’s $1,984 Basic Personal Amount Tax Credit: No Canadian Left Behind

### Description

This year was remarkable, as the Canada Revenue Agency (CRA) gave generous cash benefits of up to $2,000/month for 10 out of the 12 months. These cash benefits ensured that no Canadian is left behind. While these benefits increased the household disposable income by 10.8% in the second quarter, they also increased the 2020 taxable income. With higher income comes higher tax breaks. The CRA offers a basic personal amount (BPA) tax credit that ensures no Canadian is left behind.



## What’s your 2020 taxable income?

The 2020 tax year is coming to an end. The minimum most Canadians earned this year is $24,400. Considering you earned $1,000 every month before and after the pandemic-induced lockdown, your working income was $5,000. The CRA gave up to $14,000 in Canada Emergency Response Benefit (CERB) between March and September. It also gave up to $5,400 Canada Recovery Benefit (CRB) between October and December. All these benefits add up to $24,400, which means you don’t qualify for Canada Workers Benefit (CWB).

But there is one tax benefit the CRA gives every Canadian. The CRA calculates a BPA every year after adjusting inflation and other factors. It believes this is the minimum amount a person needs to meet their necessities, and it should not be taxed. Any individual who files income tax returns can deduct BPA.

## The 2020 basic personal amount tax credit

For the 2020 tax year, the CRA increased the BPA to $13,229 from $12,298 last year. The CRA exempts the 15% federal tax rate on your BPA amount. This means you can get up to $1,984 (15% of $13,229) in the BPA tax credit.

- If your 2020 net income is $150,473 or less, you can deduct $13,229 in BPA. Your BPA tax credit will be $1,984.
- If your 2020 net income is between $150,473 and $214,368, your BPA will gradually reduce, and

your BPA tax credit will be between $1,983 and $1844.
- If your 2020 net income is above $214,368, you can deduct $12,298 in BPA. Your BPA tax credit will be $1,845.

## A better way to optimize your $2,000 tax savings

The CRA uses a progressive taxation system, which charges higher taxes to high-income earners. At the same time, it gives some tools and tax benefits to save taxes. The CRA allows you to contribute $6,000 in Tax-Free Savings Account (TFSA) in 2021. What does this mean?

The CRA will not give you any tax deduction on the $6,000 TFSA contribution. But any investment income you earn from this account will be exempted from tax. Now, you can put your $1,984 tax saving from BPA in the stocks of your preference.

If you are looking for faster and higher growth, **Descartes Systems** (TSX:DSG)(NASDAQ:DSGX) is a low-risk option for you. The company is resilient to the pandemic because of its diverse customer base. It caters to all organizations that have complex supply chains. Its supply chain management solutions range from a single trade to end-to-end solutions.

For instance, Descartes's tariff and duty content and Denied Party Screening solutions gained traction during the U.S.-China trade war. In the pandemic, weak demand from the airline sector was more than offset by strength in e-commerce. Its stock price surged about 35% this year and 60% last year. It will continue to grow as global trade grows. If the stock continues to rise at a CAGR of 20%, your $2,000 can become $4,000 in five years.



## The stock market has something for everyone

If you are risk-averse and your priority is safe and steady returns, you can opt for **Enbridge** (TSX:ENB)(NYSE:ENB). This pipeline operator enjoys the trust of dividend lovers. For 25 years, it has been increasing its dividend per share, even at times of crisis. Even this year, when the world faced the biggest crisis, especially oil companies, Enbridge kept its promise and increased its dividend per share by 3%. The stock is trading at a 26% discount from its pre-pandemic levels.

As the economy recovers and oil demand increases, Enbridge's revenue from oil transmission will increase. Moreover, the company has several projects coming online between 2020 and 2023 that will increase its revenue streams. This will give Enbridge more opportunities to increase dividends in the future.

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