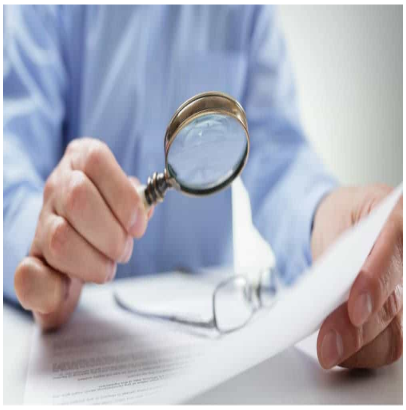

Canada Revenue Agency: 1 Big Change to Watch for in 2021

Description

As we start the new year with renewed hope, millions of Canadians will also be looking at the changes introduced by the Canada Revenue Agency for this year. One major change that can be used to lower your tax liability is the Basic Personal Amount, or BPA.

What is the Basic Personal Amount?

Canada's high debt-to-income ratio is one of the highest among developed nations. This means Canadians are being squeezed by mounting interest costs, reducing their disposable income in the process.

The federal government stepped in to provide some relief in the form of a non-refundable tax credit known as the BPA. The BPA is adjusted annually to account for inflation and other factors, and this amount stood at $12,069 for 2019.

In 2020, the BPA has been increased to $13,229 for individuals and the federal government allows taxpayers to claim 15% of their non-refundable tax credits. For example, if Jesse had a taxable income of $39,000 in 2020, the federal income tax on this amount will be about $5,850.

After using the BPA tax credits, Jesse can claim 15% of $13,229, or $1,984.35, reducing the tax liability to $3,865.65. The BPA is expected to increase to $15,000 by 2023, which means your total tax liability can reduce to $2,250 by the end of the forecast period.

Invest tax savings into growth stocks such as goeasy

While it's always good to reduce your tax liability, Canadians should look to invest these savings into high-growth companies such as **goeasy** (TSX:GSY). For example, if you'd invested $200 each month in 2020 and bought goeasy stock, you would have bought 45 shares worth $4,350 today.

goeasy stock has returned 420% in the last five years and has been one of the top-performing stocks on the TSX. Valued at a market cap of $1.43 billion, goeasy stock is trading at a forward price-to-sales multiple of 2.2 and a price-to-earnings multiple of 13.2.

We can see that despite outsized returns in the last few years, goeasy is trading at an attractive valuation. Analysts expect sales to rise by 6.5% to $650 million in 2020 and 13.7% to $738 million in 2021. Comparatively, its earnings growth is forecast at 42% for 2020 and 12% for 2021.

goeasy provides financial services to subprime borrowers, which meant the stock was volatile in the first half of 2020 due to the company's exposure to individuals with a low credit score. However, as the federal government pumped in billions of dollars into the economy via benefit programs, the rate of delinquencies was lower than expected, allowing goeasy stock to stage an enviable recovery.

The demand for goeasy's products will continue to rise in the upcoming decade, making it one of the top bets in the financial services space.

The Foolish takeaway

We have seen the fickle nature of global economies in 2020 and the importance of creating an alternative revenue stream. This financial goal can be achieved by investing in quality stocks that have the potential to create massive wealth over the long term.

goeasy is just one example of a top TSX stock, and investors can look at this article as a starting point and identify similar companies with multiple growth drivers.

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