



Hooray! This New CRA Change Means You Will Pay Less Taxes in 2021

Description

The Canada Revenue Agency (CRA) will have its hands full again in 2021. Aside from administering the COVID-19 recovery benefits, the tax agency will implement significant changes. Canadians should brace for a deluge of [tax deductions](#), tax breaks, and all-important tax relief.

The most notable of all is the increase in basic personal amount (BPA). From \$13,229, the BPA will rise to \$13,808. You don't have to frown on taxes in the coming tax season because your income up to the extent of the new BPA is tax-free. With [grocery expenses](#) rising this year, the additional \$579 is substantial tax relief.

Tax tips in 2021

The BPA is a non-refundable tax credit that all individual taxpayers can claim. Its purpose is to provide a full reduction from federal income tax for as long as your taxable income is below the BPA. If your income is above the BPA, the tax reduction is partial.

For the income year 2020, the maximum BPA is \$13,229 for individual taxpayers with a net income of \$150,473 or less. The amount will gradually reduce if your net income is between \$150,473 and \$214,368. If net income is above \$214,368, the change will not apply, and the BPA will be \$12,298.

Before the tax filing and tax payment deadline on April 30, 2021, it would help approximate your net income early. You can do so by completing Form TD1 (2020 Personal Tax Credits Return) and the accompanying worksheet.

More heads-up

According to the CRA, the BPA is gradually increasing until 2023. After 2021, the non-refundable tax credit amount will be \$14,398 and \$15,000 for the 2022 and 2023 taxation years. Remember the BPA increases from 2020 to 2023 are legislated. In subsequent years, the tax agency will index the BPA for inflation.

If your net income is too high to benefit from the increased BPA, you can continue to claim the existing BPA. The CRA will also index the amount for inflation each year.

Over-the-top dividend yield

The BPA amount in 2021 is substantial for individual taxpayers. If you have an equivalent amount for investment, it can generate an extra financial cushion this year. Energy infrastructure company **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) pays an over-the-top dividend of 8.2%.

Your \$13,808 free cash can produce \$1,132.36 in extra income. Also, whatever amount you invest in Enbridge will double in less than nine years. Although this \$82.44 billion company belongs in the volatile energy industry, dividend payments are relatively safe because the business model is low risk.

Among midstream companies, Enbridge operates more like a utility company. Here are four compelling reasons you should invest in this energy stock: best-in-class infrastructure franchises, strong balance sheet, resiliency & longevity of cash flows, and transparent long-term growth outlook.

In year-end 2020, Enbridge is down 15%, so it's a good entry point for would-be investors. Analysts are bullish and forecast the stock to climb 42% from \$40.71 to \$58 in the next 12 months.

Multiple uses

Many Canadians invest in high-yield stocks like Enbridge to boost net worth. You can set aside the tax-free savings from the BPA increases as an emergency fund or raise seed capital for investment purposes. Another tax season is coming so you must be mindful, not only of the BPA, but of other available tax deductions.

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