



Hate Taxes? Then You'll Love This Little 2021 Tax Cut

Description

A tax cut, [no matter how small](#), is an expensive gift to a burdened taxpayer. Canadian taxpayers will receive a little tax cut for the 2021 income year to the tune of \$509. The reason is that the basic personal amount (BPA) is increasing again. When you file your tax return next year, the BPA will be \$13,808 instead of \$13,229.

According to the Canada Revenue Agency (CRA), the maximum BPA, by law, is increasing from 2020 to 2023. In subsequent years, the CRA will index the BPA for inflation. The following are the amounts for your guidance:

Taxation Year	BPA
2020	\$13,229
2021	\$13,808
2022	\$14,398
2023	\$15,000

How the BPA works

Know first that the BPA is a non-refundable tax credit any individual taxpayer can claim. If your taxable income is below the BPA, you get a full reduction from the federal income tax. For example, you can earn up to \$13,229 for 2020 before the CRA can tax you. A taxpayer with income above the BPA gets a partial reduction to taxpayers with taxable income above the BPA.

Likewise, the CRA sets net income thresholds. Your net income in 2020 must be \$150,743 or less. The increase reduces gradually for taxpayers whose income is between \$150,473 and \$214,368. Should your net income exceed \$214,368, there'll be no change, and the BPA remain at the 2019 level or \$12,298.

Keep up with inflation

There are several [non-refundable tax credits available](#) to Canadians. The BPA is just one of them, although it's a very significant tax credit. It changes year to year so taxpayers can keep up with inflation.

The CRA clarifies that non-refundable tax credit can reduce the tax you may owe. However, you won't get a refund if your total non-refundable tax credits are more than what you owe to the government. Wealthier Canadians whose net income is too high to benefit from the increased BPA can claim the existing BPA amount, which the CRA will also index for inflation yearly.

Rock-solid income stock

If you're looking to invest in a dependable income stock, **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) fits the bill. Canada's fifth-largest bank pays a handsome 5.41% dividend. Earning \$1,500 per quarter is possible with \$111,000 worth of CIBC shares. Earning \$1,500 per quarter is possible with \$111,000 worth of CIBC shares. Since this blue-chip asset is a buy-and-hold stock, your quarterly income could be for life.

Despite the massive industry headwinds in 2020, CIBC's total return for the year is 7%. However, analysts see a stock rebound in the next 12 months or during Canada's economic recovery. The forecast is a price gain of 27% from \$109.26 to \$139. Total revenue increased by 1%.

In fiscal 2020, CIBC's net income fell by 26% to \$3.79 billion year over year. The 94% increase (to \$2.48 billion) in loan-loss provisions versus fiscal 2019 had a material impact on earnings. Still, this \$48.82 billion bank with a 152-year dividend track record remains a rock-solid choice for income investors. CIBC will stand tall regardless of the market environment.

Prepare your tax return early

Be mindful of the BPA, because it's a pivotal tax change every year. With the April 30, 2021, tax-filing and tax-payment deadlines approaching, the CRA encourages taxpayers to prepare early and not miss out on available tax breaks and credits.

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