CRA: You Can Claim $13,808 for Your Basic Personal Amount Credit in 2021!

Description

The Canada Revenue Agency (CRA) has increased the basic personal amount (BPA) for most Canadians, effective January 1, 2021. The change means an increase of $579 from the $13,229 maximum BPA in 2020. If you're a taxpayer, you will pay no federal taxes on the first $13,808 you will earn this year.

If you recall, the broad-based tax change began in 2020 following the Income Tax Act amendment. The Canadian government's overall plan is to gradually increase the BPA such that by 2023, the maximum amount would be $15,000. However, there's a spoiler alert a taxpayer must know.

Time frame

The following is the schedule of the BPA phase-in (amount and taxation year) for the four-year period:

- $13,229 > 2020
- $13,808 > 2021
- $14,398 > 2022
- $15,000 > 2023

Note that the more generous bump in the BPA is in the first year ($903). In the ensuing three years, the increases in non-refundable tax credit are $579, $590, and $602. After 2023 or in subsequent years, the CRA will index the $15,000 to inflation.

Spoiler alert

In addition to BPA increases, the CRA follows tax bracket thresholds when computing the non-refundable tax credits. It takes effect every January 1 of the applicable taxation year.

If you're filing your tax return for the income year 2021, your net income should be less than $151,978 to claim the maximum of $13,808. The BPA amount reduces if the taxpayer's net income is between

$151,978 and $216,511 (33% tax bracket). However, if net income exceeds the 33% bracket, the BPA amount is $12,421.

Based on the Parliamentary Budget Office (BPO) estimates, the BPA changes for four years would cost around $12.2 billion. Remember, the BPA is tax-free, and the CRA encourages taxpayers to be up-to-date with the tax changes not only in 2021 but in succeeding years. Visit the tax agency's website to get complete information regarding this non-refundable tax credit. Similarly, you can file your tax return as early to avoid delay in benefit payments.

Safest income stock

Canadians became more conscious of the various tax breaks and tax reliefs from the CRA due to the pandemic. Because of reduced income or job loss, people have also been applying for emergency taxable benefits. But some are saving and investing to earn extra and boost household income during the pandemic-induced recession.

Today's safest option is **Metro Inc.** (TSX:MU), the leading food and pharmaceutical company operating in Ontario and Quebec. The $14.47 billion company is also one of Canada's largest food retailers. While this income stock pays a modest 1.55%, the dividend payout is 110% safe. Metro's payout ratio is only 20.7%.

Metro's resiliency was evident in the COVID year as the total return in 2020 was 7%. For fiscal 2020 (year ended September 26, 2020), the renowned retailer reported 7.3% and 11.5% growth in revenue and net earnings versus fiscal 2020. Management banks on investments in stores, supply chain and merchandising programs to support long-term growth. Food and pharmaceutical are essentials, so the business should endure for years.

Significant tax change

The new BPA is one of the significant changes in 2021 that would benefit millions of Canadians. If you have excess cash, complement your tax break by investing in Metro. You'd be owning a consumer-defensive income stock that will consistently provide you with a recurring income stream.

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cliew