2 Useful New Tax Breaks the CRA Has Kindly Provided

Description

The Canada Revenue Agency (CRA) hasn't announced tax filing and tax payment deadline extensions in 2021. However, the tax agency has two more useful tax breaks Canadian taxpayers can claim this year. If you claim the basic personal amount (BPA) and the digital news subscription tax credit (DNSTC), your total tax saving for the income year 2021 is $654, which reduces your tax payable.

New BPA

The most recent amendment to *The Income Tax Act* in Canada is the increase in BPA, a non-refundable tax credit any individual taxpayer can claim. Starting in 2020, the BPA will gradually increase until the amount reaches $15,000 by 2023.

In 2020, the BPA was $13,229. For 2021, the amount will increase by $579. Thus, you can earn up to $13,808 before the federal income tax kicks in. Your income should not exceed the 29% tax bracket ($151,978) to claim the full BPA. However, the amount will reduce if income is between the 29% and 33% tax brackets.

If your net income exceeds $216,511 (33% tax bracket), the BPA amount is $12,421. The CRA will increase the BPA again in 2022 and 2023, where the amounts become $14,398 and $15,000, respectively. After 2023, the CRA will index the BPA for inflation.

A little tax cut

While the DNSTC is a little tax-cut, a taxpayer can support and lift Canadian digital news media organizations from financial strain. DNSTC is a temporary non-refundable tax credit available from 2020 to 2024. It's a financial incentive for Canadians paying digital new subscriptions with a qualified Canadian journalism organization (QCJO).

DNSTC is equivalent to 15% of up to $500 expense paid toward digital subscriptions. Your maximum tax credit would be $75 in a given year before 2025. The CRA accepts subscriptions in digital format. If your subscription is digital and newsprint (non-digital), only the stand-along digital format is the qualifying expense.

Generous bank stock

Canadians have plenty of ways to save on taxes and earn passive income this year. The CRA has been kind enough to extend various tax breaks. It has also announced the new Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP) contribution limits.

If you're investing to boost income, the **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) is a generous dividend payer. The fifth-largest bank in Canada pays a hefty 5.13% dividend. A $20,000 investment will generate a passive income of $1,026.

The Canadian banking industry is among the most robust and resilient in the world. None of the Big Five banks, including CIBC, asked for a bailout during the 2008 financial crisis. CIBC shares tanked to as low as $63.58 during the 2020 market crash in March.

Currently, the share price is $113.45 or 78.4% higher than its COVID-low. If you fear a market crash, stick to the big guns or the so-called Dividend Aristocrat like CIBC. This bank stock has been paying dividends for over 153 years. You can sleep easy and not worry about disruptions in your income stream.

Twin presents

Tax credits like the BPA and DNSTC are useful in reducing taxes owed to the government. Anyone can claim the BPA, while the DNSTC is a critical support for struggling QCJOs.

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