



CRA \$2,000 Basic Personal Amount Tax Credit: Canadians Won't Be Disappointed!

Description

The CRA has done a lot to reduce the financial burden that 2020 brought upon Canadians. New benefit payments, augmenting old benefits with more funds, and new tax credits. While not all tax credits are available for everyone, the [Basic Personal Amount](#) Tax Credit is one of the few tax breaks any person over the age of 19 can claim.

For 2019 taxation, the BPA was \$12,298. For 2020, the amount has been increased by about 7.5% to \$13,229, but only for people who have a yearly income of \$150,473 or less. Beyond this threshold, the BPA increase starts to wane and completely phases out at the ceiling of \$214,368. People with income above \$214,368 can only claim \$12,298 in BPA tax credit.

A decent tax break

The new BPA amount of \$13,229 at 15% gives you a tax break of almost \$2,000 (\$1,984, to be precise). This is a significant tax break, especially if you combine it with a similar tax credit on the provincial level. But if your income is above the threshold, the total tax break you can get will start getting lower, but even if you cross the \$214,368 threshold, you will still get a \$1,844 tax break. And no matter how much you earn above the threshold, this amount will stay the same.

Using the saved amount

The best way to put the money you save from your taxes to use is to invest it. This way, a seemingly small amount can grow into a sizeable nest egg, which you can put to good use. Dividend stocks are one option, but \$1,984 might not be enough to start a considerable passive income, and reinvesting the dividends might not be worth it if the share price is too high.

A [growth stock](#) like **TerraVest Industries** ([TSX:TVK](#)) might be a better choice. It provides services and creates products for niche infrastructure markets, most prominently energy. It creates heating, storage, and transportation products. Its client list includes national and regional fuel distributors, agricultural

service providers, residential HVAC industry, etc.

The company has a strong balance sheet, and in the last five years, it broke its net income and revenue growth streak only once (in 2016). It's quite fairly valued at the moment, with a price to earnings of 11.2 and a price to book of 2.4 times. The share price dropped over 40% during the crash, but the stock has adequately recovered.

The company has a solid capital growth history. Its five-year CAGR of 24% is quite sustainable, especially if the industries it serves keep recovering at a steady pace. If it can replicate this growth rate for the next five years, the company can turn your \$1,984 into \$5,816, which might be enough for a used vehicle in decent shape.

Foolish takeaway

Tax credits and deductions can be considered part of the rudimentary financial knowledge that every successful adult should (ideally) possess. The more deductions and tax credits you can claim, the lighter your tax bill can be. By lowering your financial obligations, you can find more money for investments, and you might get a bit closer to achieving your financial goals.

CATEGORY

1. Dividend Stocks
2. Investing

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