



Yes! This New CRA Adjustment Means Lower Taxes in 2021

Description

Canadian taxpayers, especially those not in the top tax bracket or the wealthiest 1%, should be a happy lot. Lower taxes are in store from 2021 until 2023 due to the enhanced Basic Personal Amount (BPA). This year, the Canada Revenue Agency (CRA) is [adjusting the BPA](#) for the second time in two years.

If your income in 2021 is less than \$151,978, the first \$13,808 is tax-free. The BPA is increasing by \$579 from \$13,229 in 2020. However, the BPA of taxpayers in the 33% income bracket is only \$12,421. The CRA's tax cuts through the BPA means nearly 20 million Canadians will pay fewer taxes for three years.

Lower taxes for the middle class

The amendments to the Income Tax Act in 2019 aim to unburden Canada's middle class of taxes. By increasing the basic non-refundable tax credit, people will have more money in their pockets. The BPA enhancement began in 2020 and should be phased in by 2023.

Starting in 2020, the federal government estimates that Canadian households would have \$3 billion more in their coffers. The amount will rise to around \$6 billion by 2023. When fully implemented in the fourth year, single individuals' yearly tax savings would be \$300. The following would save close to \$600 by 2023: a two-earner couple, a one-earner couple with one child, and a single parent.

Enough cover for basic needs

All Canadian taxpayers can claim the BPA, a non-refundable tax credit. The federal government amended the Income Tax Act to ensure people who need help the most get [tax relief](#). An enhanced BPA should help Canadians cover their most basic needs.

Here is a recap of the four-year BPA enhancement (amount and increase) that was passed into law for guidance:

- 2020: \$13,229 (+\$931 from 2019)
- 2021: \$13,808 (+\$579)
- 2022: \$14,398 (+\$590)
- 2023: \$15,000 (+609) and subsequent years

Canadians can save the tax cuts to raise seed capital for investment later. The CRA announced the new Tax-Free Savings Account (TFSA) contribution limit for 2021. If you have \$6,000 to spare, maximize your TFSA to earn tax-free money and further boost household income.

Top income stock pick

Among the top income stocks today is **Telus** ([TSX:T](#))([NYSE:TU](#)). Your tax savings can generate a recurring income stream from this telco stock. This \$34.45 billion telecom giant pays a hefty 4.71% dividend.

Unlike rivals **BCE** and **Rogers Communications**, Telus has no media division. However, the company forays into other industries that are catalysts for growth. Telus Health provides digital healthcare solutions and partners with the government to increase the country's healthcare industry's efficiency.

The latest news is that another subsidiary, Telus International, will soon debut on the New York Stock Exchange and the Toronto Stock Exchange. Telus's subsidiary aims to raise \$833 million in its initial public offering (IPO). Telus International provides IT services to global brands. **Cisco Systems**, Google Cloud, and **Salesforce.com** are among its top customers.

Market analysts are bullish on Telus and forecast the stock to climb by approximately 20% to \$32 in the next 12 months. A double-whammy (capital appreciation plus dividends) awaits would-be investors.

Reduce your tax bill

The BPA adjustment is just one of the many tax credits available to Canadian taxpayers in 2021. Your tax payables could be substantially lower if you can claim other CRA tax breaks available to you.

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