Hate Taxes? You’ll Love These 2 CRA Changes in 2021

Description

Canadians should be mindful of the Canada Revenue Agency (CRA) adjustments this year. If you hate taxes, these changes couldn’t come at a better time. The pandemic is causing a great deal of financial strain that a potential full reduction in federal tax while earning tax-free money is welcome news.

The Basic Personal Amount (BPA) will increase again this year, while Tax-Free Savings Account (TFSA) users will have additional contribution room. Many Canadians will benefit from both CRA changes in 2021.

More tax savings

All individual taxpayers in Canada can claim the BPA, a non-refundable tax credit. The BPA is increasing starting in 2020 as a result of the amendments to the *Income Tax Act*. If your income in 2021 is less than $151,978, the CRA will not collect any federal tax on the first $13,808. Last year the BPA was 13,229, so effectively, you’ll derive $579 in tax savings.

Expect further increases in the next two taxation years as the CRA will continue to adjust the BPA. A taxpayer who will not exceed the tax bracket threshold can claim non-refundable tax credits of $14,398 and $15,000 in 2022 and 2023. The BPA adjustments from 2020 to 2023 will lower taxes for the middle class.

Additional contribution room

The new $6,000 TFSA contribution limit in 2021 is a meaningful change too. Whenever you maximize your TFSA, you somehow recover taxes owed to the CRA. None of your interest, gains or dividends within the account are taxable income.

A person who has never opened a TFSA before will have hefty contribution room. As long as you were 18 or older in 2009, the accumulated limit is now $75,500. The CRA announces the TFSA limit every November, although it did not change for three years now.

Existing users who are not sure of their available contribution rooms can visit the CRA MyAccount to verify. The CRA charges a penalty tax for over-contribution (1% of the excess contribution per month). If you're saving for the future, the TFSA balance accelerates faster because money growth is tax-free.

Earn non-taxable income

Among the coveted income stocks on the **TSX** is **NorthWest Healthcare Properties** (TSX:NWH.UN). This $2.32 billion real estate investment trust (REIT) offers a 6.1% dividend. Your $6,000 investment will generate $360.60 in tax-free income. Assuming your available contribution room is $75,500, your tax-free earning is $4,537.55.

NorthWest Healthcare boasts of a portfolio of high-quality real estate properties. Since the REIT is healthcare-focused, you become a pseudo-landlord in medical office buildings, hospitals, and clinics. Similarly, the property locations are international (Canada, Australia, Brazil, New Zealand, and Europe).

The REIT has yet to report its full-year 2020 financial report. However, the nine months' results ended September 30, 2020, is proof of the stock's defensive nature and resiliency. NorthWest's net income was $181.1 million, a 282.7% growth versus the same period in 2019.

Expect NorthWest Healthcare to keep generating stable rental revenues due to its high occupancy rate (97.2%) and long-term lease contracts. At $13.19 per share, you get value for money.

Much-needed tax relief

The BPA increase and new TFSA limit in 2021 are much-needed tax relief during the pandemic. Claim the BPA to lower your taxes and maximize your TFSA contributions to earn tax-free money.

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