



Canada Revenue Agency: Don't Miss the \$2,071 Basic Personal Amount Tax Credit in 2021

Description

Doing taxes is a necessary evil. When you sit and do the calculation, you might be overwhelmed with your tax bill. But the Canada Revenue Agency (CRA) offers many tax breaks on essentials to help you reduce your taxes and invest in yourself. One tax credit that every Canadian get is the basic personal amount (BPA).

What is the BPA tax credit?

The CRA gives a non-refundable BPA tax credit to provide relief from federal taxes to Canadians earning less than the BPA. All Canadians who file income tax returns can deduct the BPA tax credit.

The CRA has increased the BPA to \$13,808 for 2021 from \$13,229 last year after [adjusting for inflation](#) and other factors. The agency exempts a 15% federal tax rate on the BPA. This amounts to the BPA tax credit of up to \$2,071 (15% of \$13,808) for 2021.

- If your net income for 2021 is \$151,978 or less, you can deduct \$13,808 in the BPA. Your BPA tax credit will amount to \$2,071.
- If your net income for 2021 is between \$151,978 and \$216,511, your BPA will gradually reduce, and your BPA tax credit will lie between \$2,070 and \$1,863.
- If your net income for 2021 is above \$216,511, you can deduct \$12,421 in BPA. Your BPA tax credit will be \$1,863.

How to make the most of the \$2,000 tax savings

You can make the most of the \$2,071 tax savings by investing it in a tax-effective way. One of the best ways to invest your money is via a Tax-Free Savings Account (TFSA). The CRA launched the TFSA program in 2009. Any Canadian who is at least 18 years old and has a valid social insurance number can open a TFSA. For 2021, the agency has set the limit that you can invest in your TFSA at \$6,000. It is the same as last year.

The CRA does not tax the income earned from the investments made through a TFSA. This means the capital gains, dividend, interest, and income you earn in this account are exempt from tax. Further, withdrawals from a TFSA are tax-free. Hence, it is advisable to invest in high-growth and high-dividend stocks, where investment income is high, through your TFSA.

Which stocks should you invest in through your TFSA?

One growth stock that you might want to consider for your TFSA is **Magna International** ([TSX:MG](#))([NYSE:MGA](#)). Magna is one of the largest providers of auto parts in Canada with a low-risk business model. It is at the centre of the electronic vehicles (EV) revolution and is the third-party manufacturer of choice for [several EV companies](#). A few of the company's clients include **Apple**, **Sony**, and **Alphabet's** Waymo.

Magna is working on futuristic automotive projects with these tech giants. The stock could grow significantly even if one of these projects succeeds. If Apple succeeds in the EV space, it could mean robust business growth for Magna. The company has invested \$100 million in Waymo. It also has warrants to acquire a nearly 6% stake in **Fisker**. These investments will give Magna a share in the profits of its clients.

Magna stock rallied 166% since its pandemic low in March 2020. Recovery in vehicle production and EV momentum drove the rally. The stock is currently trading at 61 times its EPS and 0.88 times its sales per share. The company has the potential to grow multiple-fold by 2030 on the back of automotive trends like smart mobility, autonomy, lightweight, and electrification. It has manufacturing plants in China, Europe, and North America that it will use to cater to EV carmakers.

Investor corner

Magna is a safe investment option with significant upside potential as the world turns to EV to cut greenhouse gas emissions. It is the strong fundamentals and not speculations that are driving Magna's stock price. The company's diversified client base and upcoming EV production momentum could boost the stock further.

CATEGORY

1. Investing
2. Personal Finance

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:MG (Magna International Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
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