



## Canada Revenue Agency: 3 Large Changes Looming to Your Paycheck in 2021

### Description

The CRA had a hectic 2020 year. It had to introduce new benefit payments, augment some of the old ones, delay taxes, and introduce some COVID-related changes. And even though the vaccine has arrived and 2021 is expected to be different from 2020, it might not be a typical pre-pandemic year, especially for the CRA. A lot of 2020 changes will reflect in the taxes that Canadians pay in 2021.

But the pandemic related changes aren't the only ones you have to worry about. There are other, more regular changes that will have a direct impact on your paycheck.

### The CPP contribution rate

The CPP contribution rate will be changed from 5.25% to 5.45%, and it's something you will start to see from the beginning of the year. A 0.2% difference, especially when it's spread out over the year, might not be sizeable enough to notice, but it would be there. People with higher income levels might observe a more noticeable difference than people on the other end of the spectrum.

### The maximum insurable earnings ceiling

The CEIC also joined in the chorus, and while it didn't hike up the EI premium rate, which will stay at its 2020 level of 1.58%, it did maximum insurable earnings ceiling. It was \$54,200 last year, and for 2021, it would increase to \$56,300. So if someone earned an amount above this threshold, they would pay an extra \$33.

### Income tax maximum ceiling

This is one of the changes that would positively impact your taxes. The ceiling for the last slab has been raised to \$216,511, while the tax rate is the same as 33%. The change is not nearly enough to offset the impact the other two would have on your paycheque, but it might still be better than nothing.

## Create your own impact

There is a substantial impact you can create for yourself by contributing to your RRSP. If you live in Ontario and earn \$100,000, you can save about \$3,750 in taxes by contributing \$10,000 to your RRSP. And if you can invest that amount in [a high-yield fund](#) like **Canoe EIT Income Fund** ([TSX:EIT.UN](#)) that is currently offering a yield of about 11.8%, it will keep producing cash for you in your RRSP at a rate of \$98.3 a month.

The fund is made up of 50.3% Canadian, 43% U.S., and 6.6% international equity. Three-fourth of the fund comprises 25 major equities, including two of the big five banks, major US banks, gold stocks, and some energy companies. Despite the energy companies weighing it down, the fund managed to bounce back quite a bit after the crash, but it's still not a buy for capital growth. A safe 81.6% payout ratio backs the yield.

## Foolish takeaway

The changes that impact your paycheck won't happen for the last time in 2021. The most substantial change, i.e., the CPP contribution rate, will keep on rising for a few years. Since there is nothing you can do about that, you might consider creating a small [passive income stream](#) in your TFSA, preferably by investing in some generous Dividend Aristocrats. It can be more than enough to make up for the income reduction you might see from such changes.

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