



Hooray! This CRA Change Means Lower Taxes in 2021

Description

No one can stop taxes or be free of the burden, because it's a vital source of revenue for governments. Taxpayers assume tax is a bad thing, as it eats up hard-earned money. However, people should understand how crucial it is to pay or update tax deficiencies.

Canada uses the self-assessment tax system, which is the most economical and efficient way to collect income tax. Every taxpayer has to complete a tax return yearly and report it to pay taxes or claim a tax refund.

The Canada Revenue Agency (CRA) collect taxes, so the government will have the funds to deliver essential services and social goods or benefits to its citizens. Likewise, the government redistributes tax revenues to address inequality and uplift people from poverty. Furthermore, health and education systems improve because of taxes.

Administering tax laws in Canada is also a responsibility of the CRA. The tax agency implements changes or adjustments that often favour taxpayers. A [major change will lower taxes in 2021](#) due to the amendments to the Income Tax Act.

Higher BPA

Among the non-refundable tax credits that matter most to every Canadian taxpayer is the basic personal amount (BPA). The BPA, when applied to a tax return, reduces the taxable income of an individual taxpayer. For 2021, the BPA is \$13,808, or an increase of \$571 from the amount in 2020.

A taxpayer can earn up to \$13,808 this year before paying federal taxes. However, there are tax bracket thresholds on amounts relating to the BPA. You can claim the full BPA if your net income from all sources in 2021 doesn't exceed \$151,978 (29% tax bracket).

The BPA will reduce if a taxpayer's income is above \$151,978 but not equal to \$216,511 (33% tax bracket). If income is higher than or equal to the 33% tax bracket income, the BPA is \$12,421.

Tax-free money; fewer taxes

Canadians can [save tax-free money or pay fewer taxes](#) by opening a Tax-Free Savings Account (TFSA). More so, investing in a \$4.24 billion diversified utility company with an impressive asset base will reward you with a recurring income stream.

Atco ([TSX:ACO.X](#)), the largest natural gas distribution company in Alberta, has a long history of dividend growth. It has raised its dividends for 26 consecutive calendar years. The current yield is 4.9%. Your \$6,000 capital will make \$294 in tax-free money. Assuming your available TFSA contribution room is the maximum (\$75,500), the windfall is \$3,699.50.

The business outlook for Atco is bright and encouraging. It's well positioned to meet the growing demand for energy, housing, logistics support, and infrastructure solutions. Atco's structures and logistics segments are likewise expanding in new global markets offering long-term growth potential.

Competition in the utility sector is tough, although Atco has the competitive edge in innovative solutions and unmatched skills in recognizing customer requirements. The company has been operating for 73 years and is present in more than 100 countries. Purchase now before the price appreciates 39.3% to the forecasted \$51 in the next 12 months.

More broad-based tax changes

The increase in 2021 is the second of four broad-based changes by the CRA. Expect the amount to increase by \$590 and \$602 in the next two years. By 2023, the BPA will be \$15,000. Taxpayers will have more money to cover basic needs.

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