Canada Revenue Agency: 2021 Change That Will Save You Taxes

Description

Canadians have a love-hate relationship with the Canada Revenue Agency (CRA). Another tax season is coming, although the tax agency hasn't announced an extension on tax filing and tax payment deadlines like last year. Nevertheless, one change in 2021 is heartwarming news to all taxpayers.

The tax cut in 2015 was highly successful because more than nine million Canadians paid lowered taxes. With the enhanced basic personal amount (BPA), taxpayers will save $579 in taxes for the 2021 taxation year. The federal government's overall game plan is to see that about 1.1 million Canadians would no longer pay tax in 2023.

Broad-based tax change

The CRA started implementing the approved amendments to the *Income Tax Act* in 2020. Individual taxpayers already saved $931 in taxes last year when the agency increased the BPA to $13,229. This year, a taxpayer who claims the non-refundable tax credit could save as much as $579 because it is increasing to $13,808.

If your income in 2021 will not exceed $151,978, you can earn up to the new BPA before paying federal tax. The amount will reduce if a taxpayer's income is $151,978 but below $216,511. However, the BPA is only $12,421 if your income is $216,511 or above.

The broad-based tax changes focus on the middle class and hard-working Canadians wishing to be part of the middle class. Because living expenses are ever-rising, many families are overstretched. The BPA enhancements should put more money into the pockets of individual taxpayers. Similarly, the wealthiest Canadians or the top 1% would not benefit as much.

More tax savings are coming

Canadian taxpayers will love the CRA more in 2022 and 2023. The agency will increase the BPA by $590 and $602, respectively. Once the enhancements are complete, 20 million people will pay lower taxes. In 2023 and subsequent taxation years, the BPA would be $15,000.

Single individuals would save nearly $300 in taxes each year in 2023 and beyond. Meanwhile, families, including single parents, would save about $600 in taxes yearly. Thanks to the CRA, millions of Canadians will keep more of what they earn.

Double whammy

Taxpayers can match the tax savings in 2021 with tax-free income by maximizing their Tax-Free Savings Account (TFSA). If you have $6,000 to contribute, **Telus** (TSX:T)(NYSE:TU) is a great pick. Since the telco stock pays a handsome 4.72% dividend, your $283.20 income is tax-exempt.

Telus is no doubt a dynamic, world-leading communications and information technology company. It has a market cap of $34.39 billion and generates $15.3 billion in annual revenues. The total consumer base comprises wireless, data, IP, voice, television, entertainment, video and security services is close to 16 million.

Telus International will soon debut on the **TSX** and **NYSE**, expecting a US$7 billion valuation. The company is also trailblazing like the mother company. This subsidiary is a digital customer experience innovator. It designs, builds and delivers next-generation solutions for global and disruptive brands. The IPO roadshow began in the last week of January 2021.

Full support to the middle class

The Canadian government fully supports the middle class, especially with regard to taxes. With the BPA enhancements continuing until 2023, taxpayers should be encouraged to file their tax returns early. According to the CRA, you can file your return beginning on February 22, 2021.

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