



## Canada Revenue Agency: Pay No Federal Tax on Income Below \$13,800

### Description

Canada adopts a progressive tax system, wherein it charges higher tax to high-income earners and gives higher cash benefits to low-income earners. If you are a Canadian resident earning less than \$13,808 in 2021, your federal tax bill will be zero. Every year the Canada Revenue Agency (CRA) calculates a basic personal amount (BPA) after adjusting for inflation and other factors.

### No federal tax on income below \$13,800

The CRA believes that every individual needs a certain amount to meet its daily necessities like food, shelter, clothing, transportation, education, healthcare, and more. These expenses, along with other expenses, form the inflation basket.

The CRA states that an individual should not be taxed for basic expenses. Hence, it gives a BPA tax credit to every Canadian who files his/her tax returns. For 2021, the CRA [calculated the BPA](#) at \$13,808 or \$1,151/month. The CRA removes the tax element on the BPA, which is \$2,071 (15% of \$13,808) and calls it BPA tax credit.

According to Statistics Canada, the average Canadian salary in 2020 was \$4,202/month (or \$50,428 annually) as of January 2020, which means a significant portion of Canadians fall under the tax brackets. The BPA will not deduct your taxable income. It will still be \$50,428 if you are an average income earner. But you can reduce your federal tax that you pay on this amount, which is \$7,668, by the BPA tax credit. So your federal tax bill will now be \$5,597 (\$7,668-\$2071).

You can avail of the maximum BPA tax credit if your 2021 income is below \$151,978 and a minimum of \$1,863 if your income is above \$216,511.

### The difference between the federal tax and provincial tax

Every Canadian pays a federal and provincial tax as income and inflation are different in different provinces. And as Canada has a progressive tax system, different tax treatments help the CRA provide

appropriate benefits. The above BPA of \$13,808 is the average for the entire country and, therefore, gives you tax relief on the federal tax bill. Ontario's BPA for 2021 is \$10,880 as the inflation and income are different for its residents. Its minimum provincial tax rate is 5.05%. Hence, your provincial BPA tax credit comes to around \$550.

## Use the CRA tax breaks to build a tax-free passive income

The BPA is just one of the many tax breaks the CRA offers. There are many other benefits, like the Canada Training Credit and Canada Child Benefit. Take time out and read about these benefits as they can help you build a Tax-Free Savings Account (TFSA) portfolio.

The CRA introduced the TFSA to encourage the saving and investment culture among Canadians. It taxes your contribution but exempts your investment income and withdrawals. If you are an Ontario resident, BPA tax credit alone can bring you \$2,600 worth of tax savings.

This is a ripe time to invest in high-quality dividend stocks like **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). The economy is currently at the crossroads where growth stocks have outgrown, and dividend stocks have cut dividends as the pandemic has pushed them into losses. The stock market rallied on the back of the fiscal stimulus money. Now, investors await a stock market crash as the CRA claws back some of the stimulus money through income tax. At such times, Enbridge is a safe bet irrespective of a market crash.

Enbridge has increased its dividend per share at a compounded annual growth rate of 10% in the last 26 years. It increased its dividend per share by 3% in 2021 despite the pandemic crisis that impacted its oil revenue.

## Passive income investors

Enbridge stock fell 35% during the March 2020 sell-off, which increased its dividend yield to as much as 9%. Since the sell-off, the stock has surged 45%, reducing its dividend yield to 7.6%. [Buy the stock now](#) and lock in the high dividend yield for a lifetime. If the stock surges, you will benefit from the growth plus the 7.6% dividend yield. If the stock falls, buy more stocks as the dividend yield will surge.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
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4. Personal Finance

### TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

### PARTNER-FEEDS

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