Canada Revenue Agency: 2 Major Considerations This Tax Season

Description

As March is now upon us, tax season is here. While taxes may not be the most enjoyable thing to do, they are crucial to the function of society and can often present some benefits for Canadians. With several rules and requirements from the Canada Revenue Agency that are consistently changing, it's difficult to keep up with all the changes.

But as difficult and tedious as it can be, with the benefits and credits available allowing you to save on taxes and boost your after-tax income, it's crucial to spend adequate time covering all the bases.

Given that many Canadians will experience some type of impact from the pandemic, important considerations can slip through the cracks.

So here are two important tax impacts to consider this year.

Canada Revenue Agency: CERB is taxable

The first crucial thing to keep in mind is that any cash benefits you received from the Canada Revenue Agency are taxable. That means the cash from the (Canada Emergency Response Benefit) CERB, and other pandemic benefits count as ordinary income.

Many Canadians may have received some type of CERB or CRB or one of the other benefits. So this income will be added to any other income you earned in 2020.

The cash you received from the Canada Revenue Agency will be taxed at your marginal tax rate. This is important to consider, especially if you received a considerable amount of the benefits available, since it could boost the income you're reporting.

The CERB paid up to $14,000 to eligible Canadians. And then the recovery benefits offered even more benefits in the last few months of 2020. So some Canadians could have a lot more income to claim, based on what benefits they may have received in 2020.

The good news, though, is that the basic personal amount is being increased by over $500 for 2021.

The basic personal amount is increasing over $500 this year

The Canada Revenue Agency has once again increased the basic personal amount (BPA) this year.

That's good news for all Canadians. Last year the BPA was $13,229, this year, that's being increased to $13,808. This is the BPA from the Canada Revenue Agency for anyone earning less than $151,978.

The BPA is the first of the taxable income you earn. You don't pay any tax on this almost $14,000 of cash you earn. So the fact it's being increased means that Canadians can save roughly $2,000 in taxes, depending on your tax bracket.

Certainly, $2,000 savings is quite significant and can go a long way invested in a high-quality growth stock. An investment of $2,000 in a stock like **Shopify** only three years ago would be worth more than $18,000 today. Plus, if you bought the tech stock in a registered account like a Tax-Free Savings Account (TFSA), you wouldn't have to pay any of the capital gains taxes to the Canada Revenue Agency.

Bottom line

It's crucial that every Canadian ensures they are keeping up to date with any changes the Canada Revenue Agency is making. If you can find savings and keep more of your money after taxes, you can use that extra cash to invest in high-quality stocks like Shopify.

A $2,000 tax return three years ago could be worth almost $20,000 today in the right stock. It's therefore crucial that you maximize your after-tax income.

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