



## Canada Revenue Agency: 1 Huge Tax Break You Can Take in 2021!

### Description

Tax is painful, and it stings regardless of the amount. Every tax season brings stress, but preparations this year are extraordinary, if not tricky, compared to previous ones. While there are many [tax changes due to COVID-19](#), taxpayers have tax-saving opportunities. You can reduce your tax payables through eligible deductions, credits, and benefits.

A huge tax break that taxpayers should appreciate in 2021 is the increase in the basic personal amount (BPA). All individuals can claim this non-refundable tax credit. The good news is that it provides a full or partial reduction of federal income tax owed to the Canada Revenue Agency (CRA).

### BPA enhancements

If you're [filing your tax return for the 2020 income year](#), the maximum BPA is \$13,229 instead of \$12,298. The increase results in a \$931 tax break. Individual taxpayers can claim the full amount if their net income for 2020 is \$150,743 or less. The amount gradually reduces if the net income is between \$150,473 and \$214,368.

Should net income exceed or is above \$214,368, the increase will not apply. The BPA amount remains at \$12,298. The BPA enhancements took effect in 2020, and the amount would be increasing every taxation year until 2023. More tax savings are coming for the income year 2021 and the ensuing two years.

For your easy reference, the following are the BPA changes from taxation years 2020 to 2023 and corresponding increases in tax savings:

- 2019 \$12,298
- 2020 \$13,229 > +\$931
- 2021 \$13,808 > +\$579
- 2022 \$14,398 > +\$590
- 2023 \$15,000 > +\$602

Individuals with net incomes that are too high to merit the full BPA increase will continue to claim the existing BPA. The CRA will still index such amount to inflation next year.

## 2021 tax bracket threshold

Once you complete, file and pay your 2020 taxes on April 30, 2021, note the tax bracket thresholds for the 2021 taxation year. The BPA will increase by \$570 to \$13,808. You can claim the full tax credit if your net income this year is \$151,978 or less. The BPA for net income above \$216,511 is \$12,421.

## A major tax change

The new \$6,000 Tax-Free Savings Account (TFSA) contribution limit for 2021 is also a major tax change. You can further reduce your tax bill or recover tax payments by contributing to and investing in a TFSA. A high-yield dividend stock like **Keyera** ([TSX:KEY](#)) pays an eye-popping 7.64% dividend.

Your \$6,000 investment in the \$5.48 billion independent midstream energy company will generate \$458.40 in tax-free passive income (\$38.20 monthly). The energy sector is not without risk, but Keyera's can endure the industry headwinds. It has been operating for 20 years and is a vital cog in the oil and gas midstream space.

Keyera operates 18 gas plants, with two more under construction. All the active facilities are well-maintained. Likewise, their economic lives are long-term. The energy stock is up 11% year-to-date and has recouped its losses in 2020.

## COVID-19 benefits are taxable income

Taxpayers who received COVID emergency and recovery benefits in 2020 must report them in their tax returns when filing this year. The CRA considers the benefits as taxable income. Expect to receive the T4A or T4E tax slip from the tax agency. The tax season officially begun on February 22, 2021. It would be best to file early and comply with the deadline to avoid the late-filing penalty.

### CATEGORY

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