



## CRA: Big Changes for Income Tax and CPP in 2021

### Description

It's been an interesting year — which makes it a complicated tax year. In November, 2020, the Canada Revenue Agency (CRA) announced several important updates to its programs that taxpayers and investors may need to pay close attention to before the deadline.

Here are the CRA's biggest changes for the income tax system and the Canadian Pension Plan (CPP).

### CRA income tax changes

Personal income tax brackets are changing in 2021. Federal and provincial brackets are being raised, which means you may pay less in taxes if you expect to earn the same this year as you did last year.

The CRA has increased the minimum income tax bracket to \$49,020 in 2021 from \$48,535 last year. While the highest tax bracket is shifting from \$214,368 to over \$216,511. This shift is done to account for inflation. Other programs, such as the Canada Child Benefit, will also be expanded in 2021 to account for inflation.

Experts across the world are worried that [inflation could surge higher](#) this year. So these shifts in the tax brackets and benefits should help you keep more of your money in 2021.

### CRA CPP changes

Canadians will be paying more into CPP in 2021 than they did in 2020. The maximum pensionable earnings will be raised 4.9% to \$61,600 this year. Employee and employer contributions will also be raised to 5.45% in 2021, from 5.25% in 2020.

This means the CRA is lowering the tax burden by raising income tax brackets, but also increasing the burden by raising CPP contributions. Altogether, taxes will still take a significant chunk of your hard-earned money in 2021, as in every previous year. Fortunately, there are ways you can control the outflow.

## Mitigate your tax burden

CRA's investment programs such as the Tax-Free Savings Account (TFSA), Registered Retirement Savings Plan (RRSP) allow you to lower your tax burden. By maximizing these two programs, you could avoid or delay thousands of dollars in potential taxes every year.

Investing cash in robust stocks, such as **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)), through these programs is the best strategy. Despite the turbulence, Fortis has been rock-steady throughout the past year. The stock price is roughly the same as it was in early-2020, while the dividend yield is 4%.

That dividend is expected to expand this year. Fortis is very conservative with its cash flows and has ample room to expand dividends every year. In fact, it has done so for the past 46 years. So long as people pay their utility bills, this stock should continue delivering handsome payouts to its shareholders.

Deploying your RRSP or TFSA cash in Fortis stock is probably the best way to secure your family's wealth and mitigate taxes.

## Bottom line

The CRA has made big changes to the income tax brackets and the CPP contributions. These changes mean you may have to pay more or less in taxes, depending on your situation. However, both programs are beyond your control.

What you can control is investments through programs such as TFSA and RRSP. Maximize these and invest in robust stocks like Fortis Inc. to mitigate your taxes.

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