Canada Revenue Agency: 1 Huge Change for Taxpayers in 2021

Description

The Canada Revenue Agency (CRA) has been very active throughout the year to ensure that the government's directives to help Canadians are successful in achieving their goals. From introducing emergency benefits to stimulate the economy to rolling out tax credits, the CRA has made several updates to help Canadians cope with the unprecedented situation.

The outbreak of COVID-19 was a global game changer, inspiring changes in how Canadians will file taxes in 2020. The CRA enacted several changes to provide relief to Canadians last year. Today, I will discuss one big change that can help Canadians with their next tax returns that are just around the corner.

Basic Personal Amount

It is no secret that Canadians are being squeezed by higher personal debt levels. The debt-to-income ratio in Canada is among the highest in the developed world, and it continues to worsen.

Policymakers have long worried about the impacts of a recession with such high personal debt levels since before the pandemic was even in the picture. The government stepped in last year to provide tax-deadline deferrals and help Canadians manage their finances in the confusing circumstances.

The government has gone further to help Canadians in 2021 by introducing an update to the Basic Personal Amount (BPA). The purpose of the BPA is to help all Canadians cover their basic needs. The idea is to charge no federal income tax on a certain amount of an individual's income in Canada.

The mechanism allows Canadians to enjoy tax exemption for up to a certain amount to start the year. Previously, an individual taxpayer could earn up to $12,069 for 2019 before paying any federal taxes. The amount was increased to $13,229 in 2020.

The CRA has updated the BPA to $13,808 for 2021. The government plans to gradually increase the BPA to $15,000 by 2023, providing much-needed relief to Canadians who do not have a high net income.

A reliable dividend stock

The BPA amount update for 2021 will be a massive relief to Canadians this tax season. Another way you can enjoy some tax relief is by focusing your investment capital in a portfolio of dividend stocks in your Tax-Free Savings Account (TFSA). Any earnings from investments in your TFSA can grow your account balance without incurring any taxes. You can also withdraw funds from your account without the CRA touching a penny.

Investing in a portfolio of income-generating assets like **Fortis** (TSX:FTS)(NYSE:FTS) could be an excellent way to increase your overall income without incurring additional taxes. Fortis is a Canadian Dividend Aristocrat with a dividend-growth streak spanning almost 50 years. The company has continued to provide its shareholders with growing dividends.

Fortis supplies electricity to its customers across Canada, the U.S., and the Caribbean. It makes the company an essential service that can continue generating substantial cash flows regardless of the economic environment.

Fortis also relies on long-term contractual agreements and highly regulated assets to generate its income. It means that Fortis does not just generate significant income. The company also generates predictable income. The company can use its predictable revenues to finance its growth and increasing shareholder payouts comfortably.

Foolish takeaway

A portfolio of reliable dividend-paying stocks in your TFSA can grow your account balance and provide you with significant passive income to grow your wealth without incurring additional taxes. The updated BPA will reduce your taxable income for 2021, and a portfolio of dividend stocks like Fortis in your TFSA can help you offset your tax bills through its tax-free income.

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