



Canada Revenue Agency: Big Changes Coming to Your Finances in 2021

Description

Managing your finances is one necessary evil you have to do yourself. While you may hire a professional advisor, the end decision is yours. You need to understand the changes in the taxes, benefits, incomes, and expenses to make the most of it. The Canada Revenue Agency (CRA) has made many changes that will significantly impact your 2021 finances on multiple fronts. I will discuss the finances of a Canadian who is above 19 years of age, single, and lost his job because of the pandemic.

The CRA brings changes to the COVID-19 benefits

Last year, the CRA introduced several COVID-19 benefits that paid \$2,000/month to those Canadians whose income was affected by the pandemic. As the second wave of the pandemic delayed the economic recovery, the CRA extended its recovery benefits.

It [extended](#) the maximum limit of the Canada Recovery Benefit (CRB) and Canada Recovery Caregiving Benefit (CRSB) by 12 weeks to 38 weeks. You can get a maximum of \$17,100 in the CRB or the CRSB after tax if you qualify for the benefit. The CRA has also extended the Canada Recovery Sickness Benefit (CRSB) to four weeks. But you can't claim two benefits for the same period.

Note that the amount of the above benefits will be added to your 2021 taxable income. This will be in addition to your working income, investment income from non-tax savings accounts, and pension. And if your total 2021 taxable income excluding the CRB crosses \$38,000, you will have to repay the CRB at the rate of \$0.5 per dollar of surplus income.

The CRA makes changes to the tax benefits

The CRA has also increased the tax benefits it offers to every Canadian after adjusting for income and inflation. It has increased the basic personal amount tax credit from \$1,984 in 2020 to \$2,071 in 2021. It also increased the age amount tax credit from \$1,146 to \$1,157.

The CRA has increased the minimum tax bracket on which the 15% federal tax rate applies to \$49,020 from \$48,535. The three benefits will reduce your 2021 tax bill by \$171. These changes to tax credits will also reduce the \$2,565 federal tax the \$17,100 CRB will attract.

The CRA brings changes to the GST refund

This year, the CRA has introduced some relief measures on paying income tax. In a normal scenario, you file and pay your income tax before April 30. The CRA assesses your returns, makes adjustments to your refundable tax credits like the Goods and Service Tax (GST) credit, and refunds the balance credit, if any, in the July-June period.

For the 2020 tax season, the CRA is giving Canadians one-year time to pay taxes (April 30, 2022). It won't deduct your tax dues from your GST refund and any other refunds like the Canada training credit or the Canada child benefit.

You can get up to \$456 in GST refund for the July 2021-June 2022 period if you file your 2020 income tax returns before April 30.

Monetizing the new benefits

If you plan your finances from the start, you can monetize the above CRA changes. You have a \$6,000 Tax-Free Savings Account (TFSA) contribution limit for 2021. The investment income you earn and withdraw from the TFSA will not be taxed. I would suggest you put \$100/week from your CRB (up to \$3,800) and the \$456 GST refund in an [ETF](#) and a dividend stock through the TFSA.

The market is currently going through a correction, giving you a good opportunity to buy quality stocks at a dip. **iShares S&P/TSX Capped Information Technology Index ETF** ([TSX:XIT](#)) has corrected 9.5% since mid-February. The correction came as the pandemic-driven rally cooled and the ETF added more stocks to its portfolio. Some of the recent additions are crypto mining company **Hut 8 Mining**, legal software solutions provider **Dye & Durham**, and many small-cap companies.

If I remove the pandemic rally, the ETF surged 55% in 2019 and 16% in 2018. More and more tech initial public offerings are coming. This could either be the next tech bubble after 2000 or the start of the new era of trillion-dollar tech giants. If you are bullish on tech, the XIT ETF is a good start.

CATEGORY

1. Coronavirus
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TICKERS GLOBAL

1. TSX:XIT (iShares S&P/TSX Capped Information Technology Index ETF)

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