



## Want to Pay Less in Taxes? Listen to This 2020 CRA Tax Break!

### Description

You may view the new Canada Revenue Agency (CRA) tax break as subtle or insignificant. However, most taxpayers will view it as an opportunity to lower their tax burden this year. The tax break, also known as the Basic Personal Amount (or BPA), will benefit around 20 million Canadians.

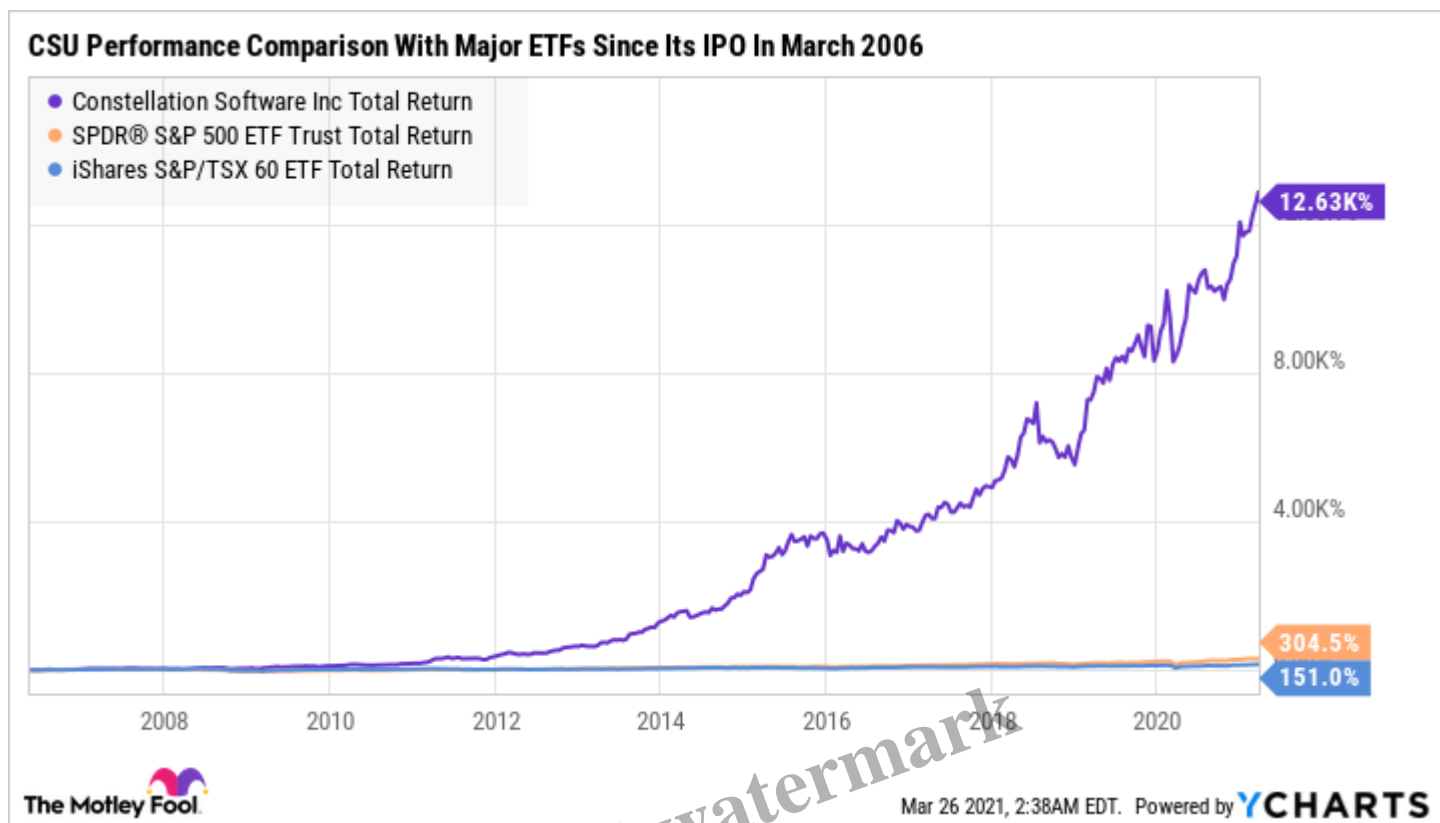
For the 2020 tax year, [the BPA will rise](#) to \$13,229, up from \$12,298 in 2019. Taxpayers can claim this non-refundable tax credit, which is adjusted annually for inflation and other factors.

For example, if Maria had a taxable income of \$39,000 in 2020, the federal income tax she would pay on this income is \$5,850. The BPA tax credit for her federal amount is \$13,229, and she can claim 15% of the BPA, which is \$1,984.35. So, this tax credit will reduce Maria's federal income tax to just \$3,865.65.

## Invest this amount in your TFSA and benefit from tax-free gains

While it is good to lower your tax liability by leveraging tax breaks provided by the CRA, you should also put these savings to work. One way to do so is by holding equity investments in your TFSA (Tax-Free Savings Account).

The TFSA is a flexible registered account where any income in the form of interest, capital gains, or even dividends is exempt from Canada Revenue Agency taxes. This makes it an ideal account to hold growth or dividend-paying stocks.



CSU Total Return Level data by YCharts

[Growth stocks](#) have the potential to generate market-beating returns and increase your wealth at an exponential rate. For example, an investment of \$2,000 in **Constellation Software** ([TSX:CSU](#)) stock at the beginning of each year since it went public back in 2006 would have been worth close to \$900,000 today.

In the above chart, we can see how the CSU has crushed major indexes by a huge margin. While past returns don't matter much to current or future investors, we can see how investing in a quality stock like Constellation Software can help you derive massive gains over the long term.

## Constellation Software focuses on acquisitions

Constellation Software is a company that provides software and services to a number of enterprises in the public and private sectors. It aims to acquire, manage, and build software businesses that develop mission-critical software solutions that address specific enterprise requirements.

Over the years, Constellation Software has assembled a portfolio of vertical market software companies, allowing it to grow via a combination of acquisitions and organic growth. It now has a customer base of 125,000 spread across 100 countries.

Constellation Software is valued at a market cap of \$36.6 billion, which means its trading at a forward price-to-sales multiple of 7.88 and a price-to-earnings multiple of 38, which is steep.

However, analysts expect the company to grow sales by 17% to \$4.64 billion in 2021 and by 18.2% to \$5.48 billion in 2022. Comparatively, earnings are forecast to grow at an annual rate of 24.6% in the next five years.

This is just an example of a quality growth stock. You can use this information as a starting point for your research and identify similar companies that are growing top-line and earnings at a fast clip and benefit from long-term capital gains.

## **CATEGORY**

1. Investing
2. Tech Stocks

## **TICKERS GLOBAL**

1. TSX:CSU (Constellation Software Inc.)

## **PARTNER-FEEDS**

1. Business Insider
2. Koyfin
3. Msn
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