



## The CRA's \$1,984 BPA Tax Credit Is for All Canadians

### Description

The Canada Revenue Agency (CRA) gave many COVID-19 benefits to ensure no Canadian is left behind. But many Canadians fell through the cracks of the eligibility criteria. Even its regular benefits like the Good and Service Tax (GST) refund have requirements like income, marital status, and the number of children. But there is one benefit for all taxpayers — rich or poor; married or single. One tax benefit for all is the basic personal amount (BPA) tax credit.

### One CRA benefit for all: The BPA tax credit

The three musketeers had a solidarity statement: “All for one and one for all.” This means every member acts for the good of the group and the group acts for the good of its members. The CRA offers every Canadian the BPA, and, in return, every Canadian above 19 should file their tax returns with the CRA.

The CRA created this BPA [tax credit](#) to help every Canadian pay for their necessities. It believes things like groceries, prescription drugs, and medical devices should not be taxed. Hence, it doesn't charge GST on them. For these necessities, you neither pay the GST nor the income tax.

Every province has a provincial government, which offers a BPA depending on the income and expense of the province. For 2020, the federal BPA is \$13,229, on which the minimum federal tax of 15% (\$1,984) is exempt. Ontario has a separate BPA of \$10,783, on which the minimum provincial tax of 5.05% (\$544.5) is exempt.

You can get the maximum federal BPA tax credit of \$1,984 if your 2020 net income is \$150,473 or less. You can get a minimum BPA tax credit of \$1,845 if your 2020 net income is above \$214,368. There are not many tax benefits for the rich, as Canada follows a progressive tax system. But even the rich get BPA.

### Another CRA benefit for all: The TFSA

Like the BPA, the CRA's Tax-Free Savings Account (TFSA) offers tax benefits, irrespective of your income, age, and marital status. In the TFSA, the CRA taxes your contribution and exempts your investments and withdrawal from taxes.

Anything that has a tax benefit has a limit, as the CRA doesn't want you to misuse the benefit. But the CRA allows you to carry forward the unused portion of your contribution. For 2021, the TFSA contribution is \$6,000, and the total carryforward contribution limit is \$75,500. If you overcontribute, the CRA will charge 1% tax for each month the excess contribution stays in the account.

## Monetize the benefits

An opportunist will leverage any opportunity to save tax and increase income. The above two CRA benefits allow you to do just that. If you have a medium- to high-risk appetite, you can buy the dip of a growth stock like **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). This e-commerce giant has dipped 30% from its February high and is currently trading below \$1,300.

This is the stock that tripled during the pandemic as almost 80% of the physical store traffic moved online. Shopify reported three straight quarters of 95% revenue growth. It was like a nine-month-long Black Friday sale for the platform. The market is correcting, and so is Shopify stock, which became overvalued because of the pandemic rally.

In its 2020 earnings call, the management stated that the revenue growth will normalize in 2021, which is around 50%. Hence, investors discounted their expectations and pulled the stock down to 55 times its sales per share. The first quarter is seasonally weak for retail. But the momentum picks up in May and June and reaches its peak during the holiday season, creating an environment for the stock price to grow.

Moreover, the [data](#) from Health Canada is hinting at the beginning of the third wave of the pandemic. This time, there are three virus variants of concern, and they spread faster and need vaccination, physical distancing, masks, hand hygiene, isolation, and quarantine. This means another lockdown could be in the cards and another boost for Shopify.

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