



Did You Turn 19? The CRA Will Credit a \$456 Cash Benefit if You File Your Returns

Description

The Canada Revenue Agency (CRA) starts treating you as a taxpayer as soon as you turn 19. Even if you earn less than the basic personal amount (BPA), you should file your income tax returns. This is because the CRA gives several benefits to Canadians in the low- and middle-income groups. If you are not employed, you pay no tax. And if you are employed and earn less than \$13,229, you do not pay any federal tax. Instead, you get the Goods and Services Tax (GST) [refund](#) of \$456. Here's how.

How the CRA collects taxes and gives benefits

Everyone pays taxes directly or indirectly. For instance, when you purchased a mobile phone with your earnings, you paid the CRA a GST of 5%. So, for every taxable product or service that you buy, you pay the GST. However, the CRA does not charge GST on basic goods like food, groceries, and medicines. It believes that GST accounts for a higher percentage of income for low- and middle-income groups than higher-income earners. Thus, it refunds you a certain amount of the GST it collected through sellers and merchants.

The CRA calculates the amount of GST refund based on your annual income, marital status, and the number of children. Moreover, it also gives you income tax relief for the necessities through BPA. You can get a maximum of \$1,984 as the BPA tax credit if you earned less than \$150,473 last year.

For instance, Jacob turned 19 in April 2020. He studies at a university in Ontario and earned a total of \$10,000 in 2020 in part-time work and COVID-19 benefits. He can avail of the entire BPA tax credit of \$1,984. Since he lives in Ontario, he can avail of the provincial BPA tax credit of \$544.5, which is 5.05% of the BPA amount of \$10,783. Because of these two tax credits, he need not pay any income tax for 2020.

Since Jacob is single, he can get up to \$456 in the GST refund between July 2021 and June 2022. All that Jacob needs to do to get this refund is file his income tax returns before April 30.

Benefits of early investing

You can invest some of the money earned in a part-time job in the Tax-Free Savings Account (TFSA). The CRA created the TFSA to encourage investing among young adults. You can open a TFSA when you turn 18 and invest \$6,000 in the account in 2021. In Jacob's case, he can invest up to \$12,000 in his TFSA — \$6,000 in 2020 and \$6,000 in 2021. Jacob pays no tax on his contribution. He will also not pay any tax on withdrawals from this account.

As you are early in life and have a long-term investment horizon, consider investing in growth stocks like **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)). If Jacob had invested \$1,000 in Lightspeed on his 18th birthday, he would have around \$4,000 by now. And all of this money is tax-free.

TFSA investing: Where to start?

Lightspeed is a good [tech stock](#) and has immense growth potential. It provides an omnichannel platform that offers enterprise-level solutions to small- and medium-sized businesses (SMBs). The pandemic came as a blessing in disguise for the company, which saw its stock rise 150% last year. Retailers and restaurant operators are gradually adopting Lightspeed's platform following the COVID-19 pandemic. The company's platform ensured that its clients continue to serve their customers during the lockdown.

Before the pandemic, SMBs were reluctant to adopt Lightspeed's platform. But now, it has become a need-to-have technology to run business smoothly. The company continues to make acquisitions and expand its geographic reach. As major countries ease lockdowns and restaurants reopen, Lightspeed will see demand in the hospitality sector. Now is the right time to invest in the stock. It is down 28% from its high in February as investors cashed out.

CATEGORY

1. Investing
2. Personal Finance
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. TSX:LSPD (Lightspeed Commerce)

PARTNER-FEEDS

1. Business Insider
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