Canada Revenue Agency: 3 Ways to Pay Less in Taxes This Year

Description

The deadline for 2020 taxes is a few weeks away. Canadians could pay fewer taxes on April 30, 2021, if they're aware of the common tax write-offs available to nearly all taxpayers. The Canada Revenue Agency (CRA) also encourages everyone to file early or comply with the deadline to avoid paying late-penalty charges.

1. Enhanced BPA

The first enormous tax credit all taxpayers can claim is the basic personal amount (BPA). Please don't ignore this tax write-off, as it had increased from 2019 and should increase further until 2023. The BPA is a non-refundable tax credit where the amount is indexed to inflation, so taxpayers can cope with it.

For the 2020 income year, the BPA is $13,229 — a $931 increase from the previous taxation year. Assuming your income is $40,000, the taxable portion is only $26,771 ($40,000 – $13,229). It means the CRA will only tax the remaining income after the application of the BPA.

Because of the Income Tax Act changes, the maximum BPA will increase by $579, $590, and $602 in 2021, 2022, and 2023, respectively. The CRA will index the $15,000 BPA in 2023 for 2024 and subsequent taxation years.

2. TFSA contribution limit

Taxpayers should appreciate the 2021 Tax-Free Savings Account (TFSA) annual contribution limit. The new $6,000 limit is an opportunity to create a tax-free income through the investment vehicle. More so, the CRA is powerless to tax any interest, gain, or dividend arising from a TFSA.

Follow the rules and be scot-free of taxes. Don't overcontribute or insist on investing in foreign stocks. The CRA prohibits frequent or day trading. Otherwise, the agency will treat earnings as business income and, therefore, taxable income.

3. Home improvement expenses

Canadian seniors, 65 years or older, can claim the home accessibility tax credit. Elders who made changes to their homes in 2020 to improve the quality of life can claim this non-refundable tax credit. The CRA allows claims of up to $10,000 in home improvement expenses, although the agency won't pay a refund.

Create non-taxable income

Keyera (TSX:KEY) is an attractive investment option for TFSA investors. The top-tier energy stock is a high-yield income stock. It currently pays a mouth-watering 7.26% dividend. Your $6,000 TFSA contribution will produce $435.60 in non-taxable income.

The $5.85 billion energy infrastructure company is well-managed and boasts a solid revenue base. Hold it for the long term, and it should reward you with fantastic and positive returns. The COVID-19 did impact Keyera, but it did not materially impact Keyera's core business. The rising natural gas demand favours the energy company, especially now that it has rebounded to all-time highs.

You can diversify and mix Keyera with stocks in other sectors to spread out the risks. The 16.13% year-to-date gain pleases current investors. Market analysts forecast the price to climb from $26.46 to $30 in the next 12 months. A dividend king like Keyera is a top pick of TFSA investors.

Wide range of tax benefits

Canadians, young and old alike, can receive a wide range of tax benefits from the CRA this tax season. If you combine the BPA with other tax write-offs, your tax savings could be significant. The key to lessening your tax burden is to claim the tax credits available to you.

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1. TSX:KEY (Keyera Corp.)

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