Canada Revenue Agency: 3 Tax Break Changes You Need to Consider for 2022

Description

As economies continue to reopen, investors are worried about rising inflation numbers in the near term. The federally-sponsored quantitative easing measures as well as an increase in consumer spending have meant Canada's inflation rate surged to 4.7% last month, the highest in almost two decades.

In order to provide relief to the exchequer, the Canada Revenue Agency (CRA) has made changes to a few tax breaks in 2022. The CRA has increased indexation rates to 2.4% for the next year, up from 1% in 2021.

Tax break changes in 2022

Basic personal amount

The CRA increased the basic personal amount by $590 to $14,398 for 2022. In case your taxable income is less than $155,625, you will be eligible to save $2,160, which is 15% of $14,398.

Minimum taxable amount

The CRA has increased the minimum taxable amount to $50,197, up from $49,020. So, in case your taxable amount is below the threshold, a federal tax rate of 15% will be applicable.

Age amount

The CRA also offers a tax credit for seniors over the age of 65. The age amount has been increased to $7,898, allowing you to reduce the tax bill by $1,185, which is 15% of the age amount.

Invest the tax savings to buy dividend-paying stocks

In case your taxable income is below $50,197, the total savings from tax breaks will be close to $302.

These savings and more should be invested in dividend-paying stocks that will allow you to create a passive income stream. Further, in case you hold these stocks in a Tax-Free Savings Account (TFSA), any returns in terms of capital gains or dividend income will be exempted from CRA taxes. The TFSA contribution limit for 2022 is $6,000, which can be used to add dividend stocks such as **Enbridge** (TSX:ENB)(NYSE:ENB) to your portfolio.

One of Canada's largest companies, Enbridge, offers investors a forward yield of 6.7%. So, an investment of $6,000 in ENB stock will enable the investor to generate over $400 in annual dividends.

An energy infrastructure heavyweight, Enbridge derives 83% of its EBITDA from oil & natural gas pipelines and the rest from natural gas utilities and renewable power assets. It transports one-fourth of the crude oil produced in North America, allowing it to generate predictable cash flows across business cycles. Enbridge has increased dividends at an annual rate of 10% in the last 26 years.

A majority of Enbridge's cash flows are backed by long-term assets, making the company's dividend payouts extremely reliable. Enbridge aims to maintain its payout ratio of between 60% and 70%, while its cash flows are expected to increase between 5% and 7% through 2023. So, investors can expect dividend payouts to increase in the near term.

Enbridge is relatively immune to commodity prices and the company continues to expand its base of renewable energy assets, making it a solid bet for long-term investors. Its tasty dividend yield will help you beat inflation rates over time and there is a chance for investors to benefit from capital gains as well.

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