



## New Tax Breaks Are Coming in 2022: What Does That Mean for Your Income?

### Description

Every year, the Canada Revenue Agency (CRA) makes slight adjustments to the tax code in order to keep up with inflation (called “indexation”). This year, with the inflation rate hitting historic highs, the CRA has had to make some big changes, all of which could help reduce your tax bill in 2022. Let’s take a look at what 2022 indexation means for your income.

### BPA got a bump

Recall that the basic personal amount (BPA) is a tax credit that reduces your taxable income by a certain amount. Every Canadian is entitled to claim the BPA on their tax return, and every year the CRA changes the BPA to keep up with inflation.

In 2022, the BPA will increase from \$13,808 to \$14,398. That means you can shave \$14,398 from your taxable income. For instance, if you made \$75,000 this year, then only \$60,602 (\$75,000 less \$14,398) would be considered taxable.

The change in the BPA isn’t open to everyone, however. Only those who have a net income of \$150,473 or less will get the full change in the BPA (\$590). If your net income is greater than \$150,473 but less than \$214,368, your BPA bump will increase slightly, with the upper end of that range getting less and the lower end getting more. If you made more than \$214,368, your BPA is a flat \$12,298.

### The minimum taxable amount also got a bump

In 2021, if you earned \$49,020 or less, then you would have fallen in the 15% tax bracket. That’s much less than the second tax bracket, 20.5%, which applied to Canadians who earned more than \$49,020, but less than \$98,040.

To adjust for inflation, however, the CRA has bumped the minimum taxable amount up by \$1,177. Now, if you earn \$50,197 or less, you’ll fall in the 15% tax bracket.

## All tax brackets increased slightly

In addition to the minimum taxable amount, all tax brackets raised slightly. Here's what they look like for 2022 (in comparison to 2021)

Tax Bracket 2022	2021
20.5% \$50,197 to \$100,392	\$49,020 to \$98,040
26% \$100,392 to \$155,625	\$98,040 to \$151,978
29% \$155,625 to \$221,708	\$151,978 to \$216,511
33% Over \$221,708	Over \$216,511
Tax bracket thresholds	

## Bottom line

As the Canadian government continues to fight back inflation, we may see other changes to the tax code in the near future. But for now, these are the changes you can expect in 2022.

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