Canada Revenue Agency: The BPA Could Reduce Your Tax Bill by $2,160 in 2022!

Description

While the taxes in Canada are some of the highest in the world, the federal government and the Canada Revenue Agency provide residents with tax credits that can help reduce their financial burden. One such non-refundable tax credit is the basic personal amount (BPA) that can be claimed by all residents.

The BPA credit aims to provide a reduction from federal income tax to individuals with taxable income below the BPA. It also provides a partial reduction to those with a taxable income above the BPA.

For 2022, the Canada Revenue Agency has increased the BPA to $14,398. So, you will be able to save $2,160 (15% of $14,398) in your annual taxes if your taxable income is less than $155,625.

Invest these tax savings in dividend stocks such as Enbridge

It's always good to save on taxes. But you need to invest these savings to create long-term wealth. Equities remain the best bet for long-term investors, and investing in dividend stocks such as **Enbridge** (TSX:ENB)(NYSE:ENB) can help you reach your financial goals at an accelerated pace.

Interest rates are near record lows, making it difficult for investors to beat inflation rates over time. Enbridge offers investors a forward yield of 6.92% as well as the opportunity to benefit from long-term capital gains.

One of the largest companies in Canada, Enbridge is valued at a market cap of $99 billion and an enterprise value of $175 billion. It generates the majority of its EBITDA from its expansive network of oil and natural gas pipelines followed by natural gas utility operations and renewable power assets.

Enbridge transports around 25% of the total crude oil produced in North America, allowing it to benefit from a wide economic moat. The barriers to entry in the oil and gas industry are extremely high, and it's getting increasingly difficult to get approvals to expand pipeline networks right now.

Enbridge's cash flows are backed by long-term contracts, making the company immune to fluctuations in commodity prices. Its robust business model has enabled Enbridge to generate cash flows across business cycles, which, in turn, supported dividend increases in each of the last 26 years.

ENB stock is a top dividend bet

Enbridge has historically grown its base of cash-generating assets by expanding its capital program over time. The company's management team aims to increase its cash balance by $2 billion in 2022. This is in addition to its capital requirements for the next year.

Enbridge is also focused on maintaining a payout ratio of less than 70% going forward. It basically means around 70% of its distributable cash flows will be used to pay dividends to investors, and the rest will be used for capital expenditures or lowering of overall debt.

Further, Enbridge aims to increase its cash flows between 5% and 7% through 2023, which should allow the company to keep increasing dividend payouts higher.

Right now, an investment of $2,000 in ENB stock will allow you to generate close to $140 in annual dividend payments. After adjusting for dividend payouts, ENB stock is up over 21% in the last year.

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