The CRA Just Increased Tax Breaks – Here's How to Invest for More Savings

Description

The Canada Revenue Agency has announced it will provide a one-time increase to the GST/HST tax break for residents. Typically, the goods and services tax/harmonized sales tax (GST/HST) tax credit is paid four times a year to low- and modest-income individuals and families. The tax break helps to offset a portion of taxes they pay to purchase goods and services.

As inflation is near multi-year highs, the Canadian government will issue an additional $2.5 billion via GST credit payments to help 11 million Canadian families. Here, the one-time payment will double GST credit amounts for a six-month period.

Who will receive the additional GST/HST payment?

In the case you are eligible to receive the GST credit in October 2022, the increased one-time payouts will be distributed based on your 2021 adjusted family net income and your family situation in 2022.

The website explains, "This one-time GST credit payment will be double the amount of the GST credit you would receive over a six-month period."

If you are single with no child, you can receive a maximum payment of $234. Single parents with two children can receive up to $467. Moreover, for married couples with no children, the maximum payment will be $306, while for couples with two children, it will increase to $467.

Canadians grappling with the uptick in commodity prices and inflationary environment get some breathing space from the increase in tax breaks. But you should not miss the opportunity to put a portion of these payouts to use and benefit from compounded gains over time.

The equity market has created massive wealth for investors and outpaced inflation consistently across several decades. So, let's see how you can leverage the GST/HST payouts to buy quality dividend stocks such as the **National Bank of Canada** (TSX:NA).

The National Bank of Canada is a top TSX stock

Among the largest banks in the country, the National Bank of Canada has returned 1,270% to investors in dividend-adjusted gains since November 2002. Comparatively, the TSX index has returned just 446% to investors in this period.

But the ongoing sell-off in the stock market has dragged NA stock lower by 10% from all-time highs, increasing its dividend yield to 3.92%. In the last five years, the National Bank of Canada's sales have risen by 45%, while its earnings were up 13% annually.

The National Bank has survived multiple economic downturns in the last two decades including the dot-com bubble, the financial crash, the COVID-19 pandemic, and red-hot inflation. Despite these challenges, it has consistently increased dividend payouts over time. In the last 20 years, the company has raised its dividends by 10% annually, which is quite impressive.

Despite its market-beating gains, National Bank stock is trading at 9.7 times forward earnings, which is extremely cheap. Indeed, analysts expect adjusted earnings to rise by almost 10% annually in the next five years. Analysts remain bullish on NA stock and expect it to surge by more than 10% in 2023 after accounting for its tasty dividend.

National Bank is a TSX giant that is well-poised to deliver attractive returns to long-term investors due to its low multiple, robust balance sheet, and consistent earnings growth.

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