



CRA: Are You Eligible for the Work-From-Home Tax Break?

Description

The COVID-19 pandemic has led to a surge in the work-from-home culture. According to [Statistics Canada](#), 3.3 million Canadians were working from home by mid-April, when the pandemic was at its peak. As the economy re-opened, around 400,000 Canadians returned to the office in June. There are still millions of Canadians working from home. This wave of remote working has left many grey areas around the Canada Revenue Agency's (CRA) workspace-in-the-home tax break.

The CRA allows employees who are working from home a similar tax deduction as self-employed individuals. This deduction only applies when you bear the expenses, and the employer does not reimburse you.

The eligibility for workspace-in-the-home deduction is already complex, and the pandemic has raised many doubts over eligibility.

Who is eligible for the workspace-in-the-home deduction?

The CRA introduced the workspace-in-the-home deduction to those who have converted a certain portion of their home into the workspace and

- Spent more than 50% of the time working from home; or
- Used the workspace in the home to regularly meet clients, customers, or other people.

For instance, the first condition states that the employee should have worked for more than 50% of the time from home. But what is "the time?" Is it the employees' total working hours for the entire tax year or is it the working hours for every month?

- In the first scenario, if the employee has been working full-time from home for six months, without reduced working hours, he/she will be eligible to claim the deduction.
- In the second scenario, if the employee worked from home for three months, he/she can claim deductions on the eligible expenses incurred in those three months.

The second condition states that the employee should have used the workspace in the home for meetings. In the pandemic, all meetings happened virtually. Do videoconferences meet the second condition? Will the CRA relax its rule that excludes internet costs from the deduction?

Other than eligibility, there are questions around the procedure on how to claim the deduction.

What is the procedure to claim the deduction?

In the normal scenario, the CRA requires employers to fill out a T2200 form for every employee they asked to work from home. The employee has to fill a T777 form and keep the receipts in case the CRA asks for them.

The pandemic has shifted a huge portion of the workforce to work from home. While the employee can still fill out the form, it would be an administrative nightmare for larger companies to submit the form for every single employee working from home. Will the CRA simplify this procedure or provide an alternative in the light of the pandemic?

CRA officials have stated that they don't plan to make any changes in the work-from-home tax deduction. But the agency and the government are facing pressure from Conservative revenue critic Marty Morantz who is seeking clarification on the deduction.

Make the best of the work-from-home trend

Until the CRA tells you whether or not you are eligible for the workspace-in-the-home deduction, [save the receipts of all expenses](#) you incurred to get the job done. Consult a tax professional or the CRA directly when filing your 2020 tax returns. They can help you save your taxes wherever possible.

Meanwhile, use the time you saved on transportation to read about the CRA's COVID-19 benefits and the juicy investment options. The CRA has disbursed up to \$400 in the goods and service tax and \$300 in child care benefits. If you have been spending your time at home pursuing a post-secondary course, the CRA allows you to deduct \$250 in Canada Training Credit from your taxable income.

The work-from-home culture has given rise to cloud stocks like **Zoom**, **Microsoft**, and **Open Text**. All these companies support remote working. Enterprise information management leader Open Text allows companies to analyze, digitize, automate, and secure information.

Open Text stock fell 25% in the March sell-off but recovered completely, as enterprises gradually started investing in digitization. The stock has the potential to grow in the future, as more companies move to the cloud.

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