Working From Home? Make Sure You Get This Tax Deduction!

Description

The COVID-19 pandemic is forcing people to work remotely. But the change brings something positive if you're conducting business or performing work at home. Since 2019, many taxpayers have been claiming the workspace-in-the-home tax deduction.

With the work-from-home set-up becoming the new normal in 2020, thousands more Canadians could be eligible for lucrative tax deductions. The Canada Revenue Agency (CRA) expects the number of claimants for this type of tax deduction to rise significantly.

CRA conditions

You can deduct expenses for the employment use of a workspace in your home, provided you meet one of two conditions. The workspace or makeshift office is where you work more than 50% of the time. The other requirement is that you use the workspace only to earn your employment income.

If you're an employee, you must secure a certification from your employer stating that working from home is an employment condition. Note also that if your home is the principal place of work, the 50% threshold pertains only to office space expenses such as rent, utilities, and maintenance.

Reasonable computation

The CRA understands that workplace culture shift. However, your calculations of the percentage of workspace-in-the-home expenses you intend to deduct must be logical. You divide the workspace area by the total finished area (including bathrooms, hallways, and kitchens, etc…).

For maintenance costs, the expenses must be for the workspace only. Likewise, the amount of deductions for workspace-in-the-home expenses is limited to your net employment income after all other employment expenses deductions. Thus, you can't use workspace expenses to create or increase a loss from employment.

Business owners can also deduct property taxes and home insurance. However, the CRA doesn't allow mortgage interest or capital cost allowance. Employees who can't deduct all workspace expenses in the year can carry forward the costs in the following year if income is from the same employer.

Tech superstar

On the stock market, tech stocks are the rally drivers. The appraisal business, title, and closing services of **Real Matters** (TSX:REAL) is booming in the low interest environment. The $2.76 billion company, based in Markham, Canada, is the leading network management services platform for the mortgage and insurance industries.

Real Matters is benefitting from the steep rise in mortgage refinancing transactions in the United States. The company posted a 29.2% revenue growth in Q3 2020 (quarter ended June 30, 2020) compared with Q3 2019. Its net income grew by a remarkable 42% during the same period. About 60 of the top 100 U.S. lenders are using Real Matters's platform.

Year to date, investors are gaining by 165.58%. As of August 7, 2020, the tech stock is trading at $32.72 per share. Had you invested $10,000 on December 31, 2019, your capital would be worth $26,558.44 today. Last year, the total return was 273.3%, and Real Matters is on track to repeat or outdo its 2019 performance.

Reduce your tax bill

The CRA reveals the average workspace-in-the-home deduction per person for the 2018 tax year was $1,561. Approximately 174,210 Canadians claimed total deductions of $271,866. The amount is significant, so you must monitor your expenses if you're working from home.

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