Canada Revenue Agency: Here’s an Easy Way to Deduct $400 Off Your Next Tax Return

Description

During the coronavirus pandemic, many people have been working from home. And for workers, that means there’s the possibility they could be eligible to claim home office expenses on their taxes next year. Not only could that help bring down how much tax you might need to pay, but it could help you collect a tax refund. But under the Canada Revenue Agency’s (CRA) rules, it’s not typically a simple process.

To claim home office expenses, an employer normally needs to sign off on a T2200 — a Declaration of Conditions of Employment, which asks whether an employee had to “pay their own expenses while carrying out the duties of employment.” It’s a necessary form to ensure eligibility. Otherwise, if there’s an audit, employees who claim employment expenses without the signed form could be in trouble with the CRA.

But the government recently announced that for people who are working from home, they can claim a tax deduction of up to $400 for expenses without the need for the form. And not only that, they also don’t need to keep a detailed log of all of their expenses, either. It’s a way for the CRA to simplify its process in what could otherwise be a very tough tax year given how many people are working from home due to the coronavirus pandemic. In the end, it’s a win-win for people working from home and the government.

If you get a tax refund next year, consider putting it into your TFSA

A great place to store a tax refund is in a Tax-Free Savings Account (TFSA). With the contribution limit going up by $6,000 next year, you’ll have more room if you need it to buy stocks with. Rather than putting your tax refund into savings or just spending it altogether, you can put the cash to some great use and build your portfolio.

And if you want some recurring cash flow, a good stock to consider investing in is **RioCan Real Estate Investment Trust**

(TSX:REI.UN). The company has more than 200 properties across Canada, and although the coronavirus pandemic has thrown a wrench into the economy this year, RioCan is still doing well; outside of one bad quarter where it incurred a loss this year, the company's consistently reported a profit over the past two years. What's more important is that its free cash flow has remained positive.

Paying just over 8%, this is one of the better-yielding stocks out there that you can invest in right now. If you were to invest $2,000 into the stock, you'd collect over $13 each month. Inside a TFSA, that dividend income also wouldn't be taxable. Although it's not a huge amount, it can still help you pay our bills, or you could just use the cash to build your TFSA's balance and use the money to invest in another stock or re-invest it back into RioCan.

Every dollar counts and can potentially make a difference for your retirement and long-term savings goals. While a $100, $200, or $2,000 investment may not generate much for your portfolio today, as you build it up over the years, you can start generating much more meaningful dividend income from all of your investments.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)

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1. Business Insider
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