Canada Revenue Agency: Claim the $400 Tax Benefit for Working From Home

Description

Many of us were obliged to work from home this year amid the pandemic. While there are some benefits of it, like saving money and time on the commute, there are some shortcomings as well. You might have spent more on the internet and electricity or maybe on revamping your workspace.

Canada Revenue Agency: Work-from-home tax benefit

The Canada Revenue Agency (CRA) offers some incentive to relieve this financial burden. If you have worked from home for half of the time of at least four weeks in a row due to the pandemic, you can claim up to $400 in a tax deduction.

This can be claimed on your personal income tax return. The deduction will lower your total taxable income.

The CRA has sought convenience while claiming this deduction, as it doesn't need you to keep any supporting documents. It is suitable for those Canadians who have modest work-from-home expenses and don't want to take the trouble of keeping all the proofs.

Notably, expenses that have already been reimbursed by the employer are not eligible for this tax deduction.

If you want to claim the actual amount you paid for while working from home, the CRA needs you to file the supporting documents.

The tax dollars saved by claiming the deduction can be used for long-term investing. Even if you have saved a tiny amount, it can be employed to make money.

How to best use the saved money

Suppose you save $500 on taxes by claiming deductions like work-from-home and a few others.

Starting small can avail big benefits in long-term investing.

For example, $500 invested in a growth stock like **Shopify** (TSX:SHOP)(NYSE:SHOP) five years ago is worth more than $21,400 today.

Stocks like Shopify offer higher growth prospects but are relatively riskier and exhibit large swings. Shopify stock has seen a mother of all rallies and is now the biggest company on the TSX by market cap.

The stock might continue to trade strong, given its superior earnings growth potential and its fast-growing total addressable market.

However, one can consider investing in defensive stocks like **BCE** (TSX:BCE)(NYSE:BCE). $500 invested in BCE five years ago would be worth $690 today.

Just look at the difference between a growth stock's returns like Shopify and a defensive stock like BCE. This does not mean investors should totally shun BCE and only run after Shopify. BCE is a stable, mature company.

It earns stable cash flows and pays regular dividends to its shareholders. Based on its current yield of 6%, if you invest $500 in BCE stock, it would pay $30 in dividends per year.

Although that looks small, it offers one of the safest and highest dividends on the TSX. This passive income would make a lot of difference in your sunset years.

In a nutshell

Stock markets offer plenty of investment options with stocks of varied risk and return characteristics. It is important to pick quality stocks that fit your risk appetite and return requirements. The tax dollars saved this year can be used for investing for the longer term. As they rightly say, great things happen by starting small.

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