Canada Revenue Agency: New $400 Tax Deduction for Canadians Working From Home

Description

Due to the COVID-19 pandemic, many Canadians are working from home this year. The Canada Revenue Agency (CRA) made it simpler for these Canadians to claim the home office expenses for their 2020 income tax returns.

Specifically, employees who worked from home more than half of the time for at least four consecutive weeks during the year due to COVID-19 will be eligible to claim the home office expenses deduction for 2020.

The CRA is providing a simpler method that allows eligible employees to claim a deduction of $2 for each day they worked at home in that period, plus any other days they worked from home in 2020 due to COVID-19 up to a maximum of $400. Under this new method, employees won't have to get Form T2200 or Form T2200S completed and signed by their employer.

You can also use the detailed method to calculate your home office expenses, but you'll need to have supporting documents ready.

More CRA tax deductions

Another simple way to get CRA tax deductions is by contributing to your Registered Retirement Savings Plan (RRSP), which reduces your taxable income for the year. This is a good choice if your income hasn't been impacted this year or if you actually managed to increase your income.

RRSPs are very flexible. You can be as conservative or aggressive as you want. On the conservative side, you can use it to hold guaranteed investment certificates (GICs) for interest income. You can progressively get more aggressive by investing in bonds, exchange-traded funds (ETFs), stocks, and put and call options.

For many investors, a top priority is to balance between capital preservation and maximizing returns.

Top stocks for your RRSP

In most cases, Canadians are using their RRSP as a part of their retirement fund. As a result, they won't touch their RRSP money for many years. If that's you, then, investing in quality stocks and compounding your money over decades could be your best option.

Notably, you'll be able to receive the full dividends from qualified U.S. stocks inside the RRSP. This perk isn't available anywhere else. So, consider decent-yield U.S. dividend stocks in your RRSP first.

For example, **Johnson & Johnson**, **Pepsi**, and **Realty Income** are excellent considerations for your RRSP on dips. Currently, they offer dividend yields of 2.65%, 2.84%, and 4.62%, respectively. The safe Dividend Aristocrats can provide even greater yields during market corrections.

Importantly, they provide needed diversification for a Canadian investment portfolio in the healthcare, consumer staples, and triple-net-lease spaces, of which there are limited options available on the **TSX**.

Want extra tax savings? Contribute to your TFSA

You can always turn to your Tax-Free Savings Account (TFSA) for extra tax savings, as long as you have contribution room.

Because the TFSA allows for tax-free income and growth, some investors use it as a part of their retirement fund. If so, aiming for the greatest returns using stock investing is a good way to go.

How you use your TFSA is up to your imagination. Some people use a portion of it as their emergency fund. This portion should be in riskless vehicles like a high-interest savings account.

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