CRA Update: There’s a New $400 CRA Tax Break if You Worked From Home in 2020

### Description

There are a lot of new changes in our personal and work lives that we can chalk up to 2020, and many of these changes are likely here to stay with us for a long time. One of them is remote working. During the pandemic, about 40% of Canadian workers (according to Statistics Canada) worked remotely.

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It wasn’t a smooth transition for most. Managements and employees tried to get around the problems associated with remote working. When things settle down to the new norm, most businesses and employees realized that it might not be a bad long-term arrangement. Employees got to save commute time and could spend more time with the families, and businesses saved a lot in overhead and operations costs.

Whether or not it’s the new norm for you, if you were part of the 40% who worked from home anytime during 2020, you can claim a home-office tax break.

## Home-office expenses

Since so many people worked from home in 2020, the CRA had to simplify its home-office-expense tax break, so more people could benefit from it. You can now claim home-office expenses in one of two ways:

- The temporary flat-rate method (newly introduced); or
- The detailed method (conventional, but streamlined for 2020).

The flat-rate method allows you to claim $2 per day for every day you worked from home, up to a maximum of $400. This doesn’t require you to submit any receipts and keep any detailed expense records. You are eligible if you spent at least 50% of the time working from home for at least four consecutive weeks. You can’t claim any other employment expenses, and you won’t get paid for expenses that your employer has already reimbursed you.

The detailed method of claiming these expenses is better suited for those who won't get covered by the flat-rate method for their home-office expenses. It also includes the newly introduced home internet expense.

## Using the $400

If you managed to save $400, a good way to utilize it is to invest it. One stock you might want to consider that is overvalued (but with a smaller price tag) is **Hamilton Thorne** (TSXV:HTL). It's a U.S.-based company that makes precision-laser devices and image analysis systems. Research labs and medical facilities use Their products.

Hamilton Thorne is a powerful growth stock, which explains why it's so overpriced. It is trading at a price-to-earnings ratio of 142 times and price-to-book ratio of 2.9 times. But with this overvalued price comes a five-year CAGR of 47.1%. This is a powerful enough growth rate to turn your $400 into an $18,900 nest egg in just 10 years if it can sustain this rate.

## Foolish takeaway

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Any new deductions that can help you reduce your tax burden can be a boon for you, especially in a tough financial year. The home-office deduction might not accumulate to a very substantial amount, but it's still better than nothing. The CRA introduced the simple flat-rate deduction to make it easy and accessible for people who would be claiming this tax break for the first time.

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**Date**

2025/08/17
**Date Created**
2020/12/26
**Author**
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