



Canada Revenue Agency: There's a New \$400 Work-at-Home Tax Deduction!

Description

The work-at-home tax deduction is not completely new. Freelancers and remote workers have been benefiting from the work-at-home tax deduction, which allows them to claim home office expenses, for a very long time. These people know how deductions work and how to claim their home office expenses.

But the number of people who can claim a work-at-home tax deduction for the year 2020 will be significantly higher. That's because a lot of people (about 40% of the total working population by one estimate) worked from home for at least a [certain](#) period in 2020. For these people, the CRA has repurposed the work-at-home tax deduction, simplifying it for the masses.

The \$400 tax deduction

The usual method of claiming the work-at-home deduction is detailed and itemized. Suppose you use a portion of your home as your workspace (whether as a self-employed individual or employed by another business), you can claim part of the expenses like utilities, rent, and now home internet as well. You have to justify that the portion of your home that you are claiming for work expenses was used strictly for business (i.e., having meetings, entertaining clients, etc.).

This deduction has been around for a while, but it has been modified for the mass work-from-home situation. You can claim all your home office expenses, provided that you can prove them with receipts and signed Form T2200S/Form T2200 from your employer.

An overly simplified version of this tax deduction has also been introduced by the CRA. It's called the "temporary flat-rate method," and you can claim \$2 a day for every day that you worked from home. You don't need to keep any documents to support your claim, and you also don't need to get a signed Form T2200 from your employer.

Other benefits of working from home

This tax deduction isn't the only benefit of working from home. People managed to save a lot of money from commute/fuel and food expenses associated with traveling for work. If you saved a substantial amount, one of the best use you can find for it is to invest it in a [decent growth stock](#) like **goeasy** ([TSX:GSY](#)). This Dividend Aristocrat offers a mouth-watering 10-year CAGR of over 30%.

So, if you invest just \$2,000 in the company, and it keeps growing at the same rate, you can have a nest egg of \$25,000 in about a decade. goeasy is also very generous with its dividend growth, though the yield of 2% might not look very attractive. Its business model also seems stable enough for long-term growth. As an alternative finance company, it furnishes personal loans of up to \$45,000.

Since these are secured loans, they are also available to people with relatively poor credit. This makes it a very attractive lender for many individuals who have no one else to turn to.

Foolish takeaway

You might think that a total of \$400 tax deduction is far too low for the expenses you bore when you worked from home. But if you are opting for the detailed method of the deduction instead of the flat-rate one, you have to have every document, receipt, and signed form to back-up your claim. Otherwise, stick to the simplified \$2-a-day deduction.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:GSY (goeasy Ltd.)

PARTNER-FEEDS

1. Business Insider
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5. Quote Media
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