



## Hooray! You Can Claim the \$400 Home Office Tax Deduction in 2020's Tax Return

### Description

Last year, many Canadians shifted their offices to their homes. The internet was filled with ideas on how to create home office spaces. But did you know your home office can also give you a tax deduction? In the light of the work-from-home trend, the Canada Revenue Agency (CRA) has come up with a [special home office tax deduction](#) of up to \$400 for the 2020 tax year.

### Home office expenses tax deduction

The home office expenses deduction is not a new concept. But not many people know about it. As a large number of people worked remotely for a long time last year, I took up this topic. The CRA compensates you for the additional expense you pay from your pocket for maintaining a home office.

Let's go step by step. The first step is to see if you are eligible for the deduction:

- Did you work from home for more than 50% of your working hours for four consecutive weeks? If yes, you can claim the deduction whether you opted to or your employer required you to work from home.
- Did your employer reimburse you for the expenses you incurred to maintain the home office? If no, you can claim the deduction. But if your employer reimbursed you for some expenses and not all, you can claim the deduction on expenses not reimbursed.

So, if you meet both the conditions, you can claim home office expenses deduction using two methods:

- Temporary flat rate method
- Detailed method

The [detailed method](#) is the old method of calculating expenses and needs a lot of calculation and paperwork. I will focus on the temporary flat rate method.

## Temporary flat rate method to claim \$400 home office expenses deduction

Under the home office expenses deduction, you can claim rent, electricity, home internet access fees, office supplies, and cell phone minutes. For ease of calculation, the CRA created a temporary flat rate of \$2 per day for the number of days you worked from home for more than 50% of the time. You have to exclude sick leaves, vacation, and statutory holidays while calculating the number of working days.

You can claim a tax deduction of up to \$400 (which equates to 200 days) in the temporary flat rate method. You don't need any documents from your employer. All you have to do is fill Form T777S and claim the deduction.

For instance, John lives and works in Ontario. He worked full-time from home five days a week between March 14 and November 30. That comes to 180 days. He can deduct \$360 from his taxable income in home office expenses under the temporary flat rate. If he earned \$48,800 in 2020, this tax deduction will reduce his taxable income to \$48,440. As John lives in Ontario, his marginal tax rate is 20.5%, and the above deduction will save him \$74 in income tax.

## How to make the most of the new tax deduction

Working from home introduced many people to new software and hardware that makes work go smoothly. The convenience these tools bring shows that the remote working trend is here to stay. You can make the most of this trend by investing in companies that make remote working possible. One such stock is **Enghouse Systems** ([TSX:ENGH](#)).

Enghouse provides niche software solutions to contact centre, transportation, telecom, and geographic information systems verticals. The company largely depends on acquisitions for revenue growth. Its 2019 acquisition of Vidyo paid off during the pandemic as demand for Vidyo's video conferencing products boosted its revenue. Its fiscal 2020 revenue and adjusted EBITDA surged 30.6% and 53%, respectively, surpassing the fiscal 2019 growth of 13% and 9%. This accelerated growth drove Enghouse's stock 21% last year.

Enghouse may not be able to replicate the 2020 revenue growth rate this year. But it still has the potential to grow organically and through new acquisitions, making it a good stock to hold for the long term.

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