Canada Revenue Agency: You Can Get a $400 Work-From-Home Tax Break!

Description

One of the consequences of major catastrophes, pandemics, and global phenomena is that they expedite change. Transitions that would have taken decades or years take place in a fraction of the time. One of the transitions that the current pandemic expedited was the work-from-home trend. A lot of people looked into remote jobs, and many businesses started outsourcing their tasks to remote workers to save overhead costs.

But this trend was growing at a slow and natural pace up until the pandemic hit. Businesses and employees were thrown in the deep end and had to come up with protocols and ways to make working from home just as efficient and productive as on-site work. Now that many people are used to this situation, more people might prefer to keep working from home, and a relatively smaller number might prefer returning to the workplace.

Apart from cutting any transportation costs, working from home comes with another monetary benefit: the CRA tax break.

The work-from-home tax break

The CRA allows you to deduct home office expenses when you are using your home for work. This deduction was used primarily by sole proprietors or remote workers that used part of their home as their workplace. But it was only a tiny fraction of the total workforce. The pandemic forced a substantial part of the workforce to work remotely from their homes, and they are now eligible for the tax break as well.

Now, everyone who worked from home for at least four consecutive weeks (where your workspace is used more than 50% of the time for work) is eligible for this tax break. People who use part of their home exclusively as their workspace and also use it for meeting clients don’t have to comply with the four-week stipulation. But that’s only true for the already existing “detailed method” of claiming these expenses. It also requires you to get a signed Form T2200 (or Form T2200S) from your employer.

The newly introduced and infinitely easier way to claim a tax break is to follow the “temporary flat-rate method." Anyone who worked from home for at least four consecutive weeks and using their home-based workspace at least 50% of the time can claim a $2-a-day flat rate deduction up to a maximum of $400. This doesn't require you to produce any documents and proof for the CRA.

An existing tax break

When you are claiming your new tax break when filing the taxes next year, don't forget the evergreen RRSP deduction. A great way to lower your tax bill is to contribute the allowed amount to your RRSP and let it grow by investing it in a long-term growth stock like **Canadian National Railway** (TSX:CNR)(NYSE:CNI). It has been a decent growth stock for at least two decades and currently offers a 10-year CAGR of 17.4%.

It's also a long-standing Dividend Aristocrat and has grown its dividends for 24 consecutive years. The yield is relatively modest at 1.63%, but its capital growth potential makes up for this limited yield.

Foolish takeaway

When it comes to tax breaks, you should try to claim as many as you are eligible for. Every dollar that you do not give to the CRA is a dollar that you can grow in a tax-deferred environment inside your TFSA or the RRSP. So, it's vital that you know about all the tax breaks that you can get.

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Date
2025/08/03
Date Created

2021/01/09
Author
adamothman