



CRA \$400 Write-Off: If You Work From Home, You Can Qualify

Description

Canadians who have been stuck at home but fortunate enough to do their work during 2020 can get a tax break during the coming tax season. The work-from-home tax has been available for a long time to compensate Canadians who work remotely and need to spend money to accommodate their expenses to make more favourable working conditions.

The Canada Revenue Agency (CRA) has made the process of claiming this work-from-home tax easier. If you are eligible for the [tax credit](#), you can get a write-off worth up to \$400 for the income year 2020 when you file your taxes in April 2021.

Work-from-home deduction

The latest tax deduction is effectively an expanded version of the work-from-home expenses rules. You can deduct only a portion of your work-related expenses in the current tax break. Typically, it can include the costs for electricity, heating, and maintenance.

However, the CRA is allowing professionals to claim up to \$400 of expenses for the 2020 income year. Unlike before, tracking the expenses that you can claim is not as complicated with the \$400 write-off, and you do not require obtaining complete and signed forms by your employer.

To be eligible for the tax credit, you must have worked from home in 2020 due to the pandemic. Additionally, your employer must have required you to work from home. Lastly, you must have worked from home for at least 50% of the time or four consecutive weeks in 2020 to qualify for the tax credit.

Calculating the home office expenses

In a bid to make claiming this tax write-off easier, the CRA introduced a temporary flat method for calculating your home office expenses. You can claim a deduction of \$2 per day for each day you have worked from home in four consecutive weeks, plus each additional day you worked from home during the pandemic.

As long as you worked from home, you can make a claim against part- or full-time employment. Remember that you cannot count sick leave days, vacation days, or any other days off as working days when calculating your claim with the flat method.

Earning passive income

Receiving the modest \$400 tax write-off can help you save a little more cash on your next tax bill. If you have significant cash savings, you can earn \$400 through passive income without even having to fill out any applications and submitting them to the CRA. You need to build a portfolio of income-generating assets like **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) to get reliable returns through dividends.

A stock like Fortis can provide you with virtually guaranteed returns through dividends. It is a Canadian utility company that operates in Canada, the U.S., and the Caribbean. Fortis is a staple holding for investors seeking reliability and stability in their investment portfolios. Its business model helps the utility provider earn predictable income each year.

Most of Fortis's cash flows come through highly regulated and contracted sources, allowing it to finance its dividend payouts and growth without surprises due to economic circumstances. The company can also continue generating revenues, because its customers need its services regardless of their economic circumstances, making it more of a safe-haven asset that you can consider a bond proxy with better returns.

Foolish takeaway

Paying taxes in Canada can leave you with a hefty tax bill every season. However, there are [several tax deductions](#), like the \$400 work-from-home tax write-off you can claim to lower your tax bills. Additionally, you can earn passive income on your savings by investing in dividend-paying stocks like Fortis and holding the shares in your Tax-Free Savings Account for tax-free income to offset your out-of-pocket expenses for the tax bill.

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