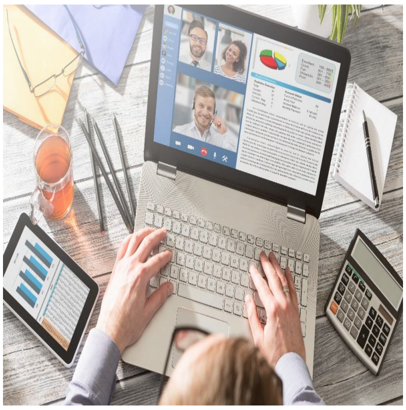

CRA 2020 Tax Breaks: Working From Home Can Get You a $400 Tax Deduction

Description

The COVID-19 pandemic forced people to work from home like never before. The shift to working from home increased monthly expenses, like electricity, water, internet, mobile phone bill, and office supplies. As a huge segment of the population set up their offices at home, the Canada Revenue Agency (CRA) made it easier to get the work-from-home tax deduction for the 2020 tax year.

Are you eligible for the work-from-home tax deduction?

Now, what counts as a home office? For income tax purpose, the CRA considers that you worked from home if you meet these conditions:

- You worked from home for over 50% of your working hours for a minimum of four straight weeks.
- Either your employer did not reimburse you for the expenses you incurred to work from home, or they reimbursed you partly. In the latter case, you can claim the deduction on the expenses that were not reimbursed.

If you fulfill both the conditions, you can claim the home office expense deduction. This is not a new deduction, as many people worked from home even before the pandemic. But claiming this deduction is a taxing job, as there are many elements on what expenses you can claim, the portion of a claim, and much more.

For instance, the CRA allows you to deduct expenses such as rent, mobile phone bills, internet charges under the detailed method. But it stops you from deducting mortgage payment, property taxes, home insurance premium, or any capital expenses. I have explained this process in my earlier article.

The CRA knows that all these calculations can take a toll on you. Hence, it has created a simple process: the temporary flat rate method. The only thing that you need to do is fill Form T777S. Note that the CRA has introduced this method only for the 2020 tax year.

How does the temporary flat rate method work?

Under the temporary flat rate method, you can claim $2 per day for the number of days you worked from home. You can claim a maximum deduction of up to $400. This amount is equivalent to 200 days ($400/2) of working from home. You have to exclude statutory holidays, vacations, and sick leave when calculating the number of eligible working days.

For instance, Mary, who lives in Toronto, worked from home for 220 consecutive days in 2020. Since the maximum deduction limit is $400, she can deduct only that amount as home office expenses from her taxable income.

If Mary earned $48,900 in 2020, her taxable income will come down to $48,500 after the $400 deduction. Now she comes in the minimum federal tax bracket of 15%. The home office expenses deduction will reduce Mary's tax bill by over $80.

You can use the old detailed method if your home office expenses are significantly more than $2 per day.

Make the most of your CRA tax deduction

You can turn the pandemic into a blessing for your savings by earning passive income sitting at home. To earn passive income, you need to invest in dividend stocks through a Tax-Free Savings Account (TFSA), as withdrawals from this account will be tax-free. **Enbridge** (TSX:ENB)(NYSE:ENB) is one such dividend stock in which you can invest the $80 you saved from the CRA's temporary home office expense deduction.

Enbridge is an energy infrastructure firm that caters to the North American market. The stock has remained steady, despite the challenges that the pandemic presented for the oil and gas sector last year. Its GAAP EPS rose 4.9% year over year to $0.49 in the third quarter. It has also increased its dividend per share by 3% for 2021. This increase came over expectations of a recovery in oil demand and a higher tariff rate.

Enbridge's shares surged 18% in the last three months, as oil demand picked up with increased use of gasoline. It has a dividend yield of 7.4%, one of the highest any low-risk stock can offer. The company has increased its dividend for more than two decades now. This makes Enbridge a reliable dividend stock for long-term investors.

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Date
2025/07/08
Date Created
2021/01/20
Author
pujatayal