



Work From Home? Here's How You Can Get a \$400 CRA Tax Credit

Description

Doing remote work or converting available spaces at home into makeshift workstations is the new normal. For the tax year 2020, the Canada Revenue Agency (CRA) will not make it difficult for Canadians to claim deductions for home office expenses.

Employees working from home can claim deductions for work-space-in-the-home expenses, office supplies, and certain phone expenses on income tax returns. Don't forget to claim this deduction to [reduce your taxable income](#) and overall tax owed to the CRA.

Temporary flat rate

The CRA uses the temporary flat rate method to [simplify claim procedures](#). Claimants will no longer present details such as workspace size and completed Form T220 duly signed by an employer. Full-time or part-time hours from home count as workdays. Days off, vacation or sick leave days and other leave or absence do count as workdays.

You could be eligible to use this new method if you worked more than 50% of the time from home. The work period should at least be four consecutive weeks in 2020 because of the COVID-19 pandemic. You can claim \$2 per day of work from home during the period plus any additional days in 2020 due to the health crisis. Under this scheme, the maximum an individual can claim is \$400 (200 working days).

Eligibility criteria

An individual taxpayer must meet all of the CRA's criteria to be eligible to claim the home office expenses deduction for the period. The following are the conditions:

- A person worked from home in 2020 due to the COVID-19 pandemic or the employer required and authorized the employee to work from home.
- An employee worked more than 50% of the time from home for at least four consecutive weeks in 2020.
- The expenses incurred were used directly in the conduct of work during the period.
- Employees using the detailed method to claim the deduction must present a completed and signed Form T2200S or Form T2200 from the employer.

Dividend investing to earn passive income

Earning \$400 in passive income is also possible in 2021 through dividend investing. If you purchase \$8,000 worth of a blue-chip stock that pays at least 5% dividend, the corresponding income is equivalent to the maximum work-from-home expenses. Increase your holdings if you need more buffer so the amount could be so much more.

The **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) is a generous dividend payer. Canada's fifth-largest bank also boasts of nearly 153 years dividend track record. Currently, this \$48.72 billion bank pays a juicy 5.36%. CIBC can weather economic downturns and keep your income stream flowing for decades.

Canada's banking sector is a world-class banking hub because of its streamlined business model and modern regulatory system. The Big Five banks, including CIBC, has always been an excellent source of wealth for regular, risk-averse, and income investors. CIBC displays the same stability and resiliency in the pandemic as it did in the 2008 financial crisis and other recessions before them.

Expanded eligible expenses

The CRA uses a shorter qualifying period so that more employees can claim the deduction as opposed to the cumbersome, long-standing practice before. Furthermore, the tax agency has expanded the list of eligible expenses that you can find on CRA's website.

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