



Little-Known CRA Benefit: Claim the \$400 Work-From-Home Tax Credit

Description

The work-from-home culture has become quite common during the COVID-19 pandemic. Many people think of it as an entirely foreign and new concept. However, the remote working culture has been around for several years. The business world was slowly shifting towards adopting remote work due to its advantages, but there was no widespread adoption due to the challenges it posed.

However, the global health crisis rapidly expedited the transition. As mandatory lockdowns came into effect to curb the spread of COVID-19, businesses were forced to shift to a work-from-home culture.

Companies and employees have set up protocols that have made working from home as efficient as on-site work. Working from home comes with several benefits, including cutting transportation costs and saving time for commuting to and from work. Additionally, it comes with another advantage: a [\\$400 tax break](#) by the Canada Revenue Agency (CRA).

Work-from-home tax break

The CRA allows you to deduct home office expenses if you are using your home for work. This is not exactly a new tax break. Sole proprietors and remote workers used this tax credit before the pandemic if they were already using their homes as their workplace. However, only a small fraction of the overall workforce would qualify for the tax break.

If you have been working from home for at least four consecutive weeks in which you have used your workspace more than 50% of the time for work, you are eligible for the tax break. People using any space in their home exclusively as their office can also claim this tax credit.

Typically, the tax break for remote workers would imply a detailed method for calculating the home office expenses through a signed Form T2200 or Form T2200S from your employer confirming the expenses. The CRA has introduced a temporary measure to claim the tax break by following the flat-rate method.

Anyone who qualifies for the tax break can claim the tax break for \$2 per day up to a maximum \$400

deduction. You do not need to show any proof of expenses or have your employer fill out a form to confirm your claims.

Another tax break to remember

If you are claiming tax breaks, you should also consider revisiting the Registered Retirement Savings Plan (RRSP). It is a tax-advantaged account designed to help you create a retirement nest egg. Additionally, it can serve as a way for you to reduce your tax bill.

When the tax season arrives, the CRA does not count your RRSP contributions as part of the taxable income. It means that you stand to save additional cash that you would otherwise have to pay in taxes by making regular RRSP contributions. Consider using the tax-advantaged status of the RRSP by investing in a stock like **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)).

Investing in an income-generating asset like Fortis can help you reduce your tax bill by lowering your taxable income for the RRSP contribution. Additionally, the dividend stock can increase the value of your RRSP contribution through long-term tax-free growth in your account. Fortis is a utility company that generates predictable and reliable returns.

The company provides utility services to its clients across Canada, the U.S., and the Caribbean. It can consistently generate healthy cash flows regardless of the economic environment. Its virtually guaranteed income allows Fortis to finance its increasing dividend payouts and expansion comfortably.

Foolish takeaway

Claiming as many tax breaks as you can is an excellent way for you to save some more money that you can contribute to your financial freedom. Investing in a stock like Fortis and storing it in your RRSP can help you reduce your tax bill *and* provide you with long-term and reliable returns that can significantly [grow your retirement nest egg](#).

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media

6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/09/22

Date Created

2021/02/05

Author

adamothonman

default watermark

default watermark