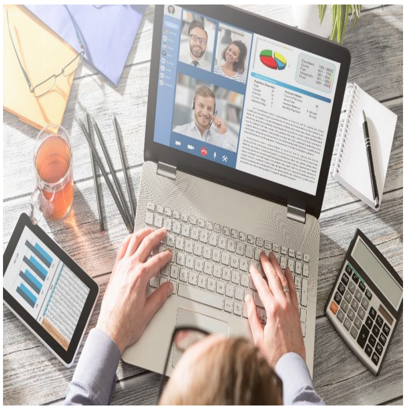

CRA Write-Off: If You Work From Home, You Could Qualify for a $400 Tax Credit

Description

When COVID-19 was declared a global pandemic in March 2020, one of the responses to prevent the coronavirus's spread was to allow employees to work remotely or at home. People thought it was a temporary thing and that office work would resume soon. However, it's been almost 11 months, and millions still work from home, full-time and part-time.

The transition to remote work entailed necessary expenses to have a semblance of office atmosphere. Canadians used available spaces at home as workstations. Before 2020, some were already claiming the deduction of the workspace-in-home expense from the Canada Revenue Agency (CRA). However, it was too cumbersome for claimants.

On December 15, 2020, the CRA took the cue from the 2020 Fall Economic Statement and announced a simplified process to claim the home office expense deduction. If your contract or employment requires you to pay the expenses and the same are not reimbursable by your employer, you could qualify for a $400 tax credit.

Home office expense guidelines

Unlike before, eligible employees can now skip the detailed presentation of expenses and follow the CRA's new temporary flat rate method. If you worked from home in 2020 for more than 50% of the time in at least four consecutive weeks due to COVID-19, you're eligible to claim the home office expenses deduction.

The flat rate or deduction is $2 for each day you worked at home up to a maximum of $400. Likewise, completing a Form T2200 or Form T2200S is not necessary. Those with larger claims can still use the existing detailed method to calculate the home office expenses deduction.

If you choose the precise method, you must obtain a completed and signed form T2200 or a new form T2200S by your employer. You must also determine the percentage of time you worked from home and eligibility for deducting home office expenses.

Seamless transition

In recent months and during quarterly earnings calls, the work-from-home topic was central to the discussions. Among the companies that reported a seamless transition was **Manulife Financial** (TSX:MFC)(NYSE:MFC). According to the global insurer's CEO, Roy Gori, Manulife already had a matured work-from-home culture.

Investors also count Manulife as among the reliable income stocks on the TSX. Canadians looking to create passive income during the pandemic should find the 4.78% dividend offer very attractive. The payouts should be safe as the payout ratio is less than 50%.

The current share price of $23.68 is 3% lower than it was a year ago, although market analysts forecast a 35% appreciation to $32 in the next 12 months. Manulife is an excellent investment choice, as it's among the top 10 life insurers globally. This $45.93 billion Canadian icon has nearly $1.2 trillion worth of assets under management.

Manulife is a recent addition to the Canadian Dividend Aristocrat list. Over the last five years, the insurance stock has delivered annual dividend increases (11% CAGR average). Management's medium-term target is to achieve an EPS growth of between 10% and 12%.

The new work setting

The simplified process to claim the home office expense deduction is welcome news. Eligible employees can claim the tax write-off in the coming tax season. Working from home is the new normal in the corporate landscape.

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