CRA $400 Work From Home Credit: Do You Qualify?

Description

Since August 2020, about 6.8 million Canadians have been working from home. According to Statistics Canada, the figure represents 40% of the country's workforce. Also, 73% of these home-based workers think the trend will continue well into the post-pandemic era.

The federal government expects home office expenses to increase following the transition to the new setup. Now, Canadians can claim a home office expense deduction from the Canada Revenue Agency (CRA). If you're in the same situation or your employer requires you to work from home, you can claim up to $400 in tax credits ($2 per day).

The CRA anticipates a deluge of the new home office expense claims. Most workers or employees don't want the hassle of red tape when claiming the credit, so the tax agency addressed this concern. There are two options available to taxpayers – flat rate and detailed methods – for the income year 2020.

Flat rate

For the flat rate method, the CRA simplified the process and relaxed the rules. An individual claimant must meet the following conditions to qualify for a 2020 deduction:

- Worked from home last year due to the COVID-19 pandemic
- The work must be 50% of the time for at least four consecutive weeks
- Claim is only for home office expenses and no other employment expenses
- The employer will not fully reimburse the employees for all home office expenses

This flat rate method's advantage is that employees no longer need to obtain a signed Form T2200 or T2200S from their employers. However, it would be best to document how many days you worked at home.

Detailed method

Taxpayers who want to claim larger or employer portion of actual home office expenses can use the detailed method. The rules are similar for the flat rate approach, although employees must submit to the CRA a duly signed T2200 or T2200S form from their employers. Also, there's a determination of the size and use of the space at home.

Investment opportunity

Regarding earning potentials, income investors are staying calm and investing in the stock market. During the pandemic-induced crash in March 2020, the **Toronto Stock Exchange** sunk to a low of 11,228.50. However, on February 12, 2021, Canada's primary stock market index finished at a record-high 18,460.20 or 64.4% higher than its COVID-low.

Right now, there's an opportunity to build your investment portfolio through one classic dividend stock. You can purchase shares of **Enbridge** (TSX:ENB)(NYSE:ENB) and hold the energy stock for good. The current dividend yield is a hefty 7.5%. Regardless of the amount, your capital will double in 9.6 years.

The top-tier energy stock lost 15.3% last year, but management did not slash dividends to preserve the balance sheet. Enbridge's business model is low risk and generates highly resilient and long-lived cash flows. The 26 consecutive years of dividend growth (10% CAGR) prove the asset's ability to deliver superior shareholder value.

Valuable tax break

The CRA's new home office expense deduction is limited but very helpful. Canadians working from home have a substitute for actual home office expenses. Furthermore, the process is simple and hassle-free.

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cliew