



CRA 2020 Tax Filing: Don't Miss the \$400 Home Office-Expense Deduction

Description

Are you working from home and at the same time have your MyCRA account open on another tab? Are you doing your 2020 taxes and looking for some quick tax deductions for which you don't need documentation proof? Then the \$400 home office expense deduction is for you. The Canada Revenue Agency (CRA) introduced this temporary deduction only for 2020 for those who worked from home during the lockdown. Here is a quick guide on this deduction.

The home office expense deduction is not a new benefit, but it was mostly used by freelancers who worked from home. But that is a lengthy process and requires a lot of calculation. There are three layers of calculation: the utility and other bills, the portion of your home used for work, and the number of working hours. All this was fine while a small segment of the population availed the deduction.

But the pandemic shifted a significant portion of the workforce to working from home. Special circumstances called for special deductions. Hence, the CRA created a temporary flat rate method.

Are you eligible for the home office expense deduction?

You can use the temporary flat rate method for home office-expense deduction if you meet the following criteria:

- Your employer asked you to work from home, or you opted to.
- Your employer did not reimburse you for all or some of the expenses.
- You worked from home for at least four consecutive weeks for over 50% of your working hours. If you are a part-timer working 10 hours a week, you must have worked for at least six hours a week from home for an entire month.

How to calculate the home office-expense deduction

If you met the above criteria, you can deduct \$2/day in the home office expense deduction under the temporary flat rate method. While calculating the number of days only include the days you worked. Do not consider the weekends, sick leaves, or vacation days. The CRA has capped the deduction at \$400, which means 200 days.

To [claim](#) this \$400 deduction, all you need to do is fill Form T777S and file it with your income tax returns.

2020 Taxable Income

Tax rate

?\$1 to \$48,535	?15%
Over \$48,535 to \$97,069	?20.5%
Over \$97,069 to \$150,473	?26%
Over \$150,473 to \$214,368	?29%
Over \$214,368	33%?

The way tax deduction works, even a \$400 deduction can change your taxable income from a higher tax bracket to a lower tax bracket. For instance, Anna's 2020 taxable income is \$97,400 after all other tax deductions. The CRA will charge 26% federal tax on \$331 (\$97,400 – \$97,069), which comes to \$86. Anna is eligible for the home office-expense deduction, and she can use it to save \$86 federal tax bill. This will also reduce her provincial tax bill.

Make the most of the CRA benefits

The CRA offer other forms of tax benefit savings accounts. While you have run out of time to use any of these accounts for 2020 tax filing, you can use them for future tax filings. For 2021, the CRA allows you to contribute 18% of your income or \$27,830, whichever is lower, in the Registered Retirement Savings Plan (RRSP). You can deduct your RRSP contribution from your income tax bill.

As we are on the work-from-home topic, a company that made doing so possible with its broadband connectivity is **BCE** ([TSX:BCE](#))([NYSE:BCE](#)). It has Canada's largest telecommunication network and enjoys steady cash flow from subscriptions. It has a rich history of paying a dividend for more than 20 years and even increased its dividend by over 6% in the last 12 years.

BCE is currently in the middle of an upgrade to [5G](#). It has accelerated its capital spending to expand its 5G footprint. Once the 5G momentum kicks in, it will make mission-critical applications, like smart city and autonomous cars, a reality. The 5G opportunity could increase BCE's revenue multiple folds and even increase its dividend-growth rate.

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