CRA: Work From Home and Reduce 2021 Taxable Income by $500

Description

Did you claim a $400 home office expense deduction in your 2020 taxable income? The Canada Revenue Agency (CRA) has extended this deduction to 2021 and 2022 taxable income. And the best part is, it has increased the deduction amount to $500. This is a deduction for which you need no receipts to prove your eligibility. Just calculate the number of days you worked from home (excluding leave) and multiply that by $2. So, if you worked 250 days from home, you can claim $500 in the home office expense deduction.

How working from home can reduce your taxable income

Home office expense deduction is not new. Those who have been working from home for a long time know the hassle of claiming this deduction, with calculations and categorizing of bills. But the CRA introduced a temporary rate method during the pandemic to ease the administrative work.

In the light of the delayed recovery from the pandemic, the CRA extended this flat-rate method to 2021, as many people worked from home. It plans to maintain this benefit in 2022, as the Omicron wave is keeping people from going to the office.

When you do your taxes, calculate your taxable income. From this income, deduct the home office expense amount. If you are in a higher tax bracket because of a few hundred dollars, this deduction can reduce your taxable income and put you in the lower tax bracket.

Make the $500 home office tax deduction last a lifetime

The CRA will end this temporary home office deduction, as the pandemic subsides completely. But you can make it last by creating a tax-free passive income of $500/year.

The CRA allows you to invest $6,000 in your Tax-Free Savings Account (TFSA) in 2022. Any investment income you earn from this $6,000 will be exempt from taxes. You can put $6,000 in **Enbridge** (TSX:ENB)(NYSE:ENB), which has a 27-year history of dividend growth. The stock is surging, and if you act fast, you can lock in a 6.88% dividend yield.

A $6,000 investment will earn you $413 in annual dividend income. Enbridge has been growing its dividend at a 3% rate, and if it maintains this rate, you could earn $425 in tax-free passive income by 2023.

Enbridge stock dividend and capital growth

Your $6,000 principal might fluctuate a little, but that is a part of stock market investing. Enbridge is less volatile than many other TSX stocks because of the nature of its business. It has the largest pipeline network in North America; utilities reach out to it to transport oil and natural gas.

It is already expensive to build pipelines, and now environmentalists are making it more difficult to build new ones. As economics goes, scarce things become valuable. So, the existing pipelines could become more valuable and help Enbridge generate greater cash flows. Enbridge also has some projects coming online by 2023 that could increase its cash flows. Higher cash flows could convert into higher dividend growth and high tax-free passive income for you.

Final thoughts

Keep yourself updated about the latest tax breaks and deductions the CRA brings. You can leverage them and multiply their effect by saving on taxes and investing in stocks.

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