



## UPDATE ON 2020 HOME OFFICE EXPENSE DEDUCTION CLAIMS

The Canada Revenue Agency (CRA) has expanded eligibility and simplified the compliance requirements related to home office expenses for employees working from home due to COVID-19. Home office expenses include work-space-in-the-home as well as certain office supplies and phone expenses (See Table 1). Both salaried employees and employees earning employment income in the form of commissions<sup>1</sup> working from home due to COVID-19 may be eligible to claim these expenses as deductions on their 2020 T1 Income Tax and Benefit returns.

The new **temporary flat rate method** allows a deduction of \$2 per day to a maximum of \$400 with respect to home office expenses for employees who, for at least four consecutive weeks in 2020, worked from home due to COVID-19 more than 50 per cent of the time. The employee may not claim any other type of employment expenses, such as parking and automobile expenses. Employees choosing to deduct home office expenses using this method are not required to maintain receipts or other supporting documents, or determine the size of the work-space-in-the-home. Employment contracts do not need to reference the requirement to work from home, and the employer does not need to complete CRA [Form T2200S](#). The employee simply completes option 1 of the new [Form T777S](#), claims the deduction calculated on line 9939 of Form T777S onto line 22900 of their 2020 T1 and attaches the form to their 2020 T1. Under this method, a workday includes days worked full-time, part-time or over-time hours from home, but does not include vacation days, sick days, days on leave or statutory holidays.

The **detailed method** is available for employees who worked from home in 2020 more than 50 per cent of the time due to COVID-19 for at least four weeks, but who wish to claim the actual amount of home office expenses they paid for

and/or other types of employment expenses. It's important to note that employer requirements to work from home in 2020 do not have to be part of employment contracts and may be authorized through other written agreements, or even a verbal agreement. In cases where an employee is required to pay only home office expenses, chooses the detailed method and worked from home in 2020 only due to COVID-19, the employer must complete, sign and provide the employee with a simplified [Form T2200S](#). If the employee is also required to pay for other employment expenses, the employer must provide the employee with a completed and signed [Form T2200](#). Forms T2200/T2200S do not need to be submitted to the CRA but must be kept on file. Employees must keep their receipts and determine the size of their work-space-in-the-home, and then complete the simplified [Form T777S](#) (Option 2) and attach it to their 2020 T1. Employees claiming other employment expenses must complete [Form T777](#) and attach it to their 2020 T1.

Employees can be partially reimbursed for some home office expenses and still claim the \$2-per-day deduction under the temporary flat rate method. Under the detailed method, employees cannot claim expenses for which they were reimbursed, however, they may still claim expenses for which they were not reimbursed or received an allowance for.

For 2020, home office expense claims are available both to employees who chose to work from home due to COVID-19 – where their employer gave them the choice to do so – and employees required by their employer to work from home due to COVID-19 or otherwise.

The new rules do not impact self-employed individuals claiming business-use-of-home expenses using [Form 2125](#).

<sup>1</sup> Commission employees typically have income amounts in box 42 of their T4 slip.

**TABLE 1: DETAILED METHOD - HOME OFFICE EXPENSES**

Eligible expenses	Non-eligible expenses
<p>Expenses that are eligible to be claimed include:</p> <ul style="list-style-type: none"> <li>▪ rent paid (if you are renting your home)</li> <li>▪ utilities (e.g. heat, electricity, water)</li> <li>▪ utilities portion of condominium fees</li> <li>▪ maintenance (e.g. minor repairs, cleaning supplies, light bulbs, paint) for the workspace or common areas needed to use the workspace</li> <li>▪ home internet access fees (cost of plan must be reasonable)</li> <li>▪ office supplies (folders, highlighters, envelopes, ink cartridges, toner, notebooks, paper clips, binder clips, pens and pencils, specialty paper, stamps, postage, stationery, sticky notes, etc.)</li> </ul> <p>Eligible phone expenses include:</p> <ul style="list-style-type: none"> <li>▪ employment use of a basic cell phone service plan (reasonable data and minutes)</li> <li>▪ long distance calls for employment purposes from either a cell phone or land line</li> </ul> <p>Employees who earn commission income can also claim:</p> <ul style="list-style-type: none"> <li>▪ property taxes</li> <li>▪ home insurance</li> <li>▪ lease of a cell phone, computer, laptop, tablet, fax machine, and such that reasonably relate to earning commission income</li> </ul>	<p>Expenses that are not eligible to be claimed include:</p> <ul style="list-style-type: none"> <li>▪ capital cost allowance</li> <li>▪ mortgage interest</li> <li>▪ principal mortgage payments</li> <li>▪ capital expenses (e.g. renovation costs such as replacing windows, flooring, furnace)</li> <li>▪ internet connection fees and portion of internet plan costs related to lease of modem or router</li> <li>▪ office equipment (printer, fax machine, briefcase, laptop case or bag, calculator, etc.)</li> <li>▪ monthly basic rate for a landline telephone</li> <li>▪ cell phone connection or license fees</li> <li>▪ purchase of electronic devices (computer, laptop, tablet, fax machine, etc.)</li> <li>▪ computer accessories (monitor, mouse, keyboard, headset, microphone, speakers, webcam, etc.)</li> <li>▪ other electronics (television, smart speaker, voice assistant technology, etc.)</li> <li>▪ furniture (desk, chairs, etc.)</li> </ul> <p><b>Note:</b> Neither salaried employees nor employees who earn commission income can use home office expense claims to create or increase loss from employment</p>

Please note that for 2020, the CRA has indicated that they will not consider a taxable benefit to apply where an employer reimburses an employee for up to \$500 of expenses like computer equipment and office furniture, and certain parking and travel expenses related to increased commuting costs incurred by the employee due to COVID-19.

Taxpayers should speak to their tax advisors to confirm their eligibility and optimal approach to claiming home office expenses and access to non-taxable benefits for 2020. For additional information on home office expenses, view [here](#). For additional information on changes to taxable benefits for 2020, view [here](#).

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