



Canada Makes It Easier For Workers To Deduct Home Office Expenses In Light Of COVID-19

Insights

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The Canada Revenue Agency (CRA) recently released a new, simplified process for deducting home office expenses for the 2020 tax year, which will require employers to be prepared to work with those employees seeking to take advantage of the changes. The revisions, announced on December 15, were brought about by the dramatic impact that the COVID-19 pandemic has had on typical working life. For millions of Canadians, this is the first year in which they will be able to deduct certain expenses related to working from home. For the 2020 tax year only, employees who have worked from home for at least one month due to COVID-19 may deduct home office expenses using either the Temporary Flat-Rate Method or the New Detailed Method.

Below are some FAQs on these two new deduction methods and the regular method used for all other working-from-home expenses. Employers should prepare by reviewing the new rules in order to communicate these changes to their employees. Employers should also expect to prepare more forms related to home office expenses for their employees than in previous years.

Temporary Flat-Rate Method

The new Temporary Flat-Rate Method will allow eligible employees to deduct C\$2 per day for every day working from home due to COVID-19, up to a maximum of C\$400, without regard to expenses actually incurred.

Who is eligible to use the Temporary Flat-Rate Method?

To be eligible for the Temporary Flat-Rate Method, an employee must have worked from home due to COVID-19 more than 50% of the time for at least four consecutive weeks in 2020. Employees are not permitted to count days off, vacation days, sick days, or other leaves of absence.

If I reimbursed some of my employee's home office expenses, may the employee still claim the deduction?

Yes. Employees are still eligible to take advantage of the Temporary Flat-Rate Method if their employer reimbursed some of their office expenses.

What documents do my employees need to need to take advantage of the Temporary Flat-Rate Method?

Employers do not need to complete any form for employees to deduct their home offices expenses under the Temporary Flat Rate Method. Employees will only need to submit Form T7775 with their tax returns. No other supporting documents are required. It is expected that the employee would need to be able to demonstrate which days they worked from home in 2020 if the CRA were to conduct an audit.

New Detailed Method

Under the New Detailed Method, employees may deduct the actual amount of supplies and home office expenses incurred while working from home. Employees must have the necessary support and documentation and complete a new Form T2200S from their employer.

Who is eligible for the New Detailed Method?

Employees who are eligible for the Temporary Flat-Rate Method are also eligible for the New Detailed Method.

Which expenses are eligible under the New Detailed Method?

Eligible expenses are limited to supplies used during employment and home office expenses used directly for work and not reimbursed by the employer. The chart below sets out common eligible and non-eligible expenses.

Eligible Expenses

- Rent paid for a house or apartment
- Electricity, water, heat, or the utility portion of condominium fees
- Maintenance (minor repairs, cleaning supplies, light bulbs, paint, etc.)
- Home internet access fees
- Office supplies (stationery items, pens, folders, sticky notes, postage, toner, ink cartridge, etc.)
- Employment use of a basic cell phone service plan
- Long-distance calls for employment purposes

Non-Eligible Expenses

- Capital cost allowance
- Mortgage interest
- Principal mortgage payments
- Capital expenses (replacing windows, flooring, furnace, etc.)
- Office equipment (printer, fax machine, briefcase, laptop case or bag, calculator, etc.)
- The monthly basic rate for a landline telephone
- Cell phone connection or license fees
- Internet connection fees

Employees who earn commission income can also claim the following:

- Property taxes
- Home insurance
- Lease of a cell phone, computer, laptop, tablet, fax machine, etc. that reasonably relates to earning commission income
- Purchase of a cell phone, computer, laptop, tablet, fax machine, etc.
- Computer accessories (monitor, mouse, keyboard, headset, microphone, speakers, webcam, router, etc.)
- Other electronics (television, smart speaker, voice assistant, etc.)
- Furniture (desk, chair, etc.)

What documents do employers need to provide for employees to take advantage of the New Detailed Method?

Employers will need to provide a completed Form T2200 in order for employees to deduct their home office expenses under the New Detailed Method. The new Form T2200S, a simplified version of the traditional Form T2200, is a one-page document that requires the employer to complete the employee's name, employer's address, and answer three brief questions. The employer then completes the employer declaration. In addition to the completed T2200S, employees will also need to provide supporting documents for the expenses that they deduct from their income to the CRA.

Regular Method

What if my employees worked from home for reasons unrelated to COVID-19?

Employees who worked from home for reasons unrelated to COVID-19 will follow the Regular Process for deducting home office expenses. Under the regular process, employers must provide their employees with a completed T2200 form as in years past.

Which employees can take advantage of the tax deduction through the Regular Process?

An employee may deduct certain limited employment-related expenses from their income if:

- The employee is either required to (1) maintain a home office where the employee principally performs their duties (i.e. more than 50% of the time); or (2) have a workspace that is used exclusively for meeting with clients regularly;
- The employee is required to incur the expense under their employment contract;
- The expense is reasonably regarded as related to earning employment income;
- The expense is not reimbursable by the employer; and
- The employee has a copy of Form T2200 completed by the employer.

What is Form T2200?

Form T2200 is an employee-specific form that sets out certain conditions of employment, including reimbursable expenses, allowances, and home office information. This form is completed by the employer. This is different from the T2200S, which is the simplified version to be used under the New Detailed Method.

What Should Employers Do Next?

Employers should be aware of the two new ways for employees to deduct work-from-home expenses in order to be able to communicate these changes to employees. Employers should also be prepared to complete more tax deduction forms related to home office expenses for their employees than in years past.

We will monitor developments related to this change and provide updates as necessary, so you should ensure you are subscribed to [Fisher Phillips' alert system](#) to gather the most up-to-date information. For questions relating to international remote working issues, please contact your Fisher Phillips attorney or any attorney in our [International Practice Group](#).

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