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2020 Home Office Expenses Deduction for Employees

On December 15, 2020, the Canada Revenue Agency (CRA) issued new guidelines on a simplified, home-office expenses deduction for individuals to claim expenses for the 2020 tax year. The introduction of a simplified method was created to ease the administrative burden imposed on employers and employees arising from the millions of Canadians who were forced to work from home for a significant portion of 2020 due to the COVID-19 pandemic.

Employees do have the option of using the existing detailed method if their expenses exceed the limits imposed by the simplified method. Guidance on the existing detailed method is also provided below.

Temporary Flat Rate (Simplified) Method

ELIGIBILITY

In order to use the temporary flat rate method, an employee must meet **all** of the following conditions:

1. The employee worked from home during 2020 due to the COVID-19 pandemic. In situations where the employer provided an employee with a choice of working from home due to the COVID-19 pandemic, the CRA will consider the employee to have worked from home due to the COVID-19 pandemic
2. The employee worked more than 50% of the time from home for a period of at least four consecutive weeks in 2020
3. An employee is only claiming home office expenses and not claiming any other employment expenses
4. The employer did not reimburse the employee for all home office expenses

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For the purposes of counting days an employee worked from home, any day where an employee worked full-time or part-time at home counts. Any leave of absence from work (e.g., day off, vacation, sick leave) will not count as a work day from home.

Under the temporary flat rate method, the employee is not required to obtain a completed and signed [Form T2200](#) (*Declaration of Conditions of Employment*) from their employer **and** is not permitted to deduct any other employment expenses for 2020 (i.e. motor vehicle expenses).

DETERMINING YOUR WORK SPACE USE

Under the temporary flat rate method, employees are not required to determine the size of their work space to claim home office expenses.

Where a dwelling has multiple employees working from home (e.g., two spouses or common-law partners, roommates, parents with adult children), each employee can claim the temporary flat rate method if they meet all the conditions noted above.

CLAIMING ELIGIBLE EXPENSES

In lieu of claiming a pro-rated portion of actual home office expenses incurred in 2020 (e.g., utilities, home office supplies, rent or other qualifying expenses), a temporary flat rate of \$2 per day that the employee worked from home may be claimed (up to a maximum claim amount of \$400).

The temporary flat rate method is only available for the 2020 tax year due to the COVID-19 pandemic. Where employees are claiming home office expenses with this method, employers are not required to complete [Form T2200S](#) (*Declaration of Conditions of Employment for Working at Home Due to COVID-19*) or Form T2200 for employees and employees are not required to maintain documents or receipts to support their claim.

Employees must complete [Form T777S](#) (*Statement of Employment Expenses for Working at Home Due to COVID-19*) with their 2020 personal tax return in order to use the temporary flat rate method.



EXAMPLES

Please see below for examples of employees using the temporary flat rate method. In counting days worked from home, the following examples use statutory holidays applicable to employees residing in Ontario.

Employment Arrangements in 2020	Temporary Flat Rate Method Eligibility	Home Office Expenses Deduction
<p>Jenna began working from home on March 18, 2020, immediately after a state of emergency was declared in Ontario. Jenna worked from home until June 30, 2020. For the months of July 2020 to December 2020, Jenna worked from home for six days a month (seasonal, part-time)</p>	<p>Jenna worked from home for more than 50% for at least four consecutive weeks in 2020 due to the COVID-19 pandemic (15 weeks). Therefore, Jenna is eligible to use the temporary flat rate method.</p>	<p>Under the temporary flat rate method, Jenna is considered to have worked from home for 109 days in 2020. Therefore, Jenna's home office expenses deduction for 2020 under this method is \$218.</p> <p>The detailed method is also available to Jenna (discussed below).</p>
<p>Evan performed his full-time employment duties while working from home for the period of March 18, 2020, to April 9, 2020, due to the COVID-19 pandemic. On April 13, 2020, Evan returned to the office and worked at the office every day for the duration of 2020.</p>	<p>Evan did not work more than 50% for at least four consecutive weeks in 2020 due to the COVID-19 pandemic (3 weeks). Therefore, Evan is not eligible to use the temporary flat rate method.</p>	<p>Not available.</p>
<p>Brenda is a part-time employee who works four days a week. For the period of March 23, 2020, to August 31, 2020, Brenda worked from home due to the COVID-19 pandemic.</p>	<p>Brenda worked from home for more than 50% for at least four consecutive weeks in 2020 due to the COVID-19 pandemic (23 weeks). Therefore, Brenda is eligible to use the temporary flat rate method.</p>	<p>Under the temporary flat rate method, Brenda is considered to have worked from home for 92 days. Therefore, Brenda's home office expenses deduction for 2020 under this method is \$184.</p> <p>The detailed method is also available to Brenda (discussed below)</p>
<p>Mark is a full-time employee who began working from home on March 16, 2020, and did not return to the office at all for the remainder of 2020. Mark already used his 2020 vacation allotment in February 2020 and did not use any sick days in 2020.</p>	<p>Mark worked from home for more than 50% for at least four consecutive weeks in 2020 due to the COVID-19 pandemic (38 weeks). Therefore, Mark is eligible to use the temporary flat rate method.</p>	<p>Under the temporary flat rate method, Mark is considered to have worked from home for 201 days in 2020. In applying the flat rate of \$2 per day worked from home, the calculated total is \$402. However, the maximum claim available under the temporary flat rate method is \$400. Therefore, Mark may only claim \$400 on his 2020 personal tax return.</p> <p>The detailed method is also available to Mark (discussed below).</p>
<p>Kevin and Angela are spouses and reside in the same dwelling.</p>	<p>Each of Kevin and Angela worked from home for more than 50% for at least four consecutive weeks in 2020 due to the COVID-19 pandemic (15</p>	<p>Under the temporary flat rate method, Angela is considered to have worked from home for 203 days in 2020. In applying the flat rate</p>



<p>Kevin and Angela each began working from home on March 12, 2020, immediately after the World Health Organization declared the coronavirus outbreak a pandemic. Neither of them returned to the office at all for the remainder of 2020.</p> <p>Angela already used up her 2020 vacation allotment in January 2020 and did not use any sick days in 2020.</p> <p>Kevin used ten vacation days in July 2020 and four sick days in October 2020.</p>	<p>weeks). Therefore, each of Kevin and Angela is eligible to use the temporary flat rate method.</p>	<p>of \$2 per day worked from home, the calculated total is \$406. However, the maximum claim available under the temporary flat rate method is \$400. Therefore, Angela may only claim \$400 on her 2020 personal tax return.</p> <p>Under the temporary flat rate method, Kevin is considered to have worked from home for 189 days in 2020. Therefore, Kevin's home office expenses deduction for 2020 under this method is \$378.</p> <p>The detailed method is also available to both Kevin and Angela (discussed below).</p>
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Detailed Method

ELIGIBILITY

In order to use the detailed method to claim actual expenses incurred while working from home, an employee must meet **all** of the following conditions:

1. The employee worked from home in 2020 due to the COVID-19 pandemic **or** the employer required the employee to work from home. In situations where the employer provided an employee with a choice of working from home due to the COVID-19 pandemic, the CRA will consider the employee to have worked from home due to the COVID-19 pandemic.
2. The employee was required to pay for expenses relating to the work space in their home.
3. The work space is where the employee mainly (over 50% of the time) works for a period of at least four consecutive weeks **or** the employee only uses this work space to earn employment income (must be used to regularly and continually meet clients, customers or other individuals in the course of employment).
4. The employee's expenses are used directly in their work.
5. The employee has a completed and signed Form T2200S – *Declaration of Conditions of Employment for Working at Home Due to COVID-19* from the employer **or** a completed and signed Form T2200 – *Declaration of Conditions of Employment* from the employer.

Note the employer's requirement for an employee to work from home does not have to be part of an employment contract and may be part of a written or verbal agreement.

Where an employee worked mainly at home for a period of at least four consecutive weeks due to the COVID-19 pandemic, they are now eligible to use the detailed method. As this provision was not included in the prior version of the rules, the CRA appears to have relaxed the requirements in order to use the detailed method for claiming the home office expenses deduction.



DETERMINING YOUR WORK SPACE USE

A determination of the size and use of a work space is required to support a claim under the detailed method. Under the detailed method, the percentage of the home used as a work space is a proportion of the size of the work space to the size of the home. As an example, a 300-square-foot dedicated work space in a home with 2,000-square-feet of finished size would equate to 15% of the home used as a work space.

Generally, a work space can be measured in square feet or square meters. Where a dedicated work space is located in an irregular-shaped room, the best estimation of square footage should be obtained. Where a work space is located in an open-concept design room (e.g., a dinner table in a one-bedroom condominium), the entire floor space cannot be used to calculate the size of the work space in the home; in this instance, the square footage of the actual dining area would be used.

HOURS WORKED

Where the work space in the home is a dedicated room, the home office expenses deduction is not affected by the number of hours that it is used for employment.

Where the work space in the home is in a common (shared or multi-purpose) area, the home office expenses deduction must be pro-rated based on the number of hours the space is used for employment. If an employee uses a dining table for 35 hours a week as a work space (out of the available 168 hours in a seven-day week), any claim must be pro-rated by 20.83% to account for the use of the dining table for uses other than employment.

Multiple Workers in a Home	Multiple Work Spaces
<p>Where a household only has one person using a work space for employment, that person will claim the entire home office expenses deduction with respect to that work space.</p> <p>Where a household has multiple employees, the home office expenses deduction is claimed based on the number of and type of work spaces available to them.</p> <ul style="list-style-type: none"> • If each employee has a dedicated work space, each employee calculates their claim based on the individual work space they are using. • If the employees share a common area or dedicated work space, the available home office expense deductions must be allocated to each employee based on the time they use that specific space. 	<p>Where an employee has multiple work spaces in a home or moved during the year to a new property (and worked from home at each property), the employee must calculate the home office expenses deduction for each work space for the part of the year that it was used for employment and aggregate each portion into a single claim on their 2020 personal tax return.</p>



ELIGIBLE EXPENSES

Eligible expenses for a work space in the home include the following for salaried and commission-based employees:

- Electricity
- Heat
- Water
- Utilities portion (electricity, heat and water) of condominium fees
- Home internet access fees (does not include connection fees or costs to lease a modem or router). For the province of Quebec, internet access fees are deductible if billed according to the employee's use.
- Cell phone service fees (basic service plan and long-distance charges) where the plan costs are reasonable, a reasonable pro-ration between personal and employment use can be made and employees can distinguish between cellular minutes and data used for employment duties.
- Maintenance and minor repair costs
- Rent

With respect to maintenance and minor repair costs, the expenses must relate to the work space only (e.g., light fixtures in the work space) **or** expenses that relate to the work space and other areas of the home (i.e., ventilation affecting the entire property or household cleaning supplies).

In addition to the above, commission-based employees may also claim:

- Home insurance
- Property tax
- Lease of a cell phone, computer, laptop, tablet, fax machine, etc. that reasonably relate to earning commission income.

With respect to office supplies, employees may claim the cost of items that are used up while performing the duties of employment. This may include stationery, pens and pencils, folders, toner and ink cartridges, paper supplies, notebooks and postage.

Other common office supplies that are **not** used up cannot be claimed, such as:

- Desks
- Chairs
- Computer hardware and software
- Electronics accessories
- Headphones
- Printers

Earlier in 2020, the CRA clarified its administrative position with respect to employer reimbursements to employees in light of the COVID-19 pandemic. Where an employer provides a reimbursement to an employee for the purchase of computer equipment and home office furniture (i.e., desks and chairs), up to \$500 per employee will not be considered a taxable benefit. To the extent that such a reimbursement exceeds the \$500 limit, the excess portion would be considered a taxable benefit.



Action item – ask your employer to be reimbursed for home office furniture.

LIMITATIONS ON DEDUCTIONS

Note that the home office expenses deduction is limited to the amount of employment income after other employment expenses have been deducted. If the deduction cannot be used for 2020, it may be carryforward forward to a subsequent year and deducted against income from the same employer. Losses cannot be created using the home office expenses deduction.

Tip: Carryforward to future year.

For commission-based employees, the total commission expenses (which includes home office expenses) is limited to the amount of commission income earned.

Where an employer has reimbursed an employee for some home office expenses, the detailed method can still be used (provided eligibility requirements are satisfied). However, an employee cannot claim any expenses that were or will be reimbursed by the employer.

EXAMPLES

The following table provides several examples of the rules discussed above.

Scenario	Description of Work Space	Employment Arrangements in 2020	Available Deduction
Dedicated Work Space with a Single Worker	A freehold house with 2,000-square-feet of available space with a dedicated office room of 300 square feet. The percentage of the home used for the work space is 15%.	Michael paid \$2,400 for electricity, heat, water and internet access fees for the period he worked from home in 2020 due to the COVID-19 pandemic.	Michael's home office expenses deduction is 15% of the eligible expenses. Michael may claim \$360 on his 2020 personal tax return.
Dedicated Work Space with Multiple Workers	A freehold house with 2,000-square-feet of available space with a dedicated office room of 300 square feet. The percentage of the home used for the work space is 15%.	Gillian and Terry are roommates and each have full-time jobs. They collectively paid \$2,400 for electricity, heat, water and internet access fees for the period they worked from home in 2020 due to the COVID-19 pandemic. Gillian and Terry each use half of the dedicated office room while they work from home.	The home office expenses applicable to this work space is \$2,400 pro-rated by the percentage of the home used for the work space (15%), being \$360. Since Gillian and Terry each use half of the dedicated office room, they may each claim \$180 on their personal tax returns.



<p>Common Area Work Space with a Single Worker</p>	<p>A condominium with 1,000-square-feet of available space with a dining room area of 180 square feet. The percentage of the home used for the work space is 18%.</p>	<p>Lucas paid \$2,400 for electricity, heat, water and internet access fees for the period he worked from home in 2020 due to the COVID-19 pandemic.</p> <p>Lucas is a full-time employee that uses the dining room table to fulfill his employment duties for 35 hours per week. The percentage of the time that this shared work space is used for employment is 20.83%.</p>	<p>Lucas' home office expenses of \$2,400 must be pro-rated by the percentage of the home used for the work space (18%) as well as the number of hours per week that the space is used for employment (20.83%). Lucas may claim \$90 on his personal tax return.</p>
<p>Common Area Work Space with Multiple Workers</p>	<p>A condominium with 1,000-square-feet of available space with a dining room area of 180 square feet. The percentage of the home used for the work space is 18%.</p>	<p>Linda and Nancy are roommates and each have full-time jobs. Linda works 50 hours per week and Nancy works 35 hours per week. They each use half of the dining room area while they work from home.</p> <p>They collectively paid \$2,400 for electricity, heat, water and internet access fees for the period they worked from home in 2020 due to the COVID-19 pandemic.</p>	<p>The home office expenses applicable to this common area work space is \$2,400 pro-rated by the percentage of the home used for the work space (18%), being \$432.</p> <p>Linda will claim her portion of the home office expenses (\$432) based on her portion of the space used (50%) and must be further pro-rated by the number of hours she uses her portion of the space for full-time employment (50 hours per week divided by 168 hours in a week). Linda may claim \$64 on her personal tax return.</p> <p>Nancy will also claim her portion of the home office expenses (\$432) based on her portion of the space used (50%) and must be further prorated by the number of hours she uses her portion of the space for full-time employment (35 hours per week divided by 168 hours in a week). Nancy may claim \$45 on her personal tax return.</p>



Summary

When employees or their professional advisors prepare their personal income tax return for 2020, they will now have the option of using the temporary flat rate method or the detailed method to calculate the home office expenses deduction.

If an employee meets the required conditions, anticipates having more than \$400 of eligible home office expenses and has supporting documentation available, the detailed method may be selected in order to claim a larger home office expenses deduction than would be allowed under the temporary flat rate method.

The introduction of the simplified temporary flat rate method may be lauded as a welcome reduction in administrative burdens to employers and employees not using the detailed method.

If you have questions, please speak to your Client Wealth Management team representative or the Wealth Planning Team.