

Home Office Update



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On December 15, the Canada Revenue Agency released updated guidance for how workers can claim home office expenses on their 2020 tax returns. Millions of workers who worked from home in 2020 due to the COVID-19 pandemic now have two possible ways to deduct expenses they incurred as a result of working from home.

New changes to home office deductions for workers impacted by COVID-19

One option, which may be attractive to workers who do not wish to itemize their expenses, is the new temporary flat rate method. This method enables employees to claim \$2 per day for each day they work from home, up to a maximum of \$400. Under this method, there is no need to complete additional forms or to provide supporting documents for your claim. You may opt for the temporary flat rate method if, due to COVID-19, you worked more than 50% of the time from home for at least 4 weeks in 2020, your employer did not reimburse you for all of your home office expenses, and you are not claiming any other employment expenses.

For those who don't mind a bit of extra paperwork, the detailed method enables employees to claim the actual amounts for expenses incurred. To use this method, you must obtain a T2200 or T2200S, signed by your employer, and you must keep your supporting documents to validate your expenses.

The government has also announced updates to the categories of expenses that can be claimed under the detailed method. Notably, it is now possible to deduct the cost of your monthly home internet bill, provided the cost of the plan is reasonable.

Other categories of expenses that can be claimed include utilities, maintenance and minor repair costs, and rent. These expenses are determined based on the size and use of your at-home workspace. This calculator can help determine the percentage of the home that is being used as a workspace.

There are some additional limitations on what can be claimed under the detailed method. Employees who did not work from home for the entire year can only claim expenses for the portion of the year during which they worked from home. Expenses can only be deducted from the income the expenses relate to, and they must not exceed the income that is left after you have deducted all other employment expenses.

If you have purchased durable items, like furniture or computer accessories in order to improve your home office, you may be disappointed to learn the cost of these items are not deductible. However, the CRA has offered a bit of relief in this regard as well. Where an employer pays or reimburses an employee up to \$500 for the cost of computer or home office equipment to enable the employee to work from home, the CRA will not consider this amount to be a taxable benefit. Blue J's Taxable Benefits module can help predict whether a benefit will be considered taxable employment income under the Income Tax Act.

For employees who work from home regularly prior to COVID-19

For employees who are working from home for reasons unrelated to COVID-19, you may still deduct home office expenses under the regular rules for home office deductions. You may deduct home office expenses provided that the home office is the place where you principally perform the work, or the home office is used exclusively to earn income and used on a regular and continuous basis for meeting customers or other persons in the ordinary course of performing the work.

The home is now the office for millions of Canadians, and this trend seems likely to continue, making the proper treatment of home office expenses even more essential. Blue J's Home Office module can help you determine whether you are eligible to deduct home office expenses under the new rules or based on the preexisting rules. Blue J Tax is an advanced AI tool that uses machine learning to predict legal outcomes. Blue J is committed to incorporating the latest guidance from the CRA in order to provide the most accurate, up to the minute predictions.

Footnotes

1. Compare the claim methods – Home office expenses for employees – Canada.ca.
2. Eligibility criteria – Temporary flat rate method – Home office expenses for employees – Canada.ca.
3. Compare the claim methods – Home office expenses for employees – Canada.ca.
4. Expenses you can claim – Home office expenses for employees – Canada.ca.
5. Expenses you can claim – Home office expenses for employees – Canada.ca.
6. Employer-provided benefits and allowances: CRA and COVID-19 – Canada.ca.

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