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CLAIMING HOME OFFICE EXPENSES DURING COVID-19

On December 15th the Minister of National Revenue, Diane LeBouthillier, provided new details on how the Canada Revenue Agency (CRA) has made the home office expense deduction available to more Canadians and simplified the way employees can claim their home office expenses on their 2020 personal income tax return. Employees with larger claims for home office expenses can still choose to use the existing method to calculate their home office expense deduction as they have done in previous years.

There are now two ways to determine your eligible home office expense deduction: The Temporary Flat Rate Method and the Detailed Method.

WHO WILL QUALIFY UNDER THE NEW PROCESS?

Employees who worked from home **more than 50%** of the time over a period of **at least 4 consecutive weeks** in 2020 due to COVID-19 will be eligible to claim the home office expense deduction for 2020.

1) TEMPORARY FLAT RATE METHOD

The Temporary Flat Rate Method was created to simplify an individual's claim for home office expenses. With this method, you can claim \$2 for each day you worked from home during the year as a result of the COVID-19 pandemic. With the Temporary Flat Rate Method, **the maximum amount that can be claimed by each individual is \$400**. This method can only be used for the 2020 tax year.

Each employee working from home who meets the eligibility criteria can use the Temporary Flat Rate Method to calculate their deduction for home office expenses.

In order to qualify for this method, **all** the following conditions must be met:

- 1) You worked from home in 2020 due to the COVID-19 Pandemic. If you were not required to work from home, **but your employer provided you with the choice** to work at home due to the pandemic, you will still meet this condition.
- 2) You worked more than 50% of the time at home for a period of at least four consecutive weeks in 2020.
- 3) You are **only** claiming home office expenses and are not claiming any other employment expenses.
- 4) Your employer did not reimburse you for **all** of your home office expenses. If you were **partially** reimbursed for your home office expenses, you will still meet the eligibility criteria.



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Once an individual has determined their eligibility, the next step is to calculate how many days they worked at home during the year. This will include days in which the individual worked full-time hours or part-time hours from home. Days off, vacation days, sick days and statutory holidays are **not** included in this calculation. Once the number of working days has been determined, the amount of the claim will be determined based on the following calculation:

$$\begin{array}{r} \text{\# of days you worked from home within the period (Maximum of 200)} \\ \times \quad \text{\$2 (Temporary Flat Rate amount)} \\ \hline = \quad \text{\textbf{Amount of your claim}} \text{ (to a maximum of \$400)} \end{array}$$

Individuals may choose to use the Temporary Flat Rate Method since it is a more simplified method and does not require individuals to calculate the size of their workspace or keep any supporting documents. With the Temporary Flat Rate Method, employers **are not** required to complete and sign a T2200S or T2200 form.

If there are multiple employees in a household who are working from home, each employee who meets the eligibility criteria can use the Temporary Flat Rate Method to calculate their deduction for home office expenses.

In order to claim this deduction, an individual will report the amount to be claimed by using "**Option 1 – Temporary Flat Rate Method**" on **Form T777S** - Statement of Employment Expenses for Working at Home Due to COVID-19. This form is to be filed with the individual's tax return. An example of this form is included on the next page for your reference.



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Canada Revenue Agency
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Statement of Employment Expenses for Working at Home Due to COVID-19

Complete this form if you have home office expenses related to working at home in 2020 due to COVID-19. See below for examples of eligible and non-eligible home office expenses or go to canada.ca/cra-home-workspace-expenses. If you have other types of employment expenses, do not use this form. Instead, use Form T777, Statement of Employment Expenses. For more information, see Guide T4044, Employment Expenses.

Include a copy of this form with your Income tax and benefit return.

The Canada Revenue Agency has introduced a temporary flat rate method to calculate your home office expenses for 2020 for employees who worked from home in 2020 due to COVID-19. If you use this method, your employer is not required to complete Form T2200S, Declaration of Conditions of Employment for Working at Home Due to COVID-19, and you are not required to keep documents to support your claim. See Option 1 below for more information. If you do not use this method, you must have your employer complete Form T2200S and you must keep your supporting documents. See Option 2 below for more information.

How much can you claim?

Choose option 1 or option 2.

Option 1 – Temporary flat rate method

You may use this method to calculate your home office expenses if you worked more than 50% of the time from home for a period of **at least a month** (four consecutive weeks) in 2020 due to COVID-19. If you meet this condition, you can claim \$2 for each day that you worked at home during that period, plus any other days you worked at home in 2020 due to COVID-19, up to a maximum of \$400.

Total number of days you worked from home in 2020 due to COVID-19 191 × \$ 2 = 9939 382

Enter the result (maximum of \$400) on line 22900 of your return.

Example

John began working from home on March 23. He worked from home on weekdays between March 23 and December 3. (204 days) Subtracting the days he did not work, including statutory holidays (6 days), 1 week of vacation (5 days) and sick days (2 days), John worked from home 191 days in 2020.

Based on this information, John's home office expense claim would be calculated as follows:

$$\begin{array}{r}
 191 \text{ days (Maximum of 200)} \\
 \times \quad \$2 \text{ (Temporary Flat Rate amount)} \\
 \hline
 = \quad \$382 \text{ (to a maximum of \$400)}
 \end{array}$$

In this scenario, John would be able to claim \$382 in employment expenses on his 2020 personal tax return which would decrease his taxable income for the year.



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2) DETAILED METHOD (ONLY CLAIMING HOME OFFICE EXPENSES)

The Detailed Method allows individuals to claim a portion of the home office expenses they paid during the period that they worked from home, provided that those expenses are related to the individual's employment duties.

Each employee working from home who meets the eligibility criteria can use the Detailed Method to calculate their deduction for home office expenses.

In order to qualify for this method, **all** the following conditions must be met:

- 1) You worked from home in 2020 due to the COVID-19 Pandemic **or** your employer required you to work from home.
- 2) You were required to pay for expenses related to the workspace in your home and expenses included in the calculation are used directly in your work during the period.
- 3) You worked more than 50% of the time at home for a period of at least four consecutive weeks in 2020.
- 4) You have a completed and signed **Form T2200S** or **Form T2200** from your employer.

WHAT IS A FORM T2200S?

In order for employees to claim their employment expenses, they must have completed **Form T2200S – Declaration of Conditions of Employment for Working at Home Due to COVID-19** and have it signed by their employer. This is a simplified version of **Form T2200** that employees typically require to claim their employment expenses. This form is to be signed by the employer to certify that an employee was working at home during the year due to COVID-19. This document **does not** need to be filed with an individual's personal tax return but **should be kept** if the CRA requests it. An example of this form is included on the next page for your reference.



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Declaration of Conditions of Employment for Working at Home Due to COVID-19

This form is only for employees who worked from their home in 2020 due to COVID-19. The **employer** must complete and sign this form if the employee chooses to use the detailed method to calculate their home office expenses (work-space-in-the-home and supplies). If the employee is required to pay for expenses other than home office expenses, do not use this form. Instead, complete Form T2200, Declaration of Conditions of Employment.

The **employee** does **not** need to attach this form to their return, but they must keep it in case the Canada Revenue Agency asks to see it later. However, employees must complete and attach Form T777S, Statement of Employment Expenses for Working at Home Due to COVID-19, to their tax return to deduct home office expenses for the year.

For more information about claiming employment expenses, see Guide T4044, Employment Expenses.

Part A – Employee information

Last name Doe	First name John	Tax year 2020
Employer address 123 Main Street		

Part B – Conditions of employment

1. Did this employee work from home due to COVID-19? Yes No
2. Did you or will you reimburse this employee for any of their home office expenses? Yes No
3. Was the amount included on this employee's T4 slip? Yes No

Employer declaration

I certify that this employee worked from home in 2020 due to COVID-19, and was required to pay some or all their own home office expenses used directly in their work while carrying out their duties of employment during that period.

I certify that the information given on this form is, to the best of my knowledge, correct and complete.

Note: Clearly print the name and telephone number of the authorized person in case we need to call to verify information.

Jane Smith Name of employer	Senior Manager Name and title of authorized person	
01-31-2020 Date	905-555-5555 ext. 123 Telephone number	Signature of employer or authorized person

This section is to be completed by the employee if this form is requested by the Canada Revenue Agency.

John Doe Name of employee	121343676 Social insurance number	03-31-2021 Date
456 Front Street Home address		

See the privacy notice on your return.



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HOW TO CALCULATE HOME OFFICE EXPENSES – DETAILED METHOD

CALCULATE CLAIM RATE

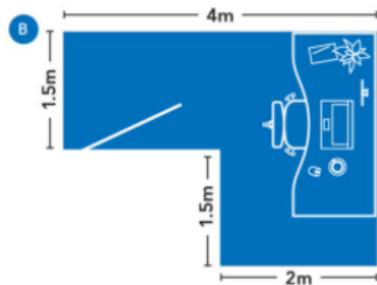
Once an individual has determined their eligibility, the next steps are to gather the additional information which is used to calculate the percentage of employment expenses to be claimed. The factors to be considered include:

- 1) The size of your home and workspace
- 2) The type of workspace
- 3) The number of hours in a week the space is used for work.

DETERMINE THE SIZE OF YOUR HOME AND WORKSPACE

In order to determine the size of your home and workspace, all **finished areas** must be included in the calculation, including hallways, bathrooms and the kitchen. The area can be measured in square meters or square feet and the size of the workspace being used must be reasonable. See below for an example of how to calculate the workspace.

To calculate the size of an irregular-shaped room, break down the dimensions into rectangles and add them up.



$$\begin{array}{l} \text{B. } 1.5\text{m} \times 4\text{m} = 6\text{m}^2 \\ \quad 1.5\text{m} \times 2\text{m} = 3\text{m}^2 \end{array} \left. \vphantom{\begin{array}{l} 1.5\text{m} \times 4\text{m} = 6\text{m}^2 \\ 1.5\text{m} \times 2\text{m} = 3\text{m}^2 \end{array}} \right\} 6\text{m}^2 + 3\text{m}^2 = 9\text{m}^2$$

For example:

$$\begin{array}{r} 4\text{m} \text{ (length of 1st area)} \\ \times 1.5\text{m} \text{ (width of 1st area)} \\ \hline = 6\text{m}^2 \text{ (size of 1st area)} \\ \\ 2\text{m} \text{ (length of 2nd area)} \\ \times 1.5\text{m} \text{ (width of 2nd area)} \\ \hline = 3\text{m}^2 \text{ (size of 2nd area)} \\ \\ 6\text{m}^2 \text{ (size of 1st area)} \\ + 3\text{m}^2 \text{ (size of 2nd area)} \\ \hline = 9\text{m}^2 \text{ (total size of room)} \end{array}$$



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Once the area of the workspace and the home has been determined, the percentage of the home being used as a workspace can be calculated using the following formula:

$$\begin{array}{r} \text{Size of your workspace} \\ \div \\ \text{Size of your home} \\ \times \\ 100\% \text{ (to convert into a percentage)} \\ \hline = \\ \text{Your workspace as a \% of your home} \end{array}$$

DETERMINE THE TYPE OF WORKSPACE

The next step is to determine the type of workspace being used. This can be broken down into two main types: A designated workspace or a common (shared) area.

- 1) A designated room is considered a space in the home that is only used for work. For example, a spare bedroom that was converted into an office space.
- 2) A common or shared area is an area of that home that has another purpose besides being used for work. For example, an individual who does their work at the kitchen table is considered to be working in a common area.

DETERMINE THE NUMBER OF HOURS IN A WEEK THE SPACE IS USED FOR WORK

The next factor to consider is the number of hours in a week the space is used for work. If you work in a designated workspace, this does not impact your claim and no additional work is required. However, if you work in a common (shared) area, your claim is based on the employment use of the space and the number of hours that space is used for work.

Please refer to the next page for the formula.



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To determine the rate of expenses to be claimed, the following formula is used:

Number of hours worked in a week

÷ **168 hours** (total hours in a week)

X **100%** (to convert into a percentage)

= **Percentage of time you can claim for the workspace**

DETERMINE THE TOTAL ELIGIBLE EXPENSES

Once the claim rate has been determined, the next step is to calculate the total expenses which are eligible **from the period the individual was working at home**. The list of eligible expenses includes:

- Rent
- Electricity
- Heat
- Water
- Internet Access Fees
- Maintenance Costs related to the workspace
- Office supplies
- Cell phone service (work portion only)
- Long distance fees from calls made for employment purposes

The CRA has included a calculator on their website which can help in determining the eligible deduction amount and provides additional detail on which office expenses are considered eligible:

Expenses you can claim: <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-229-other-employment-expenses/work-space-home-expenses/expenses-can-claim.html>

Calculate your expenses: <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-229-other-employment-expenses/work-space-home-expenses/calculate-expenses.html>



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If there are multiple employees in a household who are working from home, each employee who meets the eligibility criteria can use the Detailed Method to calculate their specific employment use of the workspace.

With the Detailed Method, there is no \$400 maximum deduction, as there is with the Temporary Flat Rate Method. This may be preferable for employees who are required to pay for office supplies or who use a significant portion of their home for employment purposes. With the Detailed Method, employers **are** required to complete and sign a T2200S form and employees must keep a copy for their records. Employees must also ensure they have supporting documentation for the expenses they are claiming, such as receipts and invoices. Per the CRA these records must be maintained for a period of 6 years as they may review your claim in the future.

OTHER NOTABLE ITEMS

If you are claiming other employment expenses, such as motor vehicle expenses, tools, etc. then the employee would need to complete **Form T777 – Statement of Employment Expenses** and their employer must complete and sign **Form T2200 – Declaration of Conditions of Employment**, similar to prior years.



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Example #1

John began working from home in 2020 due to COVID-19. He worked in a home office with an area of 200 square feet. John's home has a total finished area of 2,000 square feet.

Based on this information, the area of John's home used as a workspace would be calculated as follows:

$$\begin{array}{r} 200 \text{ sq ft} \\ \div \quad 2,000 \text{ sq ft} \\ \times \quad 100\% \\ \hline = \quad 10.0\% \end{array}$$

In this case, John would determine that 10.0% of his home was used as a workspace during the year.



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Example #2

John began working from home in 2020 due to COVID-19. He worked at his kitchen table in his dining room. His dining room is 10% of the total square footage of the home and he uses it for work for 45 hours a week.

Based on this information, John's employment use of the space would be calculated as follows:

$$\begin{array}{r} \mathbf{45 \text{ hours}} \\ \div \quad \mathbf{168 \text{ hours}} \text{ (total hours in a week)} \\ \mathbf{X} \quad \mathbf{100\%} \text{ (to convert into a percentage)} \\ \hline = \quad \mathbf{26.8\% \text{ of the time the space is used for work}} \end{array}$$

Since John uses his dining room as a workspace 26.8% of the time, his total use of the space would be calculated with the following formula:

$$\begin{array}{r} \mathbf{10\%} \text{ (the workspace as a percentage of the home)} \\ \mathbf{X} \quad \mathbf{26.8\%} \text{ (percentage of time the space is used as a workspace)} \\ \hline = \quad \mathbf{2.68\%} \text{ (percentage of the home used as a workspace)} \end{array}$$

In this case, John would be able to claim 2.68% of his eligible expenses as home office expenses for the year.



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Example #3

John began working from home in 2020 due to COVID-19 and determined that 2.68% of his home was used as a workspace. He worked at home for a period of 8 months between April and November. During this time, he paid monthly rent of \$2,500, electricity of \$100, heat of \$75, water of \$125 and internet fees of \$80. John also purchased printer ink and office supplies totaling \$250 for employment purposes.

Based on this information, John's employment expense deduction would be calculated as follows:

	\$20,000	(\$2,500 * 8 months)
	800	(\$100 * 8 months)
	600	(\$75 * 8 months)
	1,000	(125 * 8 months)
	640	(80 * 8 months)
+	250	
=	\$23,290	(total eligible employment expenses)
X	2.68%	(percentage of the home used as a workspace)
=	\$624.17	(home office expense deduction)

In this scenario, John would be able to claim \$624.17 in employment expenses on his 2020 personal tax return which would decrease his taxable income for the year.

Sources

https://www.canada.ca/en/revenue-agency/news/2020/12/introducing-a-simplified-process-for-claiming-the-home-office-expenses-for-canadians-working-from-home-due-to-the-covid-19-pandemic.html?utm_source=mediaroom&utm_medium=eml

<https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-229-other-employment-expenses/work-space-home-expenses.html>