



# WORK SPACE IN THE HOME EXPENSES

## FREQUENTLY ASKED QUESTIONS

THE CANADIAN  
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## WORK SPACE IN THE HOME EXPENSES

As year-end swiftly approaches, payroll professionals are busier than ever preparing to close out an unprecedented year.

In addition to managing the complex details of various government benefits and subsidies, along with the new T4 slip reporting requirements for 2020, many of you have been fielding calls from employees regarding T2200/T2200S forms and work from home expenses.

As a result of government advocacy by the Canadian Payroll Association, we shared the following news with members on December 1, 2020:

Section 4.8.3 of the federal government's fall economic statement addressed this issue head-on:

*"To simplify the process for both taxpayers and businesses, the CRA will allow employees working from home in 2020 due to COVID-19 with modest expenses to claim up to \$400, based on the amount of time working from home, without the need to track detailed expenses, and will generally not request that people provide a signed form from their employers. This measure will help taxpayers access deductions they are entitled to receive and simplify the tax filing process."*

On December 16, 2020, Revenu Quebec released an announcement of their plans to harmonize with CRA and offer a simplified deduction of \$2 per working day at home. We will continue to monitor this announcement and update our members with details as they become available.

## SUMMARY OF QUESTIONS

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### **1. What does this mean for payroll?**

Your employees will be permitted to claim \$2 for each working day that they performed their duties from home — up to a maximum deduction of \$400.

To be eligible for this claim, an employee must have worked from home more than 50 per cent of the time for at least four consecutive weeks in 2020, as a direct result of the COVID-19 pandemic.

This claim can be made without the normal requirement of maintaining documented proof of expenses (receipts) or securing a confirmation of conditions of employment form from the employer (T2200). This method for claiming working from home expenses is referred to by the Canadian Payroll Association as the “simplified method.”

### **2. What is considered a working day for the \$2 per day calculation?**

A working day is any day the employee performed work for their employer from their home. There are no minimum hours assigned to this claim. Both full-time and part-time employees are eligible.

A working day does not include days the employee is not required to work such as weekends, statutory holidays, vacation, sick or personal days, even if some of those leaves are paid by the employer.

### **3. What is the impact of job-protected leaves on making a claim?**

To be eligible for the simplified method, the employee must have worked from home more than 50 per cent of the time for at least four consecutive weeks in 2020.

Time off, whether paid or unpaid for a job-protected leave, is not considered work time for the purpose of determining eligibility for claiming home office deductions.

### **4. What about situations where the employer did not require the employee to work from home, but allowed it upon request?**

If an employee was not required to work from home, but the employer allowed the choice to work at home because of the COVID-19 pandemic, then the CRA will consider the employee to have worked from home due to COVID-19.

The employee will need to meet the eligibility criteria to claim the simplified \$2 per day amount.

### **5. What if more than one family member in a household was working from home?**

Each employee working from home who meets the eligibility criteria can use the simplified \$2 per day method to calculate their deduction for home office expenses.

**6. What is the new T2200S form used for?**

Some employees may be in a position to make a claim greater than \$2 per day that they worked from home. To make a detailed claim, such employees will require a T2200S from their employer to confirm that they were required to work from home as a result of the COVID-19 pandemic.

**7. Can an employer refuse to sign a T2200/T2200S form?**

Both the T2200 and T2200S forms clearly state that an employee would not be permitted to make a detailed claim without a signed form from their employer. Whether this implies an employer has a legislative compliance requirement to complete a form on request is another issue.

To reduce the administrative burden on payroll, the Canadian Payroll Association advocated for a simplified method for the 2020 tax filing year that will not require any additional forms from the employer. As illustrated in the sample employee memo we have provided, most employees will receive the maximum deduction claim using the simplified method of \$2 per working day at home.

**8. Can we require an employee to validate they are entitled to more than \$2 per day before completing a T2200/T2200S form?**

If an employee requests a T2200/T2200S form, you may first direct them to the tools CRA has made available to help taxpayers understand what expenses they can claim along with a calculator to help determine the amount of an eligible deduction.

- [EXPENSES](#) that can be claimed
- [CALCULATOR](#) to determine the amount of eligible deduction

You may choose to have a policy of completing a T2200/T2200S form only in situations where you have been provided evidence the employee is eligible for a claim greater than the amount of the simplified method of \$2 per working day at home.

**9. What about employees who worked from home before the pandemic?**

Employees who previously worked from home as a condition of employment before the pandemic will continue to receive a T2200 (and TP-64.3 in Quebec), to claim expenses as they have in prior years.

## COMMON EXPENSES AND ELIGIBILITY

### i. **Designated workspace or common (shared) workspace**

It is important to understand the distinction between designated and common workspaces. To make a detailed claim for a portion of utilities and home internet access a taxpayer must first determine the size of their workspace as a percentage of the total finished space in their home.

When a workspace is also a common family space or a space that is used for other personal purposes, then the percentage is further adjusted based on the average working hours in a week.

If the employee has a designated space that is used as an office, only to earn employment income, and the total square footage of the finished space in the home is 1,500 ft<sup>2</sup> and the office is 120 ft<sup>2</sup> then 8 per cent is the amount allocated to the workspace.

However, if that same employee was using a common space in the home, such as a dining table, as their work area a further proration would be done based on the number of working hours in the week. If the employee works 50 hours per week then the 8 per cent would be further prorated by 29.76 per cent (50 working hours out of 168 hours per week) allowing 2.38 per cent as the amount allocated to the workspace.

Most employees that transitioned to working at home will be considered to be using a common shared space. This can be any area in the home that has another purpose or is a shared space for the family. This includes a home office that was already set up for personal computer use or to store and file household expenses and personal paperwork.

A designated workspace is an area that is only used to earn employment income. It would not be used for personal reasons. In most cases, only employees that already had a contract of employment requiring them to maintain a home office would have established this type of space.

### ii. **Utilities (heat, hydro, water)**

A pro-rated portion of utility costs may be included as an eligible deduction. The amount of this is determined by calculating the percentage of the finished space in the home that the workspace represents.

See above for the definition of designated vs. common (shared) spaces to determine this percentage.

### iii. **Condominium residents**

The monthly maintenance fee may include the costs of utilities. To claim a deduction for utilities the resident would need verification of the portion of the maintenance fee that directly relates to these expenses. A request to the condominium administrator may be required to obtain this information.

### iv. **Home internet access fee**

The CRA has adjusted their position on home internet fees related to a work from home space. An employee may include a portion of the internet access fee in their claim.

The amount that may be claimed as an eligible deduction will be pro-rated based on the percentage of total space the office/workspace represents. The same percentage used for utilities would apply to the internet access fee.

Any costs associated with connection fees or the purchase or lease of a modem are not eligible.

### v. **Use of a personal cell phone**

An employee may be able to claim a deduction for the business use of a cellular phone but only under very specific circumstances.

Part of the actual airtime expenses for a cell phone that reasonably relates to earning employment income may be claimed.

An employee may also be able to deduct a portion of their basic cell phone service plan if all of the following conditions are met:

- The cost of the plan is reasonable;
- You are able to substantiate the cellular minutes or data consumed directly in the performance of your employment duties (as well as the cost of the minutes or data); and
- The cost of the plan has been apportioned between employment and personal use on a reasonable basis.

The challenge with many cellular plans is the inclusion of unlimited talk and data, which make it difficult to allocate a cost per minute to voice or data use.

### vi. **Office supplies**

If an employee is required to purchase office supplies that will be used up while directly performing their work, they may claim any out of pocket costs.

This includes items such as paper, pens, toner cartridges, envelopes and folders.

vii. **Purchase of a laptop, computer, tablet or monitor**

The purchase of a computer, laptop, tablet, monitor or other electronic equipment such as a headset is not considered an eligible deduction.

viii. **Purchase of a desk or office chair**

The purchase of furniture, desks, chairs, lamps, filing cabinets etc., is not an eligible deduction.

ix. **Cleaning supplies**

Costs for normal cleaning and upkeep can be claimed, this would include things such as cleaning products.

If purchased to be used exclusively in the home office, then 100 per cent of the cost may be claimed. If purchased for general use in the entire household then the eligible deduction would be prorated based on the percentage of total space allocated to the workspace.

x. **Beverages or food**

Neither the CRA or Revenue Quebec allow for a deduction for food and beverage expenses for an employee's personal consumption in their residence.

Although an employee may have benefited from free or subsidized coffee, other beverages or food when working in the office, any expenses in their home are not eligible.