

CLAIM EMPLOYEE HOME OFFICE EXPENSES FOR 2020

by Pritika Deepak

With the deadline fast approaching to file personal income tax returns for 2020, some important questions to consider are whether or not an employee is eligible to claim a deduction for home office expenses for the tax year of 2020 and if so how to calculate such home office expenses?

One of the effects of COVID-19 has been the shift toward remote work, whereby dining rooms and kitchens have transformed into office spaces and boardrooms. As a response, on December 15, 2020, CRA confirmed the introduction of a simplified process for employees to claim home office expenses on their individual income tax return for the 2020 tax year. The simplification includes a shorter qualifying period and a choice between a temporary "flat rate method" and a "detailed method" to calculate the amount of expenses which can be claimed.

Temporary Flat Rate Method

Under this method an eligible employee can claim a deduction of \$2 for each day they worked at home in 2020 up to a maximum of \$400.

To be eligible to claim home office expense deductions under the Temporary Flat Rate Method, an individual:

- must have worked from home in 2020 due to the COVID-19 pandemic (either by choice or as required by their employer);
- must have worked from home for more than 50% of the time over a period of at least four consecutive weeks in 2020;
- must only claim home office expenses and no other employment expenses; and
- must not have been reimbursed by the employer for the home office expenses.

For the purposes of determining eligibility under this method, days off (including weekend days), vacation days, sick days and other leave or absences will not count as work days.



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- Individuals claiming home office expenses under the Temporary Flat Rate Method
- must use Form T777S "Statement of Employment Expenses for working at Home Due to Covid-19" to report their home office expenses deduction;
- will not be required to obtain a completed Form T2200 or Form T2200S from their employer; and
- will not be allowed to deduct any other employment expenses for 2020.

The formula to calculate the amount of home office expenses under the Temporary Flat Rate Method is as follows:

$$\begin{aligned} & \# \text{ of days you worked from home during 2020 (maximum 200)} \\ & \qquad \qquad \qquad \times 2 \\ & = \text{Amount of your claim (to a maximum of \$400)} \end{aligned}$$

Detailed Method

Under the detailed method, an individual can claim a deduction of actual home office expenses incurred in 2020, which may be larger than the maximum amount allowed under the temporary flat rate method.

To be eligible to claim the actual expenses incurred from working from home, an individual:

- must have worked from home in 2020 due to the COVID-19 pandemic (either by choice or as required by their employer);
- must have worked from home for more than 50% of the time over a period of at least four consecutive weeks in 2020;
- must have been required to pay for expenses related to the work space in the home;
- must have used the expenses directly in their work; and
- must have a completed and signed copy of Form T2200S or T2200 from their employer.

Individuals claiming home office expenses under the detailed method must maintain records and supporting documentation relating to the claim. If the individual intends on claiming other employment

expenses (for example motor vehicle expenses) in addition to home office expenses, the individual will be required to complete a Form T777, instead of the shortened Form T777s.

The detailed method mimics what could have been claimed with the traditional Form T2200 from the employer, including claims for a portion of utilities, maintenance, home internet access fees, and rent (but not including mortgage interest, property taxes or insurance). It is important to note that the amount of home office expenses which can be claimed under the detailed method is limited to the space used for the home office. The CRA provides an [online calculator](#) to assist in the calculation of home office expenses under the detailed method, based on the percentage of the home which is used for work.

Under either the temporary flat rate method or the detailed method, it is important to note that employees cannot claim any expenses that were or will be reimbursed by their employer.

Which method should you choose?

Although the detailed method requires increased documentation on the part of the employee and the employer, and thorough accounting of actual expenses, it does not contain a limit of the deduction which can be claimed. Further, the detailed method allows individuals to claim a portion of eligible expenses including office supplies, home utilities, home internet access fees, and rent.

The temporary flat rate method may be better suited (and easier) to those who are simply claiming home office expenses, and who have not incurred significant expenses with regards to their employment. As noted, the maximum deduction available under the temporary flat rate method is \$400.00.

Employers

In recognition of the increased number of employees who have been working from home for the 2020 calendar year, the CRA has eased the obligations of employers. Specifically, the CRA has simplified the form that employers are required to complete for employees who are only able to claim expenses related to working from home. The simplified Form T2200S removes the obligation of the employer to calculate the percentage of time the employee was required to work from home and allows the employer to complete and sign the form electronically for 2020. Despite the relaxation of obligations of the employer, the CRA is clear that the contents of any forms completed by the employer must be accurate