



PERSONAL INCOME TAX SEASON & THE IMPACT OF COVID-19:

Don't Forget Changes to Home Office Expense Claims

With many employees working from home as a result of the pandemic, the Canada Revenue Agency (CRA) has changed certain rules surrounding home office expenses – both the process by which to claim expenses, as well as the types of eligible expenses. As you complete your 2020 personal income tax return, you should be aware of these changes.

Changes to Process

As an employee, you may be able to claim a deduction for certain home office expenses on your tax return. Until recently, in order to claim these expenses, workers were required to calculate the employment use of their home workspace and have an employer complete and sign *CRA Form T2200* – a declaration to support the employee's claims. *CRA Form T777, Statement of Employment Expenses*, which details and calculates employment expenses, would then be filed with the tax return. As a result of the pandemic, the CRA has introduced two new simplified methods.

New Temporary Flat Rate Method – A temporary flat rate method to calculate the home office expense deduction has been introduced for those eligible in the 2020 tax year. If you worked from home more than 50 percent of the time for at

least four consecutive weeks in 2020 due to Covid-19, you may claim \$2 for each day worked from home to a maximum of \$400 per individual. This method can only be used by those claiming certain eligible home office expenses (and not any other employment expenses) and only if you were not reimbursed by an employer for all of your home office expenses.

Changes to the Detailed Method – For home office expense claims that exceed the temporary flat rate maximum of \$400 per person, the CRA requires individuals to use a "detailed method" to determine their deduction and keep documentation to support this claim. However, the CRA has created a simplified form to help support the detailed method, *Form T2200S*. While this form does not have to be attached to the tax return, it should be saved for auditing purposes. Under the simplified detailed method, the employee will need

to calculate the size of their work space, as a proportion of the home, and detail the hours per week that the space was used for work. The CRA has provided an online calculator to help perform this calculation.

With both simplified processes – the temporary flat rate and simplified detailed methods – employees must complete and attach *Form T777S, Statement of Employment Expenses from Working at Home Due to Covid-19*, to their tax return.

If an employee is claiming expenses other than home office expenses, these simplified methods cannot be used and *Forms T777* and *2200* will need to be completed. Due to the pandemic, the CRA will now accept an electronic signature on *Forms T2200S* or *T2200* to reduce the necessity for employees and employers to meet in person for the 2020 tax year.

Changes to Eligible Expenses

The CRA has also expanded the list of claimable expenses. As such, reasonable home internet access fees may now be claimed. A comprehensive list of allowable expenses, as well as detailed information regarding claims, can be found at the Government of Canada website: canada.ca/cra-home-workspace-expenses.

Changes to Employer Reimbursements

As a result of the pandemic, the CRA has also made changes to certain employer-provided reimbursements. Under these changes, an employee working from home is now able to receive an employer reimbursement of up to \$500 for the purchase of computer or home office equipment, if supporting receipts are provided, without it being considered a taxable benefit to the employee. Reimbursement amounts greater than \$500 must be included as a taxable benefit

in the employee's income. Full details of the changes to employer-provided reimbursements and allowances due to Covid-19 can be found at: <https://www.canada.ca/en/revenue-agency/news/2020/12/employer-provided-benefits-and-allowances-cra-and-covid-19.html>

Reminder: Beyond the Home Office

Keep in mind that if you received the following government Covid-19 emergency or recovery benefits in 2020, you will receive a T4A tax slip from the CRA (Quebec residents will also receive a RL-1 slip):

- Canada Emergency Response Benefit (CERB)
- Canada Emergency Student Benefit (CESB)
- Canada Recovery Benefit (CRB)
- Canada Recovery Caregiving Benefit (CRCB)
- Canada Recovery Sickness Benefit (CRSB)

Tax slips should be received by early March, so please contact the CRA if you have yet to receive the relevant slip(s). Covid-19 benefit payment amounts are considered taxable income and must be reported on your 2020 tax return (see *line 13000* of the 2020 income tax return). If you have questions regarding these changes, or other tax-related matters, please contact the office or seek the advice of a professional tax advisor.