



ELIGIBILITY AND DEDUCTIBILITY OF HOME OFFICE EXPENSES DUE TO COVID-19

Since the start of the COVID-19 pandemic in March 2020, many Canadians have been required to work from home, and have incurred additional out of pocket expenses as a result. This has left many with questions regarding the deductibility of various expenses incurred. This memo will outline the key factors and considerations regarding whether employees are eligible to claim any expenses related to working from home and what expenses would be considered deductible for income tax purposes.

Eligibility to Claim Expenses Related to Working From Home

To claim expenses related to working from home, the employee must:

- be required to work from home and, as a result, must have incurred additional expenses for the maintenance of a home office.

Additionally, one of the following conditions must be satisfied:

- The home office space is used only to earn employment income and is used regularly to meet clients or customers; or
- The home office space is where the employee principally works. The threshold for “principally” refers to more than 50% of the time.

If the above conditions are met, form T2200 can be obtained by the employee from their employer confirming that they were required to incur home office expenses in order to fulfil their employment duties.

Changes for 2020, 2021 & 2022

CRA has introduced new rules for individuals that worked from home due to the COVID-19 pandemic and introduced a flat rate method and a detailed method for claiming these home office expenses.



Temporary Flat Rate Method

The eligibility criteria for the 2020, 2021 & 2022 “flat rate” method are:

- Worked from home in 2020, 2021 or 2022 due to the COVID-19 pandemic.
- Worked from home more than 50% of the time for at least four consecutive weeks in the year.
- Can only claim home office expenses and not other employment expenses.
- Employer did not make reimbursements for all the home office expenses incurred.

If the above criteria are met, you may claim \$2 for each day you worked from home in 2020, 2021 & 2022 due to the COVID-19 pandemic, up to a maximum of \$400 for 2020 and \$500 in 2021 and 2022. A workday consists of full-time or part-time hours from home, and doesn't include days off, vacation days, sick leave days, or other days of absence. Multiple claims can be made per household given each individual meets the criteria. A signed T2200 from employers is not required under this method.

Detailed Method

The eligibility criteria for the “detailed” method are:

- Worked from home in 2020, 2021 or 2022 due to the COVID-19 pandemic.
- Required to pay for expenses related to home office.
- Work is performed in the home office more than 50% of the time for at least four consecutive weeks; or the home office is only used to earn employment income and is regularly used for meeting clients, customers, or other people while doing their work.
- Expenses incurred are used directly in their work.
- Have a signed Form T2200S (Declaration of Conditions of Employment for Working at Home During COVID-19) or Form T2200.

Eligible Expenses

Eligible expenses include only costs related to the workspace, including the cost of electricity, heating, maintenance, utilities portion of condo fees, internet access fees, rent paid, and supplies consumed directly in the performance of employment duties. For employees earning commission income, the list expands to also include property taxes, home insurance and leasing cost of laptop/cell phone. Mortgage interest cannot be deducted by employees at all as such interest is a capital cost.

Required to Work from Home Pre COVID-19

Individuals that were already required to work from home for an employer pre COVID-19 should continue to use Form T2200



Other Employment Expenses

The deduction of other employment expenses such as motor-vehicle expenses are not covered by the new detailed method. Employees who qualify for these deductions under the existing rules will still need to obtain a signed copy of the T2200 from their employer in order to deduct these expenses. Only home office costs are eligible under the detailed method for working from home due to COVID-19.

