

CESTNICK

TAX MATTERS

Tax law is changing to simplify home office deductions in Canada

SPECIAL TO THE GLOBE AND MAIL
PUBLISHED OCTOBER 15, 2020

Life for an employee can be complicated. Take, for example, employees of the law firm Lewis Brisbois Bisgaard & Smith LLP (their San Francisco office). A few years ago, the firm circulated a detailed e-mail on “restroom etiquette,” which provided extensive guidelines on how to choose a urinal, masking awkward bathroom noises, avoiding eye contact with others, how to maintain a good reputation by practising appropriate washroom behaviour and more. Very complicated.

The only thing more complicated for employees is knowing how to claim home-office expenses for working from home during COVID-19. [I wrote about this on March 30](#) and shared a concern: Our tax law allows employees a deduction for home-office expenses where your home is your principal place of work (that is, you’re required to work from home at least half the time). But what does “half the time” mean? Six months of the year? Or half the time during some part of the year? Today, let me share with you an update on the taxman’s thinking.

The consultation

On Sept. 11, the Canada Revenue Agency (CRA) conducted a consultation played host to by the Canadian Chamber of Commerce soliciting feedback on the issue of home-office expenses and Form T2200 – which is the form the taxman requires employers to sign confirming an employee’s eligibility to claim expenses.

Two things became clear from the consultation. First and most importantly, the taxman acknowledged that a deduction should be available to employees who were, or are, required to work from home during the pandemic. It appears that we can set aside any concerns about having to work half the year from home to qualify.

Secondly, the CRA has acknowledged that Form T2200, which normally must be completed by your employer, is far too complicated and needs to be simplified – at least for this year.

The form

The CRA has already released a draft of new Form “T2200 Short” (a shortened

version of Form T2200), which is supposed to make the tax compliance requirement easier. Neither the existing T2200 nor a proposed shorter version would have to be filed with your tax return if you claim home-office expenses, but you're supposed to obtain a signed copy from your employer and keep it on hand in case the CRA wants to see it. (You can find a copy of the new draft form [here](#).)

The new form still maintains the two key pieces of information that your employer must attest to: 1) that your contract of employment requires you to pay for your own home-office expenses; and 2) the amount of any reimbursement you received related to your home-office expenses. At the end of the day, you won't be able to claim a deduction for home-office expenses to the extent you've been reimbursed by your employer.

CRA confirmed in the consultation that the requirement for you to work from home does not have to be in writing. Your "contract of employment" (the language used on the form) can simply be an agreement, or "meeting of the minds," between you and your employer that you must work from home for some time during the pandemic.

The new form clarifies that you'll be permitted a deduction for home-office expenses if you were required to work from home at least half the time during one or more periods of four continuous weeks in 2020.

The criticisms

After the release of the new form, Chartered Professional Accountants (CPA) Canada shared concerns that,

while the form is easier to complete than the normal T2200, the compliance burden of preparing so many forms (there will be millions prepared this coming tax season) is still massive and will pose a problem for many employers at a time when they're already dealing with pandemic-related challenges. Secondly, the organization is concerned about the challenge of educating employees on how the rules around home-office expenses work.

Some good ideas have been put forward by different parties on how to solve the administrative burden on both employees and employers. CPA Canada suggests that the CRA consider the approach taken by Australia, where a simple flat amount for each day of working at home can be claimed as a deduction (or the actual expenses can be claimed if this is better for the taxpayer and they don't mind doing the math).

Law firm Borden Ladner Gervais LLP suggests that obtaining a signed T2200 form can be avoided altogether if the employer simply checks a box on a redesigned T4 slip to confirm the employee's eligibility to claim expenses and provides on the slip the dollar amount of any reimbursements paid.

The CRA is considering all these ideas and will be making further announcements soon about how to claim home-office expenses for 2020. Stay tuned.

Tim Cestnick, FCPA, FCA, CPA(IL), CFP, TEP, is an author, and co-founder and CEO of Our Family Office Inc.