WORKING FROM HOME DURING COVID – PERSONAL TAXATION CONSIDERATIONS
Developed by Gerry O'Connor

As the COVID-19 pandemic shifts employees from their offices to their homes, many employees are left wondering whether they will now be able to deduct home office expenses from their employment income in their 2020 tax return. The following observations are summarized from materials published by leading Canadian law firms and accounting and business advisory firms providing audit, tax and advisory services. It provides a breakdown of what you need to know about eligible deductions and answers some commonly asked questions.

Note that it is expected these rules and interpretations will continue to change. In the interim, your current personal taxation processes remain unchanged until you receive clarification from CRA and/or your employer.

Will I be eligible to deduct home office expenses in 2020?

Prior to the COVID-19 pandemic, an employee could claim home office expenses if they were contractually required to maintain a home office they were not reimbursed for, and met one of the following two conditions:

- The home office is the place where the employee principally performed their employment duties; or
- The space is used exclusively during the period for the purposes of earning employment income on a regular and continuous basis, and for meeting customers or other persons in the ordinary course of performing employment duties.

Given the circumstances surrounding COVID-19, these requirements have become increasingly difficult to interpret and apply.

Do I need a written agreement to formalize a work from home arrangement?

To deduct home office expenses, an employee would generally need:

- a work-from-home arrangement included in the individual's employment contract, and
- Tax Form T2200, completed and signed by the employer and filed by the employee with the employee's annual tax return.
- This year, a new short-form T2200 may be developed by CRA to provide two pieces of information with respect to each employee: first, whether the employee was required to work from home; and second, the amount, if any, the employer reimbursed the employee for related work-from-home expenses. Alternatively, this information can be acquired simply by adding a check box to the T4 for the first requirement and adding a numerical box to the T4 for the second requirement. You can check if your employer will provide you with supporting documentation.
- CRA has confirmed that the requirement to work from home does not need to be in writing. In cases where there is no written agreement, a "meeting of the minds" between the employer and the employee that the work must be done from home satisfies this requirement. It is expected that many employees forced to work from home under current COVID restrictions will meet this implied work-from-home requirement

What if I only work from home during the COVID-19 period?

The test above is based on whether the employee principally worked from home, which is generally understood to mean more than 50 percent throughout the calendar year. Based on preliminary discussions between the CRA and CPA Canada, however, it appears the CRA may accept that this test could apply only to the period where COVID-19 measures are in place. As such, employees may be able to make deductions for the portion of the year they are working from home due to COVID-19 safeguards.

Can I "meet" customers over the phone or through other digital means?

The CRA's long standing position is that meeting customers is a face-to-face event. Given current public health recommendations, it is unclear whether the CRA will reconsider this position to include virtual meetings using online conferencing platforms such as Zoom or Skype.

I think I might be eligible. What expenses can I deduct?

Expense deductibility is different for non-commissioned and commissioned employees. Generally speaking:

- NON-COMMISSIONED EMPLOYEES can deduct a reasonable portion of rent, utilities, repairs and maintenance
- Supplies can be deducted if, under your contract of employment, you were required to provide and pay for the supplies. You must use the supplies directly in your work. Your employer has not, and will not, repay you for these supplies
- Masks would not normally be considered a deductible expense
- You cannot deduct the monthly services fees unless your company fills out a T2200. And even then, you would only be able to claim the portion related to business - Facebook and Netflix are tough sells to the CRA as work expenses for most jobs
- CRA says you could deduct a portion of your basic cell phone service plan with a T2200, if certain conditions are met:
    - The plan must be reasonable. That means you can defend the plan if asked by the CRA
    - You can 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). That means you will be asked to produce documentation that you used most of the plan for work
    - The plan's cost has been divided between personal and employment use on a reasonable basis.
- Office chairs, a new desk or a new monitor for your computer are considered capital expenses that cannot be automatically deducted by employees
- COMMISSIONED EMPLOYEES can deduct a reasonable portion of rent, utilities, repairs and maintenance, supplies, property taxes, and home insurance up to the amount of commission income.

The "reasonable portion" is generally based on the square footage of the space you use for work purposes as a percentage of the total square footage of your home. If that space is used for personal reasons too, this would generally reduce the amount that can be deducted as a home office expense.

Documentation should be kept for all deducted expenses incurred in case of a CRA review or audit. Note items such as home depreciation, mortgage interest, computer equipment, and home office furniture cannot generally be deducted from employment income as they are capital in nature.

What if my employer reimburses me for the cost of home office equipment?

Given potential costs in setting up a home office, the CRA has indicated that reimbursements to employees up to $500 for computer equipment will not be considered a taxable benefit to employees, provided they retain supporting receipts. The CRA may further broaden this policy to include other types of home office equipment, although this remains outstanding.

For example, if an employee purchases a laptop computer for $800 and the employer reimburses the full amount, the employee would only be required to include a $300 taxable benefit in their income. The employer, however, would generally be able to deduct the full $800 reimbursement.

For general employment information, visit the comprehensive employment support materials on the I/CANwebsite http://www.irishcanadianimmigrationcentre.org/ Essential Guides / Employment. If you follow these guidelines, your chances of finding a long-term career opportunity will increase.

Gerry O'Connor

October 11, 2020