



# CRA Releases Updated Guidelines on Tax Deductions for Work-From-Home Expenses During the Pandemic

December 21, 2020

Although some employees were permitted to make personal income tax deductions related to certain home office expenses even before COVID-19 arrived on Canadian soil, these were subject to fairly stringent eligibility and compliance requirements. In response to the pandemic and the related shift of a significant portion of the Canadian workforce into work-from-home arrangements, temporary changes have been made to the eligibility and compliance requirements for certain home office expenses in order to simplify the claims process for both employers and employees. On December 15, 2020, the Canada Revenue Agency (“CRA”) published **updated guidelines** on the claims process related to such deductions in the context of the pandemic.

Briefly, for the 2020 tax year, eligible employees will be able to choose to make a claim for **eligible home office expenses** using either the **new temporary flat rate method** or the **detailed method**:

1) The flat rate method is used to provide employees with a fixed compensation relating to certain home office expenses paid by the employee, including but not limited to rent, electricity and home internet access fees, as well as office supplies and cell phone minutes.

Under the flat rate method, eligible employees will be able to claim \$2 per day for each day worked from home in 2020 due to the pandemic, up to a maximum of \$400. In order to be eligible, employees will, amongst other things, have to have worked more than 50% of the time from home for a period of at least four (4) consecutive weeks in 2020.

Of note, if an employee chooses to use the flat rate method, they will be prohibited from claiming any other employment expenses, such as motor vehicle expenses.

2) The detailed method allows employees to make a claim based on the actual amounts paid for eligible home office expenses, including but not limited to those listed above as well as a portion of certain other expenses related to the use of a work space in their home. Further, employees paid by commission may also be allowed to claim certain additional home office expenses that salaried employees usually cannot, such as home insurance and property taxes. If employees elect to use the detailed method, they must separate the expenses between employment use and non-employment (personal) use of their home, as well as meet certain eligibility criteria.

In order to be eligible, employees will, amongst other things, have to have worked more than 50% of the time from home for a period of at least four (4) consecutive weeks in 2020, and the expenses



being claimed will have to have been used directly in their work during the period when they were working from home.

The updated guidelines go on to provide detailed information regarding the recent changes to the claim methods and eligibility criteria, as well as regarding what expenses can properly be claimed, which will primarily be of value to employees that make such a claim. Of particular interest to employers, however, are the recent changes outlined in the guidelines with respect to their obligations in relation to CRA forms:

- Where an employee chooses to make a claim based on the new temporary flat rate method, the CRA has indicated that employers will not be required to complete a **Form T2200** – being the Declaration of Conditions of Employment form that employers are usually required to fill out to certify conditions of employment, including as they relate to expenses – or even a **Form T2200S** – being the Declaration of Conditions of Employment for Working at Home Due to COVID-19, a new shortened version of Form T2200.
- Where an employee chooses to make a claim based on the detailed method, employers will be required to complete either a Form T2200 or a Form T2200S for the employee in order to support their claim. However, in an effort to encourage physical distancing efforts between employers and employees, the CRA has indicated that it will accept electronic signatures on all of these forms for the time being.

### **Commuting Costs (Parking) and Home Office Equipment**

In addition to the publication of the updated guidelines, the CRA released a **Backgrounder** document which indicates that, as a result of the pandemic and its consequences on employment, it will temporarily modify its traditional position on certain issues such as commuting costs (including parking) and home office equipment costs. These modified positions are in effect from March 15, 2020 to December 31, 2020.

For example, as it relates specifically to commuting costs, the CRA has indicated that it will not consider an employee to have received a taxable benefit if their employer either:

- pays for, reimburses or provides a reasonable allowance for additional commuting costs (including parking) incurred by that employee during the pandemic, that are over and above their normal commuting costs, where the employee continues to work at their normal workplace; or
- pays for, reimburses or provides a reasonable allowance for normal or additional commuting costs incurred travelling to their normal workplace for any purpose related to the performance of their duties from home (e.g., to pick up equipment), where the employee is working from home because their normal workplace is closed. Furthermore, where an employee's normal



workplace is closed, the CRA will not consider an employer-provided parking spot at the workplace to be available for use and consequently, it will not be treated as a taxable benefit during such time.

The CRA will not consider an employee to have received a taxable benefit where their employer pays for or reimburses up to \$500 of computer or home office equipment to enable the employee to carry out their employment duties, provided the employee submits receipts to the employer. The \$500 reimbursement amount is in respect of each employee rather than each piece of computer or office equipment that an employee purchases.

### **In Our View**

Employers and employees alike will be pleased to know that the CRA has properly recognized the difficulties that many have already faced this year due to COVID-19 and has accordingly attempted to reduce the administrative burden they face in relation to any temporary work-from-home arrangements implemented as a health and safety measure.

For more information on your rights and obligations as an employer dealing with COVID-19 or other matters, please contact [Colleen Dunlop](#) at [613-940-2734](#) or [Erica Bennett](#) at [613-940-2748](#).