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INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC FAMILY OFFICE SERVICES

Deducting home office expenses for 2022

Simplified rules for salaried and commissioned employees

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Millions of Canadians had to start working from home due to the COVID-19 pandemic. In response, the government simplified the process for deducting home office expenses for 2020, making the home office expense deduction available to more individuals. As part of the 2021 Economic and Fiscal Update tabled on December 14, 2022, the government announced that they will extend the simplified rules for deducting home office expenses for the 2021 and 2022 tax years.

This article discusses the circumstances in which home office expenses incurred by salaried and commissioned employees are deductible, as well as whether allowances and reimbursements provided by an employer are taxable.

Methods for claiming home office expenses

For 2022, there are two methods for claiming home office expenses on your personal tax return:

1. Temporary flat rate method
2. Detailed method

To be eligible for the temporary flat rate method, you must only be claiming home office expenses (such as electricity, home internet access fees, and office supplies like pens and paper) and not any other employment expenses (such as motor vehicle expenses). In addition, you can only use this method if your

employer has not reimbursed you for all of your home office expenses. If you're in a situation where your employer has reimbursed you for some but not all of these expenses, you can still use this method.

Alternately, the detailed method can be used if you're claiming other employment expenses in addition to home office expenses, or if you have a larger claim and want to deduct the actual expenses you paid for in order to work from home. The detailed method is more complex, as you will need to separate the expenses that relate to your employment from those that relate to your personal use

and keep supporting receipts or documents. Your employer must also complete certain forms in order for you to claim expenses under this method.

The temporary flat rate method

The new temporary flat rate method is a simplified way to claim your home office expenses and can only be used for the 2022 tax year. You are eligible to use this method if you worked from home more than 50% of the time for a period of at least four consecutive weeks in 2022 due to the COVID-19 pandemic. Based on that eligibility, you can claim \$2 for each day you worked at home in 2022. The maximum you can claim using this method is \$500 (250 working days). If more than one person in your family is working from the same home, each person can make a separate claim.

If you were not required to work from home, but your employer provided you with the choice to do so because of the COVID-19 pandemic and you opted for that choice, the CRA will consider you to have worked from home due to COVID-19.

Qualifying workdays include those you worked either full-time or part-time hours from home. Days off, vacation days, sick leave days and other leaves of absence cannot be counted as workdays.

In using this method, you do not have to calculate the size of your work space or keep supporting documents for your claim. In addition, your employer does not have to complete or sign any forms. You will, however, have to complete “Option 1 – Temporary flat rate method” on Form T777S – *Statement of Employment Expenses for Working at Home Due to COVID-19* and attach the form to your personal income tax return. For more information on how to make the claim on your personal tax return, please refer to the [CRA website](#).

For Quebec residents

If you are a resident of Quebec, Revenu Quebec will allow you to use a temporary fixed rate method to claim a personal income tax deduction on your Quebec tax return. The temporary fixed rate method mirrors the federal rules where you can claim a deduction of \$2 for each day you worked at home in 2022 due to COVID-19, up to a maximum of \$500. If you use the temporary fixed rate method, complete only Part 1 and Part 2 of Form TP-59.S-V, Expenses Related to Working Remotely Because of the COVID-19 Pandemic and file it with your Quebec income tax return. Your employer does not need to complete or submit any other forms and you do not need to keep documents to support the deduction.

Qualifying workdays include those you worked either full-time or part-time hours from home. Days off, vacation days, sick leave days and other leaves of absence cannot be counted as workdays.

The detailed method

Determining your eligibility

Under the detailed method, you are eligible to claim a deduction for home office expenses for the period you worked from home, if you meet **all** of the following criteria:

1. You were required to work from home by your employer, or you were given the choice to do so and you opted for that choice, due to the COVID-19 pandemic. Being required to work from home does not have to be part of your employment contract and may be a written or verbal agreement;
2. You were required to pay for expenses related to the work space in your home;
3. The expenses relate directly to your work during the period; and
4. Your work space is where you mainly work (more than 50% of the time) for a period of at least four consecutive weeks. Alternatively, this criteria may be met if you only use your work space to earn employment income and use it regularly and continually for meeting clients, customers or others while doing your work.

Determining your work space expenses

Whether you own or rent your home, the amount you can claim for the work space in your home must be apportioned on some reasonable basis, such as square footage of space used. For example, a reasonable apportionment could be the area of your work space at home divided by the total finished area of your home (including hallways, bathrooms and kitchen). The CRA has provided guidance on how to calculate the size of your work space. Please see the [CRA website](#) for more information.

As an example, assume you have a designated room in your house, such as an office or a spare room that you use only for work. If that room accounts for 20% of your home's total square footage, you can deduct 20% of the expenses related to your work space. This percentage also applies to the amount of rent you can deduct if you rent your home.

If you work in a common area, for example at a kitchen table that has other purposes besides your work, then you must calculate your employment use of that space. You can determine your employment use of the space by calculating the number of hours you use the space for work. For example, if you work 32 hours a week at the kitchen table, you can claim 19% (32 hours worked/168 total hours in a week) of the expenses relating to that space.

If you're the only one working in a particular space in your home, you can claim the whole employment use of that work space. However, if you and another family member share the work space (whether it's a designated area or a common work space) you will each have to calculate a portion of the employment use of the work space you are sharing.

Deduction limitations

If you worked only part of the year from home, you can only claim the expenses you paid in that part of the year. For example, let's say you worked from home from March 15 to May 31, 2022, due to the COVID-19 pandemic, but you went back to the office full-time in June. Due to COVID-19, you worked exclusively from home again in November and December. Assuming you meet all of the relevant criteria, you can claim the work space expenses you paid for those periods you worked exclusively from home, but you cannot claim the expenses you paid for the full year.

Home office supplies

Item	Deductibility
Envelopes	Yes
Folders	Yes
Highlighters	Yes
Ink cartridges	Yes
Notebooks	Yes
Paper clips or binder clips	Yes
Pens or pencils	Yes
Printer paper	Yes
Specialty paper (i.e., graph paper)	Yes
Stamps or postage	Yes
Stationery items	Yes
Sticky notes	Yes
Toner	Yes
Supplies that are capital in nature (i.e., calculators, printers, desks, chairs lamps, etc.)	No
Lease of a cell phone, computer, laptop, tablet, fax machine, etc. that can reasonably relate to earning commission income	No for salaried employees Yes for commissioned employees

If you're the only one working in a particular space in your home, you can claim the whole employment use of that work space.

In addition, keep in mind that it's possible to deduct the expenses related to your home office only to the extent that they do not exceed your employment income for the year (as determined before deducting those expenses). In other words, you can't create or increase a loss for tax purposes by deducting home office expenses. Rather, you are able to carry forward any expenses in excess of your employment income and deduct them against your employment income (from the same employer) in a future year, provided you meet the relevant criteria in that year as well.

Expenses you may be able to claim

The following tables summarize some common home office supplies, work space expenses, as well as cell phone and internet expenses that are deductible, if you meet all of the relevant and respective criteria. For a more comprehensive list, please visit the [CRA website](#).

Home office supplies

With respect to home office supplies, you can claim an item that's used up while directly performing your job. You can claim only the expense, or the portion of the expense, that you use for work.

Work space expenses

Type of expense	Deductibility
Rent	Yes ¹
Utilities (electricity, heat, water)	Yes ²
Repairs and maintenance	Yes ³
Home insurance	No for salaried employees Yes for commissioned employees
Property taxes	No for salaried employees Yes for commissioned employees
Principal mortgage payments	No
Mortgage interest	No
Furniture	No
Capital expenses (replacing windows, flooring, furnace, etc.)	No
Wall decorations	No
Capital Cost Allowance	No

1) If you rent your home, you can claim a reasonable portion of the rent related to the work space. If you own your home, you cannot claim the rental value of the work space in your home.

2) Includes utilities portion (electricity, heat and water) of your condominium fees.

3) You can claim the total amount of the expenses related to your work space only, if the amount paid is reasonable. For example, the cost of light bulbs, repainting your work space, or repairing walls or ceilings after installing phones or other office equipment you used in the work space. You can also claim the percentage of those expenses that relate to your work space, even if the maintenance or repair cost relates to other areas of the home. For example, minor repairs to your home furnace or air-conditioner or the purchase of household cleaning products.

Cell phone and internet expenses

Type of expense	Deductibility
Basic cellular service plan (minutes/data)	Yes ⁴
Monthly basic home phone (landline) rate	No
Long distance telephone calls made for work (for cell phone and landline)	Yes
Home internet access fees	Yes ⁵
Home internet connection fees	No

4) The cost of the plan must be reasonable. The cost of the plan has been reasonably apportioned between employment and personal use. You must be able to show the cellular minutes or data you consumed directly while performing your employment duties (as well as the cost of the minutes or data).

5) The cost of the plan must be reasonable for federal tax purposes. Revenu Quebec has stated that internet fees can be deducted for Quebec tax purposes if they are billed according to use.

Calculating your expenses

Under the detailed method, the calculation of home office expenses is quite complex. The CRA has created a [calculator](#) to help you determine the home office expenses deduction that you're entitled to.

Required forms

In order to claim a deduction for home office expenses, you're generally required to have a completed and signed CRA Form T2200 – *Declaration of Conditions of Employment*, from your employer. By signing the form, your employer is certifying that you are required to pay for your own expenses while carrying out your employment duties and that those expenses are not reimbursed by your employer.

However, to ease the administrative burden on employers, the CRA created a simplified Form T2200S – *Declaration of Conditions of Employment for Working at Home Due*

to COVID-19 which is a simpler version of Form T2200. In order to claim home office expenses under the detailed method in 2022, your employer will need to complete this form to certify that you worked from home in 2022 due to the COVID-19 pandemic and were required to pay for some or all of your home office expenses during that period.

Note that your employer can choose to complete either the T2200 or the T2200S to allow you to claim home office expenses under the detailed method in 2022.

For 2022, the CRA will accept an electronic signature on the Forms T2200 and T2200S to reduce the need for employees and employers to meet in person. Although you're not required to file these forms with your personal income tax return, you should keep a copy of them for at least six years, in addition to any receipts or supporting documents, in case the CRA asks to see them.

In order to make a claim for home office expenses, you will also need to complete Form T777 – *Statement of Employment Expenses* or Form T777S – *Statement of Employment Expenses for Working at Home Due to COVID-19*. Form T777S is a simpler version of Form T777. For more information on how to make the claim on your personal tax return, please refer to the [CRA website](#).

For Quebec residents

If you live in Quebec, in addition to Form T2200S or T2200, you will also need to have your employer complete and sign Form TP-64.3-V – *General Employment Conditions*. As a relief measure during the COVID-19 pandemic, Revenu Quebec will allow employers to complete and sign Form TP-64.3-V electronically and e-mail a copy to you. This form must be filed with your Quebec tax return for 2022.

In order to make a claim for home office expenses on your Quebec personal income tax return under the detailed method, you will need to complete Parts 1 and 3 of Form TP-59.S-V – *Expenses Related to Working Remotely Because of the COVID-19 Pandemic*. If you incurred other types of employment expenses in addition to home office expenses, do not use form TP-59.S-V, rather use Form TP-59-V – *Employment Expenses of Salaried Employees and Employees Who Earn Commissions*.

An example comparing the temporary flat rate method and the detailed method

Craig is a salaried employee who has been working at home during 2022 because of COVID-19. He worked from home a total of 255 days, excluding statutory holidays and summer vacation.

Craig incurred certain expenses in order to work from home that his employer will not reimburse. He changed his internet package, which now costs \$80 per month, and he bought \$70 of office supplies (pens, paper and ink). He also bought \$2,500 worth of furniture (desk and ergonomic chair) and office equipment (printer, calculator and stapler).

Craig designated a room in his home as his office and calculated that his office is 10% of the square footage of his home. He uses the office for work 100% of the time. His utility bill is \$250 per month and his mortgage payments and property taxes total \$2,400 per month.

Craig can make the calculations below to decide which method to use:

Eligible expenses	Temporary flat rate method	Detailed method
Home internet access fees	N/A	\$80 x 12 months x 10% = \$96
Office supplies	N/A	\$70
Utilities	N/A	\$250 x 12 months x 10% = \$300
Total expenses	250 days x \$2 = \$500	\$466

Craig's furniture, office equipment, mortgage payments and property taxes are excluded from the calculation because they are not deductible.

Allowances and reimbursements

To assist you in working from home, your employer may have provided you with an allowance to cover home office expenses such as personal computer equipment or a headset. Or, perhaps your employer may have chosen to instead reimburse you for certain expenses you had to incur.

Generally, an allowance or reimbursement for items such as personal computer equipment will be considered a taxable benefit, and you will be required to include the amount in your income.

The CRA's view is that you have received an economic benefit when you are reimbursed, in whole or in part, for purchasing an asset that you get to keep, even if you use the asset for employment purposes. In addition, if you received an

allowance to cover a portion of your home office expenses, it will generally be considered a taxable benefit regardless of whether you can deduct home office expenses.

However, the CRA recognizes that, due to COVID-19, many employees have needed to purchase computer equipment as well as home office furniture, such as desks and chairs, in order to work from home. Consequently, the CRA confirmed that a reimbursement of up to \$500 for the cost of acquiring personal computer equipment and home office furniture that has enabled you to immediately and properly perform your employment duties will not be a taxable benefit, as the items are mainly for the benefit of your employer. You will need to keep receipts in order to provide supporting documentation.

Please note that \$500 is the maximum amount that can be reimbursed, not \$500 for each piece of computer or office equipment that you may purchase between March 15, 2020 and December 31, 2022. If your employer pays for

or reimburses more than \$500 of computer or home office equipment, the amount over \$500 must be included in your income. For example, if you purchase a computer for \$400 in 2020 and an office chair for \$250 in 2022 that you will get to keep after the pandemic, your employer can reimburse you up to \$500 without you receiving a taxable benefit. If instead your employer reimburses you the full amount (\$650) for these purchases, the amount over \$500 (that is, \$150) must be included in your income.

Keep in mind that you cannot claim a deduction for any expenses that were or will be reimbursed by your employer.

Conclusion

If you have been working from home as a result of the COVID-19 pandemic, it's important to become familiar with the rules for deducting home office expenses. A qualified tax advisor can help determine whether you can claim home office expenses for 2022 as well as which method would be best for you.

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