

Updated: Feb 4, 2022

1. What is a “home office” and how to calculate the space of a “home office”?
  - a. A “home office” refers to a room or space (referred to as the “workspace”) within a contained domestic establishment, which can be your house, condo (if you are a homeowner), or apartment (if you are a renter). The workspace could be areas such as your bedroom, kitchen, or your dining room table.
  - b. The space of the home office or workspace (herein referred to interchangeably) is generally determined based on the square footage of the home office space as a percentage of the total square footage of floor space of all the finished areas within your home including finished basement space. To the extent that the workspace is a shared space that also has a personal use component (for example the kitchen table) then a factor would be applied to ensure that only the employment portion of use is included as noted in the following example.
  - c. Example: Judy uses the kitchen area of her apartment as her home office which represents approximately 20% of the total square footage of her apartment. Judy works approximately 35 hours per week in this area and estimates that the kitchen is used for approximately 28 hours for personal use for the preparation and consumption of meals. The overnight hours or hours where the kitchen is not used is not included as these represent common use time. Based on these facts, Judy is considered to use the kitchen area as a workspace at a ratio of approximately 11%.  $((35\text{hrs} / (35\text{hrs} + 28)) \times 20\%)$ .

*Note: the example which the Canada Revenue Agency (“CRA”) refers to on Form T777S would contend that you should include all hours in the week, including overnight hours, such that the denominator in respect of the allocation of common use time in the example above would be 168 hours (24 hours x 7 days). In a webinar hosted by the CRA on December 17, 2020, when a question was asked about the method of allocation, the CRA’s comment was that a “fair and reasonable” method would be acceptable. Therefore, a factor based on the time the space is actually being used would be considered fair and reasonable.*

2. Three or more individuals living in the same household are working from home, but the rent and utilities were billed to only one of the individuals, can each of the residents claim a proportionate amount of the rent and utilities under the Detailed Method?
  - a. Yes, all three (or more) of them can claim. The CRA is not going to look at the person's name on the bill, but the expenses need to be reasonably distributed. The total costs incurred must be allocated between the individuals working from home if they use the Detailed Method. This would include a young person working at the home of their parents even if they did not pay for the costs. If each adult working from home (including young adults) chooses to follow the Flat Rate Method, they can all claim up to \$500.00 even if working from the same household.
3. I have set up a workspace at home since COVID-19 started. Am I eligible to claim any home office expense?

- a. To qualify for the deduction, you must have principally worked from home for more than 50% of the time over a period of at least four consecutive weeks in 2021
  - b. The employees who worked from home for at least four consecutive weeks in 2021 due to the COVID-19 pandemic would likely qualify. In a situation where we provided you with the choice to work at home because of the COVID-19 pandemic, the CRA will consider you to have worked from home due to COVID-19.
  - c. We will issue the Form T2200S “Declaration of Conditions of Employment for Working at Home Due to COVID-19” to eligible employees to confirm that you were required to work from home.
4. What type of home office expenses can I claim and how much can I claim?
- a. If you are a homeowner, you can claim the following expenses:
    - i. electricity
    - ii. heating
    - iii. maintenance costs, including:
      - 1. light bulbs
      - 2. cleaning materials
      - 3. minor repairs
    - iv. a portion of condominium fees that relate to utilities.
  - b. If you are a renter, you can claim the following expenses:
    - i. electricity
    - ii. heating
    - iii. maintenance costs, including:
      - 1. light bulbs
      - 2. cleaning materials
      - 3. minor repairs
    - iv. rental payments.

Original receipts must be retained for 6 years for all expenses claimed and produced in the event of a CRA audit.

- c. Once the total amount of the above eligible expenses is determined, you would need to multiply that amount by the home office workspace percentage to quantify the amount of deduction you are eligible to claim in respect of the home office expenses as noted in the following example.
  - d. Example: Judy paid \$900/month in rent and began working primarily from home on Jan 01 until December 31. As estimated based on the example in 1. above she is considered to use the kitchen area as a workspace at a ratio of approximately 11%. Therefore, Judy would be eligible to claim a deduction of \$940.50 rent expense ( $\$900 \times 12 \text{ months} \times 11\%$ )
5. I heard about a simplified method that would allow a claim up to \$500. What is the difference between the simplified method and the detailed method?
- a. The simplified method is referred to by the CRA as “temporary flat rate method” that allows a taxpayer to claim up to \$500.00 of home office related expenses in the 2021 tax year. As a contrast, the “detailed method” allows a taxpayer to claim the actual eligible expenses.

- b. Employees would be eligible to use the simplified method if they worked more than 50% of the time from home for period of at least four consecutive weeks in 2021 due to COVID-19.
  - c. Under this method, employees can claim \$2 for each day they worked from home during that period plus any additional days they worked from home in 2021 due to COVID-19. The maximum claim is \$ 500.00 (250 working days) per individual.
6. Both my spouse and I have been working from home due to COVID-19 pandemic. Are we both allowed to claim home office expenses?
- a. If you are using the simplified method, each one of you can claim up to \$500
  - b. If you are using the detailed method to claim the actual amount of home office expenses and shared a common workspace area, the ratio of workspace should be split between you and your spouse.
7. Can I claim office supplies purchased to work from home?
- a. An employee can deduct supplies that are directly used in the course of employment and have not been reimbursed by the University. The following office supplies qualify as a home office expense:
    - i. long distance telephone calls, cellular airtime (also see question 9), and home internet costs (also see question 8) that reasonably relate to the earning of employment income; and
    - ii. stationery items, including writing utensils, paper clips, charts, stamps, toner, ink cartridges, street maps, and directories.

Employees should retain original receipts for 6 years for all office supplies claimed as they will be required if subject to CRA audit.

- b. Employees cannot deduct the following items as supplies:
    - i. the monthly basic service charge for a telephone line
    - ii. amounts paid to connect or license a cell phone
    - iii. special clothing for work
    - iv. safety gear
    - v. tools or equipment
    - vi. briefcases
    - vii. calculators.
8. I purchased office supplies and was reimbursed for the expense by the University. Can I still claim a deduction?
- a. No. Expenses that are reimbursed by the University cannot also be claimed for deduction. This rule is equally applicable if you were reimbursed for any expenses related to workspace in the home.
  - b. This applies to any purchases made by an employee using their **University Purchasing Card (“P-Card”)** and/or **PER account**. These purchases would not qualify as an expense of the employee and would therefore not be deductible by the employee.
9. Can I deduct my internet fees and how much can I claim?

- a. Yes, you can deduct the internet access fees (the cost of the plan must be reasonable) that were not reimbursed by the University. You cannot claim connection fees or the portion of fees related to the lease of modem/router.
- b. Consideration should be given to determining an appropriate method of internet costs allocation between personal use and employment use. Factors that can be considered include time usage (between personal use time and employment use time) and shared time among multiple family members.

*Note: currently, Form T777S indicates that the amount of internet costs that can be deducted should be calculated at the same workspace ratio applied to other home office expenses such as utilities. In a webinar hosted by the CRA on December 17, 2020, when a question was asked about the method of allocation, the CRA's comment was that a "fair and reasonable" method would be acceptable.*

10. Can I deduct my cell phone fees?

- a. An employee can deduct costs of a basic service plan (minutes/data) if they were incurred in the course of earning employment income if the following conditions are met:
  - i. the cost of the plan is reasonable;
  - ii. the taxpayer can substantiate the cellular minutes or data consumed directly in the performance of their employment duties (as well as the costs of the minutes or date); and
  - iii. the cost of the plan is apportioned between employment and personal use on a reasonable basis.
  - iv. the employee has not been reimbursed by the university for the work portion of their cell phone plan.
- b. An employee cannot deduct the cost of connecting or licensing a cell phone.

11. Can I deduct expenses that were reimbursed to me by the **Alberta Blue Cross** Wellness Spending Account?

- a. Generally, expenses reimbursed by the University (i.e., the employer) are not deductible. However, since the reimbursement is considered a taxable benefit and will be reported on the T4 slip, then certain office supplies (see No. 7) may be deductible. If you are reimbursed for an expense that is considered a capital item (e.g., computer equipment, office chair, webcam, laptop stand, etc.), then it cannot be deducted.

12. Can I deduct land-line phone expenses?

- a. The amount related to long-distance telephone calls if made for work can be deducted.
- b. The monthly home phone rate is not deductible.

13. Is computer equipment deductible?

- a. No. Computer equipment is a capital expenditure, meaning it is not consumed in the course of employment. Only supplies directly consumed in the course of employment can be deducted.
- b. The above computer equipment includes, but is not limited to, laptops, monitors, printers, fax machines, and other small electronic equipment (such as keyboards, mouse, webcams).

14. I purchased new office furniture for my home office. Can I deduct these items?

- a. No. Employees cannot deduct the cost of office furniture, including desks, chairs, filing cabinets, lamps and other ergonomic furniture. These are considered capital expenditures, which are never deductible.

15. What forms do I need to claim home office expenses in 2021?

- a. If you are using the simplified method, you would need to make a claim up to \$500 using Form T777S upon filing your personal income tax return.
- b. If you are using the detailed method and only need to claim expenses related to home office and office supplies, you would need to obtain signed T2200S and make such claims using T777S upon filing your personal income tax return.

16. Can I claim expenses on multiple T2200S forms issued by multiple employers?

- a. Yes, an employee can receive a T2200S from each of their employers. However, only the expenses incurred for the time period spent working for each employer are eligible for deduction. Therefore, the issuance of multiple Form T2200S's would not increase the number of expenses that are eligible to be deducted. The employee would simply allocate the expenses incurred to the time worked for each employer during the year. All expenses would need to be prorated to accurately represent the amount of time worked from home for each separate employer.

***The following discussion is related to the eligibility of claims on expenses arising during the COVID-19 working arrangement.***

17. Can I deduct any meal expenses incurred in the course of work?

- a. No.

18. I periodically come into the office to work and pay for parking. Are my parking costs deductible?

- a. No.

19. What documents should I keep in case I am audited?

- a. It is the employee's responsibility to keep records to support all expense claims made on their income tax and benefits return. Employees should keep documentation for every expense deducted. Records can include receipts for items purchased, invoices, monthly bank or credit card statements. These records should be kept for at least 6 years. Employees must also retain the documentation to support the allocation of all cost categories that require allocation between employment and personal use along with any information used to arrive at the allocation percentage.

20. Do I need to provide any of my receipts to my employer?

- a. We have prepared and provided Form T2200S to certify that you have been required to work from home due to COVID-19 and that we have not and will not reimburse you for any home office expenses.
- b. We, as an employer, assume no responsibility for the expenses being deducted by the employee and we stress that you should carefully ensure that only eligible costs that are not reimbursed are to be claimed. We are providing information as a guide to assist employees but will not request copies of receipts which the employee is deducting and will assume no risk if the claim is challenged by tax authorities and is altered or denied.

***We have no expertise in tax matters. It is providing this general guidance and FAQ in support of its employees and does not take on any responsibility with the decision for an employee to make a deduction on their tax return. We recommend that you seek tax advice from your professional tax advisor on this matter.***