

Claiming Home Office Expenses on Your 2020 Personal Income Tax Return

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As noted in our publication, *Update on Canada's Covid-19 Economic Response Plan*, the Canada Revenue Agency ("CRA") will allow employees to claim up to \$400 in expenses incurred as a result of working from home in 2020 due to COVID-19, without the need to track detailed expenses. The allowable amount is based on the amount of time spent working from home and does not require a signed form from employers. Alternatively, employees with larger claims for home office expenses can still choose to use the existing Detailed Method (modified for 2020) to calculate their home office expenses deduction. For Quebec tax filers, Revenu Québec ("RQ") has paralleled these Federal changes for Quebec provincial income tax purposes for 2020.

This publication briefly outlines the two methods for employees claiming 2020 home office expenses, namely:

- I. The Temporary Flat Rate Method; and
- II. The Detailed Method.

For full details of the 2020 changes, eligibility criteria, a complete list of eligible expenses and example calculations, please refer to the [CRA website](#) and/or [RQ website](#). Note that individuals earning business (vs. employment) income, such as self-employed professionals, are subject to different home office expense tax rules than those covered herein for employees, and should consult with their external tax advisor for assistance.

Temporary Flat Rate Method

To use the (simplified) Temporary Flat Rate Method to claim 2020 home office expenses that you paid, you must have worked more than 50% of the time from home for a period of at least four consecutive weeks in 2020.

Provided you are only claiming home office expenses (and are not claiming any other employment expenses), and assuming that your employer did not reimburse you for all of your home office expenses, you can claim \$2 for each day you worked from home during that period, and any additional days you worked at home in 2020 due to the COVID-19 pandemic. The maximum an individual can claim for the Temporary Flat Rate Method is \$400, although a separate claim can be made for any other qualifying family members working from the same home.

This simplified method has the advantage of not requiring a calculation of your work space details or expenses incurred, nor does it require any supporting documents or forms signed by your employer. The claim can be made on Form T777S,

Statement of Employment Expenses for Working at Home Due to Covid-19, included with your Federal personal tax return (Form TP-59.S-V, *Expenses Related to Working Remotely Because of the COVID-19 Pandemic* for those filing a Quebec income tax return).

If you have a larger claim, you can still choose to use the Detailed Method, instead, to calculate your 2020 employment expenses, as noted in the next section.

Detailed Method

Eligibility criteria

To claim your actual expenses in 2020, you must meet all of the following conditions:

- you worked from home in 2020 due to the COVID-19 pandemic or your employer required you to work from home;
- you were required to pay for expenses related to the workspace in your home;
- this space is where you worked more than 50% of the time for a period of at least four consecutive weeks in 2020, or the space was only used to earn employment income (and it was used regularly and continually for meeting clients, customers or other individuals while doing your work);
- your expenses are used directly in your work; and
- you obtained a completed and signed copy of Form T2200S, *Declaration of Conditions of Employment for Working at Home Due to COVID-19*, or Form T2200, *Declaration of Conditions of Employment*, from your employer. For a provincial claim in Quebec, employers must complete Form TP-64.3-V, *General Employment Conditions*, which should be filed with your Quebec tax return.

Expenses you can claim

If you are claiming the employment portion of the actual amounts you paid, you will need to determine the size and use (employment and personal) of your work space to calculate your claim for home office expenses. Expenses should be allocated on a “reasonable basis,” which is typically done by dividing the workspace area by the total finished area of the home (including hallways, bathrooms, kitchens). For common or shared areas which are also used for other purposes, the claim must be further prorated based on the employment use of the space (e.g., number of hours the space is used for work).

All salaried employees and commission-based employees can claim the employment portion of the following home office expenses:

- utilities (e.g., electricity, heat, water) or the utilities portion of your condominium fees;
- monthly home Internet access fees;
- maintenance and minor repair costs (related to the work space portion only); and
- rent paid for a house or apartment where you live (reasonable portion related to the work space).

Office supplies (such as envelopes, pens, pencils, printer ink cartridges, etc.) or certain phone expenses may also be claimed if your employer requires you to pay for these expenses. As these expenses are not related to the physical workspace in your home, they are claimed in a different section of the required forms noted in “How to claim.”

Commission-based employees who sell goods or negotiate contracts (i.e., they typically have an income amount in box 42 on their T4 slip), can claim some additional expenses that salaried employees cannot, such as home insurance, property taxes or the lease costs for a cell phone, computer, laptop, etc., that reasonably relate to earning commission income.

Salaried employees and commission-based employees cannot claim the following expenses:

- mortgage interest;
- principal mortgage payments;
- home Internet connection fees;
- furniture;
- wall decorations; and

- capital expenses (e.g., replacing windows, flooring, furnace, etc.).

Note that you cannot claim any expenses that were, or will be reimbursed by your employer, and that the amount you can claim for home office expenses is limited to the amount of your employment income (after deducting all other employment expenses). Accordingly, you cannot use home office expenses to create or increase a loss from employment; however, the excess expenses can generally be carried forward to a future year.

How to claim

- If you are only claiming home office expenses, you will need to complete Form T777S, *Statement of Employment Expenses for Working at Home Due to COVID-19*, when filing your 2020 personal income tax return.
- You should complete Form T777, *Statement of Employment Expenses*, if you are claiming additional employment expenses such as motor vehicle, accounting fees, tools, or parking.
- For those filing a Quebec personal income tax return under the Detailed Method, you will need to complete Form TP-59.S-V, *Expenses Related to Working Remotely Because of the COVID-19 Pandemic*, or Form TP-59-V, *Employment Expenses of Salaried Employees and Employees Who Earn Commissions*, if claiming other types of employment expenses in addition to home office expenses.

Conclusion

As a result of the COVID-19 pandemic many Canadians began working from home for the first time in 2020, and are now seeking clarification on how to claim associated home office expenses for tax filing purposes. Although the CRA and Revenue Québec have simplified the rules governing tax deductibility in 2020, many nuances and complexities remain. As such, it is strongly recommended that you consult with your tax advisor for assistance to confirm your eligibility to claim any 2020 home office expenses, determine the appropriate methodology, and complete the necessary reporting forms.

For more information, please speak with your BMO financial professional.



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