



February 2021

New temporary flat rate methods for Home Office Expense due to Covid-19

The new temporary flat rate method allows eligible employees to claim a deduction of \$2 for each day worked from home due to Covid-19. The maximum claim is up to \$400 for 2020 tax year.

This amount is supposed to substitute for actual home office expenses paid by an employee i.e. rent, hydro, internet, office supplies and unreimbursed cell phone costs. An employee will qualify for the deduction even if **they choose** to work from home due to Covid-19. Number of days worked from home includes part-time and full time days excluding time off for any reason. An employee must adopt a detailed home office claim method if he/she chooses to claim other employment expenses (for example auto expenses).

An employee must meet all of the following conditions to qualify for the flat rate method:

- Work from home due to Covid -19
- Work from home for more than 50% for a period of at least a month
- Claim only home office expense that were not reimbursed by employers

Use Form T777S – “Statement of employment expenses for working at home due to Covid-19”. The form can be download the form from CRA web site.

Detailed method for Home Office Expense

If an employee chose a detailed method for claiming home office expense then all of following conditions must be met:

- Worked more than 50% of the time from home for a period of at least a month (four consecutive weeks) in 2020. The period can be longer than a month.
- Have a completed and signed Form T2200S, Declaration of Conditions of Employment for Working at Home Due to COVID-19, from your employer, and
- Keep all your supporting documents

Form T777S will guide you about the eligible expense for home office claim.

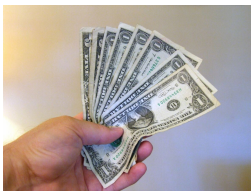
Note following are **not eligible** for home office:

- Capital cost allowance
- Mortgage interest
- Principal mortgage payments
- Capital expenses (replacing windows, flooring, furnace, etc.)
- Office equipment (printer, fax machine, briefcase, laptop case or bag, calculator, etc.)
- Monthly basic rate for a landline telephone
- Cell phone connection or license fees
- Purchase of a cell phone, computer, laptop, tablet, fax machine, etc.
- Computer accessories (monitor, mouse, keyboard, headset, microphone, speakers, webcam, router, etc.)
- Other electronics (television, smart speaker, voice assistant, etc.)
- furniture (desk, chair, etc.)

Determining the percentage of home work space

All finished areas within the home count towards the size of home including hallways, bathrooms and kitchen. You can measure total size of your home in square feet and allocate a reasonable space you use for home office. For example, total finished area of your home 1,000 square feet and you are using 150 square feet for home office, then you can claim 15% of eligible expenses as home office expense.

The best method for the tax advantage point will depend upon case by case. However, in this case renters may have higher eligible expenses than homeowners.



Things to remember for Covid-19 support payments

- Canada Emergency Response Benefit (CERB) payments are taxable. CRA did not withhold taxes on CERB payments which means there may be taxes owing when you file your tax return. CRA will issue T4A slip (or T4E) showing CERB amount.
- Canada Emergency Student Benefit (CESB) payments are taxable. CRA will issue T4A slip for the CESB payments.
- Special one-time payments are not taxable
- Canada Emergency Wage Subsidy (CEWS) is taxable

- Canada Emergency Rent Subsidy (CERS) is taxable
- 10% Temporary Wage Subsidy (TWS). CRA expects that a claimant must report the subsidy amount as income for the same year that source deduction remittances were reduced.
- Canada Emergency Business Account (CEBA). Under this program a total of \$60,000 business loans were given and up to \$20,000 of the loan may be forgiven, as long as the program's conditions are met and the loan remaining balance is repaid by December 31, 2022. The part of the loan that is forgivable is included in the income in the year the loan was received under paragraph 12(1)(x) of the ITA. A company may also choose to reduce the amount of expenses rather than including in the income. If a corporation repays the loan after December 31, 2022 and for any reason was not eligible for the \$20,000 loan forgiveness then a deduction can be claimed at the time of repayment of the loan.



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