



CESTNICK

TAX MATTERS

Working from home amid the pandemic? Here's more of what you need to know about deducting home office expenses

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A common question I've been asked during this pandemic is simply this: Can I claim home-office expenses now that I have to work from home? You'd think the answer would be clear – but it's not. Still, I'm all for common sense and good arguments to rule the day. A few days ago, I [wrote online](#) about the requirements you have to meet to claim home-office expenses (tgam.ca/cestnick-WFH), and suggested that you should be able to deduct these costs if your employer requires you to work from home, at least half the time, during this pandemic. Let's finish off the conversation today.

THE BASICS

There are really three categories of people who may be able to claim a deduction for home office expenses: employees, commissioned salespeople and the self-employed. To complicate things, each of these groups is entitled to deduct different expenses.

To be allowed a deduction for home-office expenses, your home must either be your principal place of work (more than half your working time must be spent there), or it must be a space designated solely for your work and used on a regular and continuous basis for meeting customers or clients.

The question, [which I dealt with last time](#), is whether employees who are required to work from home for just part of the year – during the COVID-19 pandemic – will meet the test to claim home-office expenses. I concluded that you should be allowed these deductions.

THE DEDUCTIONS

So, what exactly can you claim? As I mentioned earlier, the type of deductions you can claim will differ depending on your status. The pickings are slimmer if you're an employee, in which case you can claim a portion of any rent, heat, hydro, repairs,

maintenance (including annual landscaping costs) and supplies (including mobile phone air-time, long-distance charges, pens, pencils, paper, ink, etc.).

If you're a commissioned salesperson, you can add to this list a portion of property taxes and insurance as well. If you're self-employed, the news gets even better because you can also add a portion of mortgage interest and capital cost allowance (CCA), which is depreciation on your home (more about CCA in a minute).

Keep in mind, the deductible portion of these costs is based on the portion of your home used for work, and the time it was used for work. The taxman has only asked that you prorate your expenses using a reasonable approach. For example, you could figure out what percentage of your home is used for work by dividing the square footage of your work space by the total finished area of your home (the CRA suggests you should include hallways and bathrooms in the calculations).

You should also prorate your costs for the time that the space is used for work. If, for example, you work from home for a limited time, say from March 15 to June 15, then you would only include costs that pertain to that time period (i.e., three out of 12 months for property taxes, etc.). Also, if the space is used 75 per cent of the time for work, and 25 per cent by your kids for their homework, then you would deduct 75 per cent of your expenses otherwise calculated.

Some costs may relate solely to your work space (such as paint or cleaning materials for that area of your home), in

which case you could claim those costs fully.

THE PLAN

Here are some tips for you: First, you can still claim your principal residence exemption if you use your home for work provided your work space is ancillary to the main use of your home as a residence, you make no structural changes to your home to create the space to work from home and you claim no CCA on your home. So, for those who are self-employed, you generally want to avoid claiming CCA for this reason.

If you're an employee, your employer will have to sign Form T2200 (in Quebec, Form TP-64.3-V), to prove that you were required to have an office at home and worked there more than half the time during at least part of the year. It might be a good idea to speak to your employer about this now so there's time for your employer to research the issue and make the decision to help employees in this way.

Also, the amount you can deduct is limited to the amount of your employment or self-employment income earned during that period of the year you're working from home. Any excess deduction can be carried forward to be claimed in future years provided you're still working from home and qualify for deductions in those years.

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