



CESTNICK

TAX MATTERS

How to generate tax relief while doing landscaping during the pandemic

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The website [MedPageToday.com](https://www.medpagetoday.com) bills itself as a reliable source for information for health care professionals. The site has information about all types of diagnoses, including injuries of various sorts. It's amazing how people get hurt. Evidently, there have been injuries caused by, among other things, knitting and crocheting, hot air balloon collisions and gardening or landscaping.

There have been medical articles published that liken the risk of injury from gardening to that of playing rugby, and riskier than skiing. But don't let any medical journal dissuade you from spending time and money on your landscaping this year – particularly amid COVID-19. First, it gets you outdoors and can be therapeutic. Next, it can give rise to tax relief. Let me explain.

REQUIREMENT TO WORK FROM HOME

I've written before about the opportunity for employees and the self-employed to claim home office expenses when working from home, and how

the current pandemic should give rise to deductions if your employer has required you to work from home for part of the year. Whether you own or rent, the types of expense that can be claimed can include landscaping costs.

If 2020 ends up being the only year in which you're entitled to claim expenses related to your workspace at home, this year may represent the best time to do some of that landscaping you've been thinking about.

CARRY ON A BUSINESS

Self-employment, even part-time, is still one of the greatest tax shelters available. How so? You can of course claim landscaping costs, but you will also be able to claim a deduction for any costs related to earning income from your business, as long as they're reasonable in amount. It is important that your home is your principal place of business (or you meet certain other tests) to be able to claim a portion of home expenses, including landscaping.

For many Canadians who have lost their jobs or face reduced work hours because of COVID-19, self-employment may help to close the gap financially. If you're in this boat, take advantage of the deductibility of landscaping costs if you can.

The portion of your landscaping costs that you can claim will be equal to the proportion of your home used for business purposes. For example, if 20 per cent of your home is used for work, then 20 per cent of your eligible landscaping costs will be deductible. Also, there are other things to consider when claiming expenses related to the use of your home for employment or business purposes if you want to preserve your principal residence exemption, [so check out my previous article](https://tgam.ca/Cestnick-WFH) (tgam.ca/Cestnick-WFH).

RENT OUT A ROOM

Not interested in carrying on a business from home? Then consider renting out a room or two to generate some rental income, and create the opportunity to deduct a portion of home-related costs, including landscaping. The portion of your landscaping costs that can be deducted will equal the percentage of your home that you are renting out.

You'll want to preserve your ability to claim the principal residence exemption on your home, so make sure you meet three tests: 1) the rental portion of your home should be ancillary to the use of your home as your own residence (if you're renting out more than half your home, you'll have a problem here); 2) you should not make structural changes to your home to create rental space; and 3) you should avoid claiming capital cost allowance (CCA, or depreciation for tax

purposes) on that area of your home that you're renting out.

CREATE A TAX-WISE LAYOUT

The principal residence exemption is available to shelter from tax up to half a hectare (about 1.25 acres) of land connected to your home. The amount of land eligible for the exemption can be increased if you can show that the excess land is necessary for the use and enjoyment of the property as a residence. You could design your landscaping, for example, such that your pool is farther away from your house, or your home is set back from the road more, requiring a longer driveway, deeming more of your land to be necessary for the use and enjoyment of your home as a residence.

CONSIDER CURRENT VERSUS CAPITAL

Some landscaping costs will be "current" expenditures, which make them deductible, and others could be "capital" in nature, which means they won't be deductible, but instead would be added to the cost amount of your home. Current costs are generally those that reoccur after a short period, such as planting annual flowers, painting exterior wood, or adding mulch to your gardens. Capital costs generally provide a lasting benefit and extend the useful life of your property or improve it beyond its original condition (such as installing a pool or regrading the slope of your yard).

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