



CESTNICK

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TAX MATTERS

## Some year-end tax strategies for employees

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You can't blame employees for feeling they're in a tough spot today financially. And to add insult to injury, employees get less tax relief than just about any other group of Canadians. If you're an employee, what's your tax picture shaping up to look like for 2020? To quote author F.J. Raymond: "Next to being shot at and missed, nothing is really quite as satisfying as an income tax refund."

Many employees feel this way. As we approach year-end, I'd like to share some ideas that can allow employees to avoid the problem of paying more than their fair share of taxes. Some of these ideas can save tax in 2020, and some will set you up for savings next year.

### NEGOTIATE A HOME OFFICE

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With so many employees working from home today employers have had a chance to see what this looks like for their businesses. Even beyond the pandemic, negotiate with your employer the requirement to work from home more than half the time. This will open

the door to deduct certain home-office costs on a continuing basis. Your employer will have to sign form T2200 as evidence of this requirement.

### VERIFY YOUR HOME OFFICE.

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If you're one of the millions of Canadians who has been working from home for part of 2020, be sure to speak with your employer now about providing verification (on form T2200, or the short version) for 2020. See my article dated Oct. 15 for more on this requirement for 2020, but to make a long story short, you'll be permitted a deduction for home-office expenses if you were required to work from home at least half the time during one or more periods of four continuous weeks in 2020.

### REQUEST A TELEWORKING GIFT

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The Canada Revenue Agency announced on April 24 that employees can receive a reimbursement of up to \$500 on a tax-free basis from employers for the costs of teleworking equipment (printers,

scanners, shredders, desks, etc.). You'll own the equipment, not your employer – so it's a tax-free benefit.

### DEAL WITH YOUR COMPANY CAR

Does your employer provide you with a car to drive? If so, you may be familiar with the ugly “stand-by charge” or “operating cost benefit.” These are taxable amounts for having a company vehicle available to you for personal use. You can reduce the stand-by charge by reducing the number of days between now and year-end that the car is available to you (keep personal use under 50 per cent if you can). And you can reduce the operating cost benefit by reimbursing your employer for some or all of the operating costs on or before Feb. 14, 2021. You might also consider purchasing the car from your employer at its depreciated value to avoid these taxable benefits next year.

### ASK FOR COURSES AND SCHOLARSHIPS

If COVID-19 has changed your role at work, or you could benefit from an upgrade in education, ask your employer to pay for job-related courses, which are a tax-free benefit to you. You might also ask your employer to set up a scholarship program that can provide tax-free scholarships to the children of employees. Also, starting in 2020, you may be able to claim the new Canada training credit on tuition fees paid by employees aged 25 to 65 who enroll at an eligible educational institution (it may be a good time to pay for some tuition before year-end).

### ASK FOR NON-CASH GIFTS OR AWARDS

Did you know that your employer can hand out a maximum of \$500 tax-free to each employee in the form of non-cash gifts or awards each year? Consider approaching your employer with the idea of receiving gifts or awards, perhaps in lieu of cash bonuses, since you'll pay no tax on them.

### REDUCE TAXES DEDUCTED FROM YOUR PAY

As we approach year-end, now is the time to apply to the taxman to reduce the amount of tax deducted from your pay for 2021. You may be a good candidate for this idea if you'll be claiming certain deductions or credits in 2021 that will save you tax – often resulting in a refund. Why not avoid the refund in April, 2022, when you file your 2021 tax return and increase your take-home pay each payday in 2021 instead? The types of costs that can give rise to a reduction in taxes withheld from your pay include contributions to a registered retirement savings plan, certain support payments, moving expenses, charitable donations, etc.). File federal form T1213, or in Quebec file form TP-1016-V. Once the government sends you a letter of approval, you can provide it to your employer to reduce your taxes deducted at source.

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