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TAX MATTERS

## Here are the rules for claiming home-office expenses in 2022

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Working from home. Ah yes, where work and personal time can be indistinguishable, actual productive hours are questionable, the WiFi can be lamentable, your dog barking on a Zoom call is predictable, your spouse crawling on the floor behind your chair but still on screen is laughable, and pants are optional.

Been there. Done that. The good news? All of this can lead to tax savings if you claim home-office expenses. With the pandemic in its late stages, people are asking the question: What are the rules for claiming home-office expenses in 2022? Let me share a recap – and an update – of two approaches, and look at the steps to take before year-end to ensure you’re saving taxes if you can.

### The flat-rate method

It’s been the case for many years that employees and self-employed folks can claim home-office expenses if certain criteria are met – and those rules are still in place today. But the rules can be complicated and claiming the expenses can be a lot of work.

So, as a result of the pandemic and many people working from home from early 2020, the taxman created a simplified way for employees to claim home-office expenses for 2020 and 2021. This simplified approach – called the “flat rate method” – has now been extended and will apply to 2022 as well. A reading of the eligibility criteria on the government’s website suggests that this approach may be allowed in 2023, too.

The flat-rate method allows you to claim a deduction if you worked from home in 2020, 2021 or 2022 because of the pandemic. To claim expenses, you had to have worked from home at least 50 per cent of the time for a period of at least four consecutive weeks in the year. You can make a claim even if working from home was your decision and your employer didn’t require it.

If you use the flat-rate method, you don’t have to add up your specific home-office expenses or keep supporting documents for those costs. Nor do you have to calculate the percentage of your home used for work, or have your employer sign any forms. Rather, you can just claim \$2 for each day that you worked

from home to a maximum of \$400 for 2020, or \$500 for each of 2021 and 2022.

What qualifies as a workday at home? Any day where you worked full- or part-time will count. But you can't include days off (weekends or statutory holidays), vacation days, sick leave days or other leaves of absence.

Here's a tip: If you haven't worked from home in 2022 for half the time during any four-week period yet this year, there's still time to speak to your employer to meet this test between now and Dec 31. If you meet this "half-the-time-for-four-consecutive-weeks" test, then you can claim \$2 for every day in the year that you worked from home. This won't make you rich, but a deduction of up to \$500 could save you between \$120 and \$268, depending on which province you live in and your level of income.

By the way, you can't use the flat-rate method if you're claiming any other employment deductions, such as vehicle expenses, office supplies, travel, food or other expenses claimed on Form T777, Statement of Employment Expenses.

### **The detailed method**

As a general rule, the flat-rate method is going to be a lot easier and probably provides a larger deduction than the traditional method of deducting home-office costs – called the "detailed method" – for many people. If you're a renter, however, or you simply have many large expenses related to your home, then it could make sense to use the detailed method.

Under the detailed method, you can claim a deduction for a portion (based on the percentage of your home used for work) of the following costs: Rent, electricity, heat, water, condo fees, internet access, landscaping and repairs and maintenance. If you're a commissioned employee you can also add home insurance, property taxes and technology lease costs (cellphone, laptop, tablets, etc.). Sorry, but mortgage interest can never be claimed by an employee – only self-employed folks.

If you use the detailed method, you'll need your employer to provide a completed and signed Form T2200S or T2200 to verify that you worked from home during the pandemic and were required to pay your own expenses related to that workspace. You'll also have to keep supporting documents for all your home-related costs.

Finally, don't be surprised if the taxman chooses to review your home-office expenses when you use the detailed method. There's an audit project on the go where the Canada Revenue Agency is looking closely at these claims (See my article from Oct. 13 for some examples of taxpayer experiences).

*Tim Cestnick, FCPA, FCA, CPA(IL), CFP, TEP, is an author, and co-founder and CEO of Our Family Office Inc. He can be reached at [tim@ourfamilyoffice.ca](mailto:tim@ourfamilyoffice.ca)*