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Tax Alert – Canada

CRA provides update on home office expense deduction

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

On 18 January 2022, the Canada Revenue Agency (CRA) provided a long-awaited update on the process for claiming home office expenses for the 2021 taxation year.

For the most part, the process for 2021 will be substantially similar to the process that the CRA introduced for 2020 as a result of the COVID-19 pandemic.

Background

On 15 December 2020, the CRA released detailed guidance on the home office expense deduction that employees could claim on their 2020 personal income tax return. The two alternative methods that were available for employees to claim home office expenses for 2020 were (1) the “detailed method”, which was similar to the traditional deduction for home office expenses, and (2) the “temporary flat rate method”, which provided a deduction of \$2 per workday at home (to a maximum of \$400).

Form T2200 *Declaration of Conditions of Employment* was not required for employees to claim a deduction under the temporary flat rate method for 2020. The CRA also introduced a simplified version of Form T2200 (Form T2200S *Declaration of Conditions of Employment for Working at Home Due to COVID-19*) for employees seeking to claim only home office expenses under the detailed method.

For further information on the two alternative methods for claiming home office expenses, see [EY Tax Alert 2020 Issue No. 62](#).

As part of the Economic and Fiscal Update 2021 tabled on 14 December 2021, the federal government announced that the temporary flat rate method will apply to 2021 and 2022, with the limit being increased from \$400 to \$500.

Many employers have been awaiting guidance on whether the Form T2200S will apply to 2021 and whether the conditions for completing the form have changed.

What's new for 2021?

For 2021, the temporary flat rate method and the detailed method continue to be available for employees to claim home office expenses. As in 2020, employers are not required to complete and sign a Form T2200 in respect of employees using the temporary flat rate method for claiming home office expenses. As well, Form T2200S is available for employees seeking to claim only home office expenses under the detailed method for 2021. Home internet access fees continue to be eligible expenses under the detailed method for 2021.

Form T777S *Statement of Employment Expenses for Working at Home Due to COVID-19*, which is a form that the employee completes and files with his or her personal tax return, has been updated to reflect that the maximum deductible amount under the temporary flat rate method has been increased to \$500 for 2021. Form T777S has also been updated to provide the option to carry forward an amount of home office expenses from the previous taxation year.

Quebec harmonization

On 16 December 2020, Quebec's Department of Finance announced that it would harmonize its rules with the CRA to offer a deduction of \$2 per workday at home as well.

As in 2020, in 2021, where the temporary flat rate method is used, the employee will not have to obtain Form TP-64.3, *General Employment Conditions* (the Quebec equivalent of Form T2200) from their employer nor keep supporting documentation to substantiate their claim. Revenu Québec has released the Form TP-59.S *Expenses Related to Working Remotely Because of the COVID-19 Pandemic* for employees who use the temporary flat rate method or the detailed method to claim home office expenses for 2021. Consistent with the federal rules, the maximum deductible amount under the temporary flat rate method is \$500 for 2021.

Learn more

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