

The home expense deduction under Canadian law



Toronto, Jan 16, 2021 (Issuewire.com) - [1040 Abroad](#) also offers the preparation of [Canadian tax returns](#) and this post addresses the deductibility of business expenses when preparing a [Canadian tax return on form T1](#). Feel free to contact us with any Canadian tax questions.

Question: I worked from home due to COVID. Can I write off my home expenses on my taxes?

Answer: As with most tax-related questions, the answer is both yes and no.

Under normal circumstances, for home office expenses to be deductible, your working from home should have been a condition in your employment contract. COVID forced many to work from home in 2020, causing CRA to not only reconsider some of their rules in 2020 but to also simplify the process to make home office administration easier. Here are some examples of home office expenses that are now deductible:

- Rent paid to live in your home
- Minor maintenance costs and cleaning supplies
- Monthly internet charges (new in 2020. Excludes internet activation costs)
- Utilities, hydro, water, electricity
- Office supplies not reimbursed by your employer
- Cell phone minutes

Employees earning a commission may also deduct the following

- Property tax

- Home insurance
- Lease of a cell phone, computer, laptop, etc. that can be reasonably connected to earning commissions

The following are not deductible:

- Mortgage interest or principal payments
- Furniture
- Large repairs or maintenance (i.e. installing new floors, replacing windows, etc.)
- Wall decoration

There are two options to claiming these expenses on your tax return:

- **Simplified Method** – this method is for those who do have not kept their receipts or wish to keep the home office expense calculation simple. CRA permits a \$2 per day deduction up to a maximum of \$400. You will need a signed T2200S from your employer to deduct these expenses. While you are not required to include the T2200S with your taxes, you must keep it in case CRA asks to see it.
- **Detailed Method** -- If you want to claim the employment portion of the actual amounts you paid, use the [Detailed Method](#) to determine the prorated amount of your claimable home expenses. You will need to split the expenses between your employment use and personal use of your home. You will need the signed T2200S your employer to use this method. In addition, you will need to file the T777S Statement of Employment Expenses for Working at Home Due to COVID-19 with your tax return. To qualify to use this method, your employer would have asked you to work from home due to COVID, and the space you use as your office is used more than 50% of the time for work, and you worked from home for at least four weeks.

Calculating Business Use of Home Expenses:

You rent a 1000 square foot apartment, and you have a second bedroom that you use as your office, exclusively for work. Your home office is 100 square feet. Since your office represents 10% (100/1000 square feet) of your home, you would be able to deduct 10% of the value of all your home expenses.

For more information, please [contact us](#) at owagner@1040abroad.com

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