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ARTICLE

CRA consults stakeholders on employee work-from-home expense deduction

In response to pleas for clarity and guidance from employees and the tax community, on September 11, 2020, the Canada Revenue Agency (CRA) conducted a consultation hosted by the Canadian Chamber of Commerce. The purpose of the consultation was to obtain feedback on the employee work-space-in-the-home deduction availability and compliance measures (T2200 form).

As anticipated in our [previous publication](#), the CRA is working on providing clarity on the availability of this deduction during the [COVID-19 pandemic](#). The CRA consultation session followed BLG's request to the Income Tax Rulings Directorate at the CRA, as well as other taxpayer enquiries.

Eligibility for home office expenses

During the September consultation, the CRA confirmed that the requirement to work from home does not need to be in writing. In cases where there is no written agreement, a "meeting of the minds" between the employer and the employee that the work must be done from home satisfies this requirement. It is expected that many employees forced to work from home under current COVID restrictions will meet this implied work-from-home requirement. During the consultation session, CRA acknowledged that taxpayers require clarity with respect to what the CRA considers to constitute a "meeting of the minds" for the purposes of eligibility for this deduction.

Clarification was also sought with respect to the expenses that qualify for the deduction and the manner in which those expenses should be calculated. The CRA said it will provide clarification, including one or more examples of qualifying expenses and calculations.

Employer compliance – form T2200 vs T4 amendments

At this time, the CRA still requires employers to provide employees with a T2200, although it has been shortened and simplified. As part of the consultation session, the CRA asked for input on its proposed revised "short-form" T2200 (see [draft T2200 Short and the work-space-in-the-home deduction](#)). While this revised form may help reduce administrative work slightly, those providing input during the consultation emphasized that it is still a burdensome requirement that will result in significant costs for large employers. BLG strongly supports alleviating this administrative burden by amending the T4 slip.

The short-form T2200 generally obtains two pieces of information with respect to each employee: first, whether the employee was required to work from home; and second, the amount, if any, the employer reimbursed the employee for related work-from-home expenses. This information can be acquired simply by adding a check box to the T4 for the first requirement, and adding a numerical box to the T4 for the second requirement.

Takeaway

The CRA appears to understand that the current T2200 is unworkable while workplace restrictions due to COVID-19 remain in place. We hope the CRA will recognize there is no need for a form, and that a simple amendment to the T4 slip would suffice. In addition, we expect to see further guidance and examples on the requirements that must be met and the expense claims that can be made by employees for work-space-in-the-home expenses incurred during COVID-19.

By: [Joseph \(Hovsep\) Takhmizdjian](#), [Alessandro Cotugno](#), [Natasha Miklaucic](#)

Services: [Corporate Commercial](#), [Tax](#), [Labour & Employment](#)

Key Contacts

Joseph (Hovsep) Takhmizdjian
Partner

📍 Montréal

✉ JTakhmizdjian@blg.com

📞 [514.954.2538](tel:514.954.2538)

Alessandro Cotugno
Senior Associate

📍 Montréal

✉ ACotugno@blg.com

📞 [514.395.3891](tel:514.395.3891)

Natasha Miklaucic
Partner

📍 Toronto

✉ NMiklaucic@blg.com

📞 [416.367.6233](tel:416.367.6233)

Randy Morphy
Partner

📍 Vancouver

✉ RMorphy@blg.com

📞 [604.640.4216](tel:604.640.4216)

Pamela L. Cross
Partner and National Business Leader, Tax

📍 Ottawa

✉ PCross@blg.com

📞 [613.787.3559](tel:613.787.3559)

Laurie Goldbach
Partner

📍 Calgary

✉ LGoldbach@blg.com

📞 [403.232.9707](tel:403.232.9707)