CRA releases improved guidelines for employee home office expense deductions

December 15, 2020

Following up on the 2020 Fall Economic Statement, the CRA has further responded today to ongoing requests from employees, employers and the tax community for guidance on the employee work-space-in-the-home deduction availability and compliance measures (T2200 form) as COVID-19 restrictions remain in place. As anticipated in our previous publication, the CRA appears to understand the administrative burden the current T2200 requirement would have on employers for 2020 and has worked to provide an alternative approach. BLG has been in discussion with CRA officials and received information expected to be helpful to both employers and employees.

What's new?

In the 2020 Fall Economic Statement CRA announced that a simplified Home Office Expense Deduction will be offered, in addition to an improved detailed deduction. Generally, employees working from home in 2020 due to the COVID-19 pandemic with modest expenses will have an ability to claim up to $400 in expenses on a simplified basis, which we understand will be part of the employee's tax return. The portion of the $400 that will be deductible will be based on the portion of time the employee worked from home during COVID-19 (*e.g.* 50 per cent of the time would result in a $200 deduction). There will be no need to track expenses and no need to obtain a T2200 from the employer.

The result of this announcement is that two options are available to employees for claiming a deduction for the expenses they incur in respect of a home office:

- A simplified format where employees will be limited to a maximum $400 deduction, but with no compliance work involved.
- A detailed format reminiscent of the old format, which will require employers to sign a new short form T2200 and employees will have to calculate the amount they are entitled to deduct.

Employer compliance – Form T2200S

Based on our discussions with CRA officials, we understand that the “short form” T2200S (see draft T2200 Short and the work-space-in-the-home deduction) will account for comments and feedback the CRA received this Fall. It appears the concerns of employers and the tax community, including BLG, to alleviate the burden of this compliance measure resonated with CRA and Finance and have been carefully considered.

Today’s CRA Release

Today’s release includes (i) a summary of the eligibility requirements and process; (ii) quick facts and associated links to assist taxpayers find information, forms and guidance; and (iii) information about permitted (non-taxable) employer-provided benefits and allowances including commuting, costs, home office equipment and meals. The CRA is offering consultation sessions with interested taxpayers on December 18, 2020 from 1:00-2:00pm EST (register at: (English) Home Office Expenses Q&A Session) and on January 14, 2021 (two sessions, one in English and one in French - more information to be provided in the New Year).

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