Home office expenses: CRA provides additional guidance for 2023

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In January 2024, the CRA issued an updated T2200 Declaration of Conditions of Employment for the 2023 taxation year. The updated Form T2200 is designed to be easier for employers to complete where the employee is only seeking to claim a deduction for home office expenses. From 2023 onwards, employers are not required to provide a handwritten signature on Form T2200. The CRA will now accept an electronic signature.

The CRA has updated the T2200 so that employers only have to complete the first six questions in cases where an employee is just claiming home office expenses. The remaining questions in the T2200 relate to travel, vehicle and other expenses.

In an effort to alleviate potential compliance burden for employers, and as a result of more employees working from home during the COVID-19 pandemic, the CRA introduced the temporary flat rate method. In general terms, where certain conditions were met, this method provided a deduction of up to $400 in employment expenses in 2020 and up to $500 in 2021 and 2022. The temporary flat rate method did not require an employee to track expenses or to obtain a Form T2200.

In December 2023, the CRA confirmed that the temporary flat rate method is not available for the 2023 taxation year. Therefore, employees must revert to the use of the more detailed method and obtain a completed Form T2200, reviewed and signed by their employer, to claim home office expenses for 2023.

Under the detailed method, an employee must be required to work from home in order to claim a deduction for home office expenses. Helpfully, the CRA has provided "for 2023, if an employee has voluntarily entered into a formal telework arrangement with their employer, the employee is considered to have been required to work from home". The agreement can be either written or verbal and does not need to be part of an employment contract.

In addition, and consistent with the Federal rules, the flat rate method will not apply for Québec provincial income tax purposes for 2023 and employees must revert to using the detailed method and obtaining form General Employment Conditions (TP-64.3-V).

Revenu Québec has not however published harmonized guidance on the process for claiming home office expenses for 2023. In particular, it remains unclear whether, for Québec's provincial income tax purposes for 2023, (i) an employee who enters into a voluntary work-from-home arrangement would meet the criteria of being required to maintain a home office (*e.g.*, is a written contract necessary); and (ii) an employee would have to work from home more than 50 per cent of the whole year to claim home office expenses, or whether the test could be met over a shorter period (*e.g.*, four consecutive weeks).

The supply of a T2200 form to an employee does not invoke the employer's liability with respect to any potential excessive or unfounded deductions an employee may claim. In that regard, the employer is simply certifying that the specified conditions required for claiming home office expenses are met by the employee.

Takeaway

In January 2024, the CRA issued an updated T2200 for 2023, a completed and signed copy of which employees need to obtain from their employer to claim employment expenses under the "detailed" method, the only method available for 2023. Based on updated CRA guidance, there is a broad interpretation with respect to whether an employee is required to work from home, which is one of the eligibility criteria for claiming home office expenses.

For additional questions on the CRA's guidance on home office expenses, please reach out to any of the authors or key contacts listed below.

By

Natasha Miklaucic, Alessandro Cotugno

Expertise

Tax, Commodity Tax

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BLG Offices

Calgary

Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa

World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver

1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

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