



Home-office expenses: Post-COVID rules

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Under the *Income Tax Act*, if you are an employee who is required to pay for employment expenses that are not reimbursed by your employer, including those for a home office, you may be able to claim a deduction on your income tax return for such expenses. Millions of employees started to work from home as a result of the COVID-19 pandemic. Although many employees have now returned to their workplace, many continue to work from home either entirely, or as part of a hybrid work arrangement. As such, the ability to deduct various home office expenses from your income will, once again, be top of mind this tax filing season if you are such an employee.

You may recall that for the tax years from 2020 through 2022, the government permitted simplified procedures for claiming home-office expenses for employees who were required to work from home due to COVID-19. For example, in 2022, employees could use what was known as the "simplified method" to claim home office expenses, claiming \$2 per day for each day worked at home to a maximum of \$500. For 2023, the simplified method is no longer permitted.

In light of this change, let's review the tax deductibility of home-office expenses for employees under the updated rules.

Requirements to claim home-office expenses

Required to work from home

To be entitled to deduct home-office expenses, you must be required to use a part of your home for work. The CRA has confirmed that the requirement to maintain a home office need not be part of your contract of employment, and it will be sufficient if there is a verbal or written agreement. For instance, if you voluntarily enter into a telework arrangement with your employer, you will be considered to have been required to work from home. This arrangement could be hybrid and continue to satisfy this condition. It will also be satisfied if you work from home due to a medical condition that cannot be accommodated by your employer in the employer's premises.

If you only work from home for part of the year, you can only claim expenses paid during the part of the year that you worked from home. You cannot claim the entire year's expenses.

Use of work space

There are two acceptable ways to use a work space and claim home office expenses.

The first way is if the home work space is where you "principally" (more than 50% of the time) perform your duties of employment for a period of at least 4 consecutive weeks. If you agree to work from home 3 days per week, or 3 weeks from home out of every 4 week period, this condition would be satisfied. The condition can also be satisfied if you work part-time such as an arrangement where you work 3 days per week, 2 of which are from your home office. If, on the other hand, you work 3 days per week, and only one of those is from a home office, you won't satisfy this requirement. Your work space can be a designated room which is used only for work, or it can be in a common area that has other purposes such as a kitchen table where you work part of the time.

The second way to use a home office and be able to claim home office expenses is if the work space is both used exclusively to earn employment income, and is also used on a regular and continuous basis to meet (in person!) with clients, customers or other people while you work.

Employee pays for expenses

You must pay for the expenses, and cannot claim any expenses that are reimbursed by your employer. The expenses must be used directly in your work.

Form T2200

You must obtain a signed CRA form [T2200- Declaration of Conditions of Employment](#) from your employer. This is a form that the employer fills out to certify the conditions of employment and that you were required to pay expenses.¹

Detailed method

For the 2020 to 2022 tax years, the CRA allowed employees to choose to use the simplified method to claim home-office expenses. Starting with the 2023 tax year, the simplified method is no longer permitted and employees must use the detailed method.

Under the detailed method, you must calculate all expenses that are eligible for the home office expense deduction. Where there's a mix of both personal and work elements to an expense, you may only claim the portion of the expense that can be reasonably allocated to employment use. If you worked from home for only part of the year, you can only claim expenses paid for the part of the year that you worked from home at least 50% of the time for at least 4 consecutive weeks.

You will be required to complete CRA form [T777 Statement of Employment Expenses](#) and file it with your income tax return. You must also obtain a signed form T2200, but you're not required to attach it to your tax return, although you are required to keep it in case the CRA asks to review it.

What home-office expenses can be claimed?

You can claim a variety of expenses, such as the cost of utilities, rent, maintenance and minor repair costs, and home internet access fees (but not internet connection fees or leasing costs associated with a modem or router). You can't deduct mortgage interest, property taxes, home insurance, capital expenses (such as changing a furnace or windows) or depreciation (capital cost allowance).² That means the cost of a new, ergonomic office chair isn't deductible, nor is the cost of a large, widescreen monitor, both of which are considered capital expenses. The cost of many office supplies, such as envelopes, paper, pens and sticky notes, are also deductible.

For utilities, rent and other expenses for the home in general, you need to allocate the expenses on a "reasonable basis" to determine the portion related to employment use. This is typically done by taking the area of the work space divided by the total finished area (including hallways, bathrooms, kitchens, etc.) of the home. You cannot include expenses related to a part of a home that was not used as a work space, such as the cost of repainting a bedroom where you did not work.

Home office expense calculations

The home office expense deduction is calculated based on eligible home office expenses and the percentage of the home's area that's used for a home office. If there is no designated home office space, the calculation is also based on the amount of time worked from home in the common area. If spouses or partners are both eligible to claim home office expenses, they may need to choose the portion of the eligible expenses each will claim. The following examples show that these calculations can be quite complex.

¹ The employer is not legally obliged to issue a Form T2200 certificate, but CRA expects the employer to issue one if the employee meets the conditions to claim employment expenses, including home office expenses.

² Commissioned employees can deduct additional expenses such as home insurance and property taxes.

Individual working from a designated space in an owned home

Sacha owns a condo that's 1,000 square feet and works in a spare room that's 200 square feet (20% of the home's area). Mortgage interest of \$1,000 per month cannot be claimed. Sasha can only claim a portion of his monthly condominium fees if he can calculate the portion of the fees that relates to the electricity, heat, and water he used within his personal unit using a reasonable basis. The utilities that Sasha pays directly, plus the portion of utilities paid as part of his condo fees, total \$2,400 for the year. These utility costs are the only expense that Sasha can claim.

Full time work from home

Suppose Sacha works full-time from home. He can claim \$480 ($\$2,400 \times 20\%$).

Hybrid work from home

Suppose Sasha works 5 days per week, with 3 days working from home and 2 days working in his employer's office. Since Sasha's spare room is a designated office space, he does not need to prorate the expenses based on the 60% of the time he works from home. Sasha can still claim \$480 ($\$2,400 \times 20\%$).

Multiple periods of work from home

Suppose Sasha works 8 months from home and 4 months in his employer's office. Utility costs vary in the year and, in the 8 months while Sasha worked from home, totalled \$1,800. Sacha can claim \$360 ($\$1,800 \times 20\%$). He cannot claim utilities for 4 months that he worked from his employer's office.

Individual working from a designated space in a rented home

Britt rents a home that's 1,000 square feet and works in a spare room that's 200 square feet. Rent is \$2,500 per month, or \$30,000 for the year, and utilities total \$2,400 for the year.

Full time work from home

Suppose Britt works full-time from home. She can claim \$6,480 [$(\$30,000 \text{ plus } \$2,400) \times 20\%$].

Hybrid work from home

Suppose Britt works 5 days per week, with 3 days working from home and 2 days working in her employer's office. Since Britt's spare room is a designated office space, she does not need to prorate the expenses based on the time she works from home. Britt can still claim \$6,480 [$(\$30,000 \text{ plus } \$2,400) \times 20\%$].

Multiple periods of work from home

Suppose Britt works 8 months from home and 4 months in her employer's office. In the 8 months while Britt worked from home, she paid rent totalling \$20,000 and utilities totalling \$1,800. Britt can claim \$4,360 [$(\$20,000 \text{ plus } \$1,800) \times 20\%$]. She cannot claim rent or utilities for the months that she worked from her employer's office.

Spouses or common-law partners working full time from a designated space in a rented home

Suppose Morgan and Jessie are married and work full-time from home. Like Britt, their annual rent is \$30,000 and utilities are \$2,400, for a total of \$32,400 in the year.

If they share an office that is 20% of the area of their home, a total of \$6,480 ($\$32,400 \times 20\%$) can be claimed. Morgan could claim \$6,480, or Jessie could claim \$6,480. Alternatively, Morgan and Jessie could each claim a portion of the total, provided they don't claim more than \$6,480 between them.

Now suppose that, instead, Morgan has a home office that's 5% of the area of their home and Jessie has a separate office that's 15% of the area of their home. Morgan can claim \$1,620 ($\$32,400 \times 5\%$) and Jessie can claim \$4,860 ($\$32,400 \times 15\%$).

Individual working from a common area in a rented home

Calinda rents a home that's 1,000 square feet and works from the table in her kitchen, which is 200 square feet (20% of the home's area). Calinda works 8 hours per day for 5 days each week. Rent is \$2,500 per month, or \$30,000 for the year, and utilities total \$2,400 for the year.

Full time work from home

Suppose Calinda works full-time from home. Since she works 23.8% (8 hours per day times 5 days per week, divided by 168 hours in a week) of the time from her kitchen, she can claim \$1,542 [(\$30,000 plus \$2,400) times 20%, times 23.8%].

Hybrid work from home

Suppose that Calinda works 3 days from home and 2 days in her employer's office. Since she works 14.3% (8 hours per day times 3 days per week, divided by 168 hours in a week) of the time from her kitchen, Calinda can claim \$927 [(\$30,000 plus \$2,400) times 20%, times 14.3%].

Multiple periods of work from home

Suppose Calinda works 8 months from home and 4 months in her employer's office. In the 8 months while Calinda worked from home, she paid rent totalling \$20,000 and utilities totalling \$1,800. Since she works 23.8% (8 hours per day times 5 days per week, divided by 168 hours in a week) of the time from her kitchen in the months that she worked from home, Calinda can claim \$1,038 [(\$20,000 plus \$1,800) times 20%, times 23.8%]. She cannot claim rent or utilities for the months that she worked from her employer's office.

Calculating your own home office expenses

The CRA has introduced an online calculator that you can use to [Calculate your expenses](#). Be sure to give yourself extra time when preparing for filing your tax return to gather all the necessary information and calculate your home-expenses, especially if it's the first time you'll be using the detailed method.

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