

# Frequently Asked Questions

1. What is a “home office” and how to calculate the space of “home office”?
  - a. A “home office” refers to a room or space (referred to as the “work space”) within a self-contained domestic establishment, which can be your house, condo (if you are a home owner) or apartment (if you are a renter). The work space could be areas such as your bedroom, kitchen or your dining room table.
  - b. The space of home office or work space (herein referred to interchangeably) is generally determined based on the square footage of the home office space as a percentage of the total square footage of floor space of all the finished areas within your home. To the extent that the work space is a shared space that also has a personal use component (for example the kitchen table) then a factor would be applied to ensure that only the employment portion of use is included as noted in the following example.
  - c. Example: Judy uses her kitchen area of her apartment as her home office which represents approximately 20% of the total square footage of her apartment. Judy works approximately 40 hours per week in this area and estimates that the kitchen is used approximately 28 hours for personal use for the preparation and consumption of meals. The overnight hours or hours where the kitchen is not used is not included as these represent common use time. Based on these facts, Judy is considered to use the kitchen area as a work space at a ratio of approximately 12%.  $((40/(40+28) \times 20\%))$ .

*Note: the Canada Revenue Agency (“CRA”) would contend that you should include all hours in the week, including overnight hours, such that the denominator in respect of the allocation of common use time in the example above would be 168 hours (24 hours x 7 days). In a webinar hosted by the CRA on December 17, 2020, when a question was asked about the method of allocation, the CRA’s comment was that a “**fair and reasonable**” method would be acceptable. Therefore, a factor based on the time the space is actually being used would be considered fair and reasonable.*

2. I have set up a work space at home since COVID-19 started. Am I eligible to claim any home office expense?
  - a. To qualify for the deduction, you must have principally worked from home as a result of COVID-19 for a period of at least four consecutive weeks, or you have been using the work space exclusively to earn employment income on a regular and continuous basis for meeting customers or clients.

- b. Employees who worked from home for at least four consecutive weeks in 2020 due to the COVID-19 pandemic would likely qualify. In a situation where we provided you with the choice to work at home because of the COVID-19 pandemic, the CRA will consider you to have worked from home due to COVID-19.
  - c. McGill will issue the Form T2200S “Declaration of Conditions of Employment for Working at Home Due to COVID-19” to all employees to confirm that you were required to work from home. For the same purpose, we will issue the Form TP-64.3-V for filing your Quebec income tax return.
3. What type of home office expenses can I claim and how much can I claim?
- a. If you are a home owner, you can claim the following expenses:
    - i. electricity
    - ii. heating
    - iii. maintenance costs, including:
      1. light bulbs
      2. cleaning materials
      3. minor repairs
    - iv. portion of condominium fees that relate to utilities.
  - b. If you are a renter, you can claim the following expenses:
    - i. electricity
    - ii. heating
    - iii. maintenance costs, including:
      1. light bulbs
      2. cleaning materials
      3. minor repairs
    - iv. rental payments.
  - c. Once the total amount of the above eligible expenses is determined, you would need to multiply that amount with the work space percentage estimated in No. 1 to get to the amount of deduction you are eligible to claim in respect of the home office expenses as noted in the following example.
  - d. Example: Judy paid \$900/month in rent and began working primarily from home on March 15 until December 31. As estimated in No. 1 example, she is considered to use the kitchen area as a work space at a ratio of approximately 12%. Therefore, Judy would be eligible to claim a deduction of \$1,026 rent expense ( $(\$900 \times 9.5 \text{ months}) \times 12\%$ ).

4. I heard about a simplified method that would allow a claim up to \$400. What is the difference between the simplified method and the detailed method?
  - a. The simplified method is referred to by the CRA as “temporary flat rate method” that allows a taxpayer to claim up to \$400 in home office related expenses in the 2020 tax year. As a contrast, the “detailed method” allows a taxpayer to claim the actual eligible expenses that exceed \$400.
  - b. Employees would be eligible to use the simplified method if they worked more than 50% of the time from home for a period of at least four consecutive weeks in 2020 due to COVID-19.
  - c. Under this method, employees can claim \$2 for each day they worked from home during that period plus any additional days they worked from home in 2020 due to COVID-19. The maximum claim is \$400 (200 working days) per individual. This method can only be used for the 2020 tax year.

*Note: upon using the simplified method, you cannot claim any other employment expenses (for example motor vehicle expenses).*

5. Both I and my spouse have been working from home due to COVID-19 pandemic, are we both allowed to claim home office expenses?
  - a. If you are using the simplified method, each one of you can claim up to \$400.
  - b. If you are using the detailed method to claim actual amount of home office expenses and shared a common work space area with each other, the ratio of work space should be split between you and your spouse.
6. Other than expenses related to the work space in home, can I claim office supplies?
  - a. An employee can deduct supplies that are directly used in the course of employment. The following office supplies qualify as a home office expense:
    - i. long distance telephone calls, cellular airtime (also see No. 9) and home internet costs (also see No. 8) that reasonably relate to the earning of employment income; and
    - ii. stationary items, including writing utensils, paper clips, charts, stamps, toner, ink cartridges, street maps and directories.
  - b. Employees cannot deduct the following items as supplies:
    - i. the monthly basic service charge for a telephone line
    - ii. amounts paid to connect or license a cell phone
    - iii. special clothing for work
    - iv. safety gear

- v. tools or equipment
  - vi. briefcases
  - vii. calculators.
7. I purchased office supplies and was reimbursed for the expense. Can I still claim a deduction?
- a. No. Deductible expenses that are reimbursed cannot also be claimed for deduction. This rule is equally applicable if you were reimbursed for any expenses related to work space in home.
8. Can I deduct my internet fees and how much can I claim?
- a. Yes, you can deduct the internet access fees (the cost of plan must be reasonable). You cannot claim connection fees, or the portion of fees related to the lease of modem/router.
  - b. Consideration should be given to determining an appropriate method of internet costs allocation between personal use and employment use. Factors can be considered include time usage (between personal use time and employment use time) and shared time among multiple family members.
- Note: currently, Form T777S indicates that the amount of internet costs can be deducted should be calculated at the same work space ratio applied to other home office expenses such as utilities. In a webinar hosted by the CRA on December 17, 2020, when a question was asked about the method of allocation, the CRA's comment was that a "**fair and reasonable**" method would be acceptable.*
9. Can I deduct my cell phone fees?
- a. An employee can deduct basic service plan (minutes/data) if they were incurred in the course of earning employment income, if the following conditions are met:
    - i. the cost of the plan is reasonable;
    - ii. the taxpayer can substantiate the cellular minutes or data consumed directly in the performance of their employment duties (as well as the costs of the minutes or date); and
    - iii. the cost of the plan is apportioned between employment and personal use on a reasonable basis.
  - b. An employee cannot deduct the cost of connecting or licensing a cell phone.
  - c. Employer paid plans are NOT deductible as the employee is not incurring the cost.
10. Can I deduct land-line phone expenses?

- a. The amount related to long distance telephone calls if made for work can be deducted.
  - b. Monthly basis home phone rate is not deductible.
11. Is computer equipment deductible?
- a. No. Computer equipment is a capital expenditure. Only supplies directly consumed in the course of employment can be deducted.
  - b. The above computer equipment includes, but is not limited to, laptop, monitors, printers, fax machines, and other small electronic equipment (such as keyboards, mouse, webcams).
12. I purchased new office furniture for my home office. Can I deduct these items?
- a. No. Employees cannot deduct the cost of office furniture, including desks, chairs, filing cabinets, lamps, and other ergonomic furniture. These are considered capital expenditures, which are never deductible.
13. I heard that I could claim the GST/HST/QST rebate separately from the home office expenses on my income tax return. How would I know if I am eligible to do so? What is the benefit of claim the rebate separately?
- a. You are eligible for a rebate of GST/HST/QST paid on home office expense since the University as the employer is GST/HST registrant and QST registrant.
  - b. When you choose to claim the rebate, the amount of GST/HST/QST you paid on home office expense would be returned you dollar per dollar. If you claim the gross amount of home office expenses, the amount of tax saving of on such deduction will be factored by the income tax rate you are subject to.
14. What forms do I need to claim home office expenses in 2020?
- a. If you are using simplified method, you would need to make a claim up to \$400 using Form T777S (TP-59S for Quebec) upon filing your personal income tax return.
  - b. If you are using the detailed method and only need to claim expenses related to home office and office supplies, you would need to obtain signed T2200S (TP-64.3-V for Quebec) and make such claims using T777S (TP-59S) upon filing your personal income tax return.

- c. If you are using the detailed method and need to deduct employment expenses beyond claims related to home office and office supplies (e.g., motor vehicle expenses), you would need to obtain a signed T2200 (TP-64.3-V) and make such claims using T777 (TP-59-V) upon filing your personal income tax return. An updated Form T777 will be released by the CRA on January 18, 2021.
15. Can I claim expenses on multiple T2200S (TP-64.3-V) forms issued by multiple employers?
- a. Yes, an employee can receive a T2200S (TP-64.3-V) from each employer they work for. However, only the expenses incurred for the period of time spent working for each employer is eligible for deduction. Therefore, the issuance of multiple Form T2200S's (TP-64.3-V) would not increase the amount of expenses which are eligible to be deducted, it would simply allocate the expenses incurred to the time worked for each employer during the year. All expenses would need to be prorated down to accurately represent the amount of time worked from home for each separate employer.

***The following questions are related to eligibility of claims on expenses arising during COVID-19 working arrangement.***

16. Can I deduct any meal expenses incurred in the course of work?
- a. Most likely no. Food and beverage expenses can only be deducted if the employee is required to work away from their municipality or metropolitan area where they normally report for work for at least 12 consecutive hours. Employees working from their home office who pay for meals likely do not satisfy these criteria. Even if you do satisfy these conditions, you can only deduct up to 50% of the cost of the expenses.
17. I periodically come into the office to work and pay for parking. Are my parking costs deductible?
- a. It depends. Typically, employees have not been allowed to deduct parking expenses related to traveling from their home to the office. Daily or monthly parking passes are personal, rather than employment, costs. These expenses are not incurred in the course of earning employment income, so are non-deductible. However, a recent Tax Court of Canada decision found that expenses related to the drive between a taxpayer's home office and employer's place of business, including parking fees, were deductible. The employee was required to perform 90% of her employment duties at her home office, and she did not have any office space at her employer's place of business. Employee's in a similar situation may also be able to deduct their parking fees.

18. What documents should I keep in case I am audited?
- a. It is the employee's responsibility to claim the expenses on their income tax and benefits return and to keep records to support the claim. Employees should keep documentation for every expense they want to deduct. Records can include receipts for items purchased, invoices, monthly bank or credit card statements. These records should be kept at least 6 years. Employees must also retain the documentation to support the allocation of all cost categories that require allocation between employment and personal use along with any information used to arrive at the allocation percentage.
19. Do I need to provide any of my receipts to my employer?
- a. McGill has prepared and provided Form T2200/T2200S (TP-64.3-V for Quebec) to certify that you have been required to work from home due to Covid-19 and that we have not and will not reimburse you for any of home office expenses.
  - b. As an employer, McGill assumes no responsibility for the costs being deducted by the employee and we stress that you should carefully ensure that only eligible costs that have not been reimbursed are to be claimed. We are providing information as a guide to assist employees but will not request copies of receipts which the employee is deducting and will assume no risk if the claim is challenged by tax authorities and is altered or denied.

***Given that the CRA and Revenu Quebec typically take a similar approach to work space expenses, this guide only addresses the general rule from the CRA for illustration purpose. For Quebec, this guide only highlights instances where their approaches differ.***

***The University has no expertise in tax matters. It is providing this general guidance and FAQ in support of its employees and does not take on any responsibility with the decision for an employee to make a deduction on their tax return. We recommend that you seek tax advice from your professional tax advisor on this matter.***

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*The advice contained herein is based on the facts and assumptions stated herein. You have represented to us that you have provided us with all facts and assumptions that you know or have reason to know are pertinent to this matter. If these facts and assumptions are not entirely complete and accurate, it could have a material effect on our advice. Our advice takes into account the applicable provisions and published judicial and administrative interpretations of the relevant taxing statutes, the regulations thereunder and applicable tax treaties. Our advice also takes into account all specific proposals to amend these authorities or other relevant statutes or tax treaties publicly announced prior to the date of our advice, based on the assumption that these amendments will be enacted substantially as proposed. Our advice does not otherwise take into account or anticipate any changes in law or practice, by way of judicial, governmental or legislative action or interpretation. These authorities are subject to change, retroactively and/or prospectively, and any such changes could have an effect on our advice and may result in incremental taxes, interest or penalties. Unless you specifically request otherwise, we will not update our advice to take any such changes into account.*

*If you carry on business or reside in Québec, Québec introduced legislation that prohibits a taxpayer who has carried out a transaction, or series of transactions, that is subject to a Revenu Québec final assessment based on the general anti-avoidance rule, from being able to obtain authorization from the Autorité des marchés publics (AMP) to bid for or obtain public contracts. The taxpayer will be listed in the Register of Enterprises Ineligible for Public Contracts for a period of five years from the time the name is entered on the list.*

*Advice relative to tax matters outside of Canada is based on tax advice provided by the KPMG International member firm in the particular country and on the relevant tax authorities in that country.*

*Our advice is limited to the conclusions specifically set forth herein. We provide no advice and express no opinion with respect to any other federal, provincial or foreign tax aspect of the matters described herein, nor with respect to any legal or other matters other than those specifically addressed herein. The Canada Revenue Agency and/or any other relevant provincial tax authority and/or foreign tax authority and/or other governmental tax authority (collectively a **Tax or Revenue Authority**) could take a different position with respect to the matters addressed herein, in which case it may be necessary for you to defend this position on appeal from an assessment or litigate the dispute before the courts, including one or more appellate courts, in order for our advice to prevail. If a settlement were reached with a Tax or Revenue Authority or if such appeal and litigation were not, or were not entirely, successful, the result would likely be different from the advice we provide herein. Unless expressly provided for, our services do not include representation in the event of a challenge by a Tax or Revenue Authority or litigation before any court.*

*Our advice is for the sole use of our client. The advice is based on the specific facts and circumstances and the scope of our engagement and is not intended to be relied upon by any other person. We disclaim any responsibility or liability for any reliance that any person other than our client may place on this advice.*