

## **WORK FROM HOME HERE TO STAY – CRA NEEDS TO MAKE THE T2200 SHORT FORM PERMANENT**

### **Issue**

COVID-19 has resulted in a new normal. More employees are working from home, and that has led many to the question: what expenses can be deducted? The CRA's current calculation of work-at-home-expenses only allows for a very minor reimbursement, which is less than the current reality of working from home.

You should be able to claim on anything you pay to carry out business operations. Right now, only commissioned employees and business owners can claim certain things, and the employee is not given the chance

The Federal Government implemented the T2200 Short Form in 2020/2021. This form simplified the process for employers substantially, but it is not permanent. Reverting back to the long version of the T2200 Short Form will result in substantial red tape (administrative burden), more time spent away from focusing on the operation and growth of the business, and confusion.

### **Background**

The employer completes a T2200 form to certify an employee's eligibility for certain deductions that they can claim against your employment income. Your employer fills in information about duties required, expenses, travel, commissions and if you were required to work from home for any amount of time.

However, there is the likelihood of work politics to be in play to complete in some work environment (i.e. acknowledgement by the employer of costs that the employee is incurring that the employer is not reimbursing). They are also often completed incorrectly.

The new reality is that many employees are now working from home where they will be using their own resources to complete operations on behalf of the company for which they work. This will lead to the need to complete the T2200. This will add a layer of administrative burden during a time of precariousness.

Some large employers must fill out a form for hundreds and even thousands of employees. This decreases productivity, increases the burden, and diverts attention from growth and innovation. To claim deductions, the place where the work is being completed needs to be a principal place of employment (more than 50% of the time or a location where clients meet with them). Once eligible, there is no provision for the space in your house (i.e. mortgage interest). Property tax/insurance are limited to commission employees. There is no consideration given in the T2200 form for utilities and maintenance. Employers, on the other hand, have been able to claim interest on owned property, property tax, commercial insurance, and utilities. Costs of employment are being downloaded to employees and the provisions are too rigid and time consuming to allow for them to claim these expenses. This needs to change.

### **Burden on business**

Many people have moved to working from home. The employer is administratively burdened with an archaic T2200 system, which needs to reflect the new reality.

Many employees at larger firms are choosing to either work from home permanently or adopt a hybrid model. This is a trend that is being observed worldwide. Our Federal tax code needs to reflect this new reality as well and ensure that the business community, with their workforce, is prepared for any changes that are coming down the pipeline.

The United Kingdom has already implemented a tax relief claim for extra costs as a result of being required (or opting to) working from home. Employees can claim \$10 CDN a week from 6 April 2020 (for previous tax years the rate is £4 a week) as long as evidence of extra costs are kept such as receipts, bills or contracts. Employees will get tax relief based on the rate at which they pay tax. For example, if the employee pays the 20% basic rate of tax and claim tax relief on £6 a week, they will get £1.20 per week in tax relief (20% of £6). They have a simple online questionnaire that employees complete in order to determine if they are eligible to claim on expenses while working from home. Once they qualify, they use an online portal to apply. Once the application has been approved, the portal will adjust an individual's tax code for the 2020-21 tax year. The employee will receive the tax relief directly through their salary and will continue to receive the adjustment until March 2021.<sup>1</sup>

In Canada, a tax-free reimbursement of \$500 is available to employees for expenses incurred while working from home paid by the Canada Revenue Agency (CRA). Instead of employees requesting the T2200 and employers having to fill it out for each employee, a simple fix might be to provide this reimbursement to all employees, however, administrative work would still be necessary.

The T2200 has been seen as an inconsistent tool for reimbursement. You can deduct the part of your costs that relates to your workspace, such as the cost of electricity, heating, maintenance, property taxes, and home insurance. However, you **cannot** deduct mortgage interest or capital cost allowance, whereas you can deduct part or all of your rent.<sup>1</sup>

### **The Current Tax Regime**

In the 2021 tax cycle, the Government of Canada condensed the T2200 into the T2200 Short, which may not be permanent. The T2200 Short reduced the amount of information a business needed to provide for employees to deduct certain expenses. There was a reduction from three pages to a single page. This simplification of the form is a welcome reduction in red tape and burden for businesses as a result of the changing workplace.

Hybrid working models have been in place since work from home restrictions were lifted mid 2020. Some employers allow employees to work from home for part of the week and work in an office for another part. Other businesses have decided that employees can work from home permanently. Others decided that employees can decide on their own if they want to work from home. The modified tax forms must be made permanent to account for the changing workplace structure.

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<sup>1</sup> [https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4044/employment-expenses.html#P220\\_10437](https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4044/employment-expenses.html#P220_10437)

Business relies on predictability to operate efficiently. If the Government of Canada decides to revert to the original, cumbersome, T2200 long form, there will be inefficiencies, excess burden on businesses, and a learning curve costing the business.

### **THE CHAMBER RECOMMENDS**

That the Federal Government:

1. Ensure that work from home tax deductions are consistent among business owners, non-commission employees and commission employees and include mortgage interest, rent, property tax, capital cost allowances, and property insurance;
2. Make the simplified T2200 Short form permanent, and;
3. Educate employers of the \$500 reimbursement available to employees tax-free, and streamline this incentive to be similar to the United Kingdom system.

**Submitted by the Surrey Board of Trade**

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<sup>i</sup> <https://www.theguardian.com/money/2020/oct/16/working-from-home-tax-relief-hmrc-covid>