

Kathryn Edwards

Home Office = Tax Savings

More and more self-employed or employed individuals are working from their homes today.

As a result, many are taking advantage of certain tax savings. Even if your home is not your only place of work, you may still be able to claim a “home office” deduction on your personal tax return if certain criteria are met.

Who Can Claim a Home Office Deduction?

Employees whose employer requires them to work from home could claim home office expenses on their tax return, if the following criteria are met.

- Under your contract of employment, you are required to provide your own work space (home office) and you had to pay your own expenses in this regard.
- Your employer completes and signs a T2200 form, Declaration of Conditions of Employment, which confirms the requirement for a home office.
- The work space in your home is where you mainly do your work or it is an area in your home dedicated to employment use, i.e., you use it on a regular and continuous basis for meeting customers or clients.

A self-employed individual may generally claim home office expenses when the following criteria are met.

- The home office is the principal place of business of the individual or the work space is used exclusively for business purposes and on a regular and continuous basis for meeting clients, customers, or patients.

How Much Can Be Claimed?

Both eligible employees and self-employed individuals can claim the following expenses as part of their home office.

- Utilities: heat/lights/water
- Maintenance: cleaning materials
- Rent

In addition to the above, a self-employed individual or a qualified employee who earns commission income may also claim:

- property taxes;
- home insurance.

And, for a qualified self-employed individual, one more home office expense may also be included.

- Mortgage interest

Once the total of the above expenses is determined, you may deduct only a reasonable portion of that total on your tax return. This percentage must be determined on some reasonable basis, such as the percentage of the total area of your home that the work space represents. For example, if 10 percent of the square footage of your home is dedicated to your work space, then 10 percent of the applicable expenses may be claimed.

- Employees: You claim your home office deduction using form



T777, Statement of Employment Expenses.

- Self-employed individuals: On your statements of business or professional income (forms T2124 or T2032), there is an area for claiming home office expenses. The forms are on the Canada Revenue Agency (CRA) Website: www.cra-arc.gc.ca.

Limitations to the Deduction

A self-employed person may not create or increase a business loss by claiming home office expenses. For self-employed individuals, however, the excess amount that cannot be claimed in the year may be carried forward and deducted in the subsequent year, as long as the required criteria are met on a continuous basis.

An employee may claim only home office expenses to the extent of the related employment income. Any excess amount may be carried forward to be deducted in the subsequent year, but only against income from the same employer.

Would You Like to Know More?

For further reading, visit the CRA Website at www.cra-arc.gc.ca and look up the following documents:

- Interpretation Bulletin IT352R2;
- Employee's Expenses; Including Work Space In Home Expenses;
- Interpretation Bulletin IT514; Work Space In Home Expenses. ▲

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