

## This Month:

- Home office expenses for 2021 and 2022
  - Local Lockdown Program

## Home Office Expenses – extended rules for 2021 and 2022

Normally employees can only claim home office expenses as a deduction on their personal return if the terms of their employment contract require them to maintain an office at home. The employer would certify on form T2200 that the employee was required to maintain an office at home and was not reimbursed for these costs.

Millions of Canadians were required to work from home during the pandemic. To help support this transition to working from home, in 2020 the government permitted workers to use a temporary flat rate method to calculate their deduction for home office expenses. The temporary flat rate method simplified the claim for home office expenses. The employer was not required to complete the T2200 certification form. For employees, instead of computing actual home office costs based on square footage of home use, the flat rate method allowed a deduction of \$2 per day the employee was required to work from home, or if the employer provided them with the choice to work from home because of the pandemic. One condition was that the employee was required to have worked more than 50% of the time from home for a period of at least four consecutive weeks in 2020, due to the pandemic. This test was easily met due to the lockdowns that occurred.

As workplaces around the country continue to grapple with the return to the office, many Canadians continue to work from home for all or part of their jobs. To continue to support Canadians working from home due to the pandemic, the government has announced that they will extend the simplified rules for deducting home office expenses and increase the temporary flat rate to \$500 annually. These rules will apply to the 2021 and 2022 tax years.

The CRA will be providing further guidance on how the flat rate method will apply going forward. Presumably the employers will again be exempt from issuing the T2200 in such cases and that the daily deduction rate will be \$2 per day. However, the CRA has not provided further details nor updated their website at the time of this writing.

## Local Lockdown Program

As part of the Covid19 support measures that were announced this fall (Tourism & Hospitality Recovery Program, Hardest-Hit Business Recovery Program), there was a local lockdown program that would grant the maximum amount of wage and rent subsidy programs, regardless of revenue losses over the past 12 months, if a business was subject to a complete lockdown based on a regional health restriction.

On December 17th, the Department of Finance **expanded access to the local lockdown program where there is a capacity restriction as opposed to a complete lockdown.** A business can now qualify if:

- one or more of its locations is subject to a public health order that has the effect of reducing the entity's capacity at the location by 50 per cent or more, and
- activities restricted by the public health order accounted for at least 50 per cent of the entity's total qualifying revenues during the prior reference period.

In addition, the government intends to temporarily **lower the current-month revenue loss threshold from 40 per cent to 25 per cent.** Employers would continue to need to demonstrate current-month losses only, without the requirement for a historical 12-month revenue decline. The rate would start at 25 per cent for eligible organizations with a 25-per-cent current-month revenue decline, increasing thereafter in proportion to current-month revenue loss up to a maximum rate of 75 per cent for those with a current-month revenue decline of 75 per cent or higher. These temporary changes would be in effect for qualifying periods from December 19, 2021, to February 12, 2022 (Periods 24 and 25).

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