

Home Office and T4 Reporting For 2020

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Welcome



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Agenda

- What is deductible for home office expense as an eligible employee?
- New methods – simple or detailed?
- New forms – to complete or not?
- T4 reporting
 - New boxes on the slip and related rules
 - Taxable benefit considerations
 - New PD27 Form reporting requirements

Home Office Expenses – Simplified Method

- \$2 per day, max of \$400 (200 working days)
- 20 business days per month = \$40 deduction
- Rules
 - Due to COVID-19
 - Worked more than 50% from home for at least four consecutive weeks
 - Add additional days after the four consecutive weeks
 - Do not have to calculate workspace details
 - No supporting receipts required
 - No employer form required (T2200 or T2200S)
 - No other employment expenses

Home Office Expenses – Simplified Method

- What is an allowable work day?

What counts as a work day
Temporary flat rate method

Days that can be counted

- ✓ days you worked full-time hours from home
- ✓ days you worked part-time hours from home

and

Days that cannot be counted

- ✗ days off
- ✗ vacation days
- ✗ sick leave days
- ✗ other leave or absence

Home Office Expenses – Detailed Method

- Rules
 - Due to COVID-19, or your employer required you to work from home
 - Worked more than 50% from home
 - At least four consecutive weeks
 - Have a signed Form T2200S from your employer
- How do you calculate your home workspace?
 - Include finished areas of the home
 - Measure the finished areas
 - Must be reasonable
 - CRA has calculator to help you determine the %
 - Shared space – family dining room table
 - Must reduce by hours used for personal purposes
 - Designated space – separate office, only used for work purposes

Home Office Expenses – Detailed Method

- How many workers in the home?
 - Two or more?
 - Separate workspaces
 - Shared common workspaces
 - Calculate the shared workspace square footage
 - Apply their portion Ex.50%
 - Apply their specific hours worked
 - Shared designated workspace/room?
 - Calculate the shared workspace square footage
 - Apply their portion Ex.50%

Home Office Expenses – Detailed Method

Hours per week you use the space for work

The number of hours you use the space for work can affect the amount of expenses you can claim, and depends on the type of your work space: a common (shared) area or designated room.

Common (shared) area

Your claim is based on your employment use of the space and is determined using the number of hours the space is used for work. For example, if you work 40 hours a week at the kitchen table:

$$\begin{aligned} & 40 \text{ hours (hours worked)} \\ \div & 168 \text{ hours (total hours in a week)} \\ \times & 100 \text{ (to convert into a percentage)} \\ = & 23.8\% \text{ (percentage of time you can claim for the work space)} \end{aligned}$$

or

Designated room

Your claim is not affected by the number of hours you use the space for work. For example, if you work 40 hours a week in your dedicated room:

$$\begin{aligned} & \frac{40 \text{ hours (hours worked)}}{40 \text{ hours (hours worked)}} \\ = & 100\% \text{ (percentage of time you can claim for the work space)} \end{aligned}$$

Home Office Expenses – Detailed Method

▼ Example: Dining room table is the work space

Due to the COVID-19 pandemic, Sam has been working from home using her dining room table. The dining room is 12% of the total square footage of her house and she uses it for work for 40 hours out of a total 168 hours in the week.

Since the dining room is not used only for work, Sam will need to calculate the employment use of that work space.

12% (size of work space compared to the entire finished area of the home)

× 23.8% (40 hours worked per week ÷ 168 hours in a week)

× 100 (to convert into a percentage)

= 2.8% (percentage of home that is used as a work space)

If Sam paid \$1,200 for rent, electricity, heat, and water for the period she worked at home because of COVID-19, the employment use portion is $\$1,200 \times 2.8\% = \33.60 .

Expense Limitations

- Telephone/Cell phone
 - Can not claim basic connection fee
 - Can claim long distance calls
 - Can claim employment use of a basic cell phone service plan
- Internet
 - Can claim home internet access fees
 - If there is no incremental increase in fees, it would be hard to substantiate any expense to claim, i.e. you were already paying for unlimited access
 - Can not claim portion of fees that relates to lease of modem/router
 - Can not claim connection fees
- Condo fees
 - Can only claim the portion that relates to utilities (elect, heat, water)
 - You may need to contact the condo administrator to obtain the above
 - If you have separate meters for the above, than can NOT claim condo fees

New Form T777S

- To be completed for both the simplified and detailed methods
- For the detailed method, the taxpayer completes using the specific expenses listed
- Do not use if you are claiming anything in addition to what is eligible as listed
 - ie if you were eligible to claim employment expenses prior to COVID-19 or not specifically due to COVID-19, use the old and still existing T777

New Form T2200S

- Taxpayer should request from employer
- Provided by employer to taxpayer only if taxpayer is selecting the detailed method
- Employee keeps signed form in case CRA requests
- Employer may sign the form electronically
- Short and simple form

Comparison?

	Simplified	Detailed
Simple	YES	NO
Require employer signed form T2200s	NO	YES
Must keep Receipts	NO	YES
Employee to complete form T777s	YES	YES
Optional method	YES	YES
Must work from home for at least 50% of the time for at least one month (4 consecutive weeks)	YES	YES
\$2 per workday	YES	NO
Calculate size and use of workspace	NO	YES

Conclusion

- Calculate using both methods, choose what is best for you
- If the employer reimbursed the expenses, they are not deductible
- Can only claim expenses for the period home workspace is used
 - Ex. Only worked from home March onward, can't include utilities of Jan and Feb in home office calc

Conclusion

- Can only deduct against employment income that you incurred the expenses for
- Can't create a loss, carry forward excess
- Commission employees
 - Expenses can't be greater than commission income
 - Can also claim home insurance, property tax, lease costs

Everything must be REASONABLE in CRA's eyes

New T4 Reporting Requirements

- New Format – more boxes/codes to complete
- ALL employers must complete them
- WHY? To help CRA audit the CEWS, CERB, and CESB benefits that were distributed

New T4 Reporting Requirements

- Complete your T4 as usual – Box 14
- Additional Reporting Requirements
 - Code 57: Employment income – March 15 to May 9 (8 weeks)
 - Code 58: Employment income – May 10 to July 4 (8 weeks)
 - Code 59: Employment income – July 5 to August 29 (8 weeks)
 - Code 60: Employment income – August 30 to September 26 (4 weeks)
- Report the income based on PAID date, not pay period date
Example: Pay period April 25 to May 8, payable on May 14, use code 58
- Zero paid during one of the periods? Report Zero

New T4 Reporting Requirements

- Example:
 - Hotcakes on Wheels Company
 - Jim Hotcake is the owner
 - Jim is paid \$10,000 every month total annual salary \$120,000, EI Exempt as owner, still remits CPP

Sample T4

Employer's name – Nom de l'employeur HOTCAKES ON WHEELS COMPANY		Canada Revenue Agency / Agence du revenu du Canada		T4 Statement of Remuneration Paid / État de la rémunération payée	
Employer's account number / Numéro de compte de l'employeur 54 RP		Year / Année 2020	Province of employment / Province d'emploi 10 ON	Employment income – line 10100 / Revenus d'emploi – ligne 10100 14 120,000.00	Income tax deducted – line 43700 / Impôt sur le revenu retenu – ligne 43700 22 24,500.00
Social insurance number / Numéro d'assurance sociale 12	Exempt – Exemption CPP/QPP <input type="checkbox"/> EI <input checked="" type="checkbox"/> PPIP <input type="checkbox"/> RPC/RRQ AE RPAP	Employment code / Code d'emploi 29	Employee's CPP contributions – see over / Cotisations de l'employé au RPC – voir au verso 16 2,898.00	Employee's QPP contributions – see over / Cotisations de l'employé au RRQ – voir au verso 17 0.00	Employee's EI premiums – line 31200 / Cotisations de l'employé à l'AE – ligne 31200 18 0.00
Employee's name and address – Nom et adresse de l'employé Last name – Nom de famille: HOTCAKE First name – Prénom: JIM Initial – Initiale: TORONTO ON CAN			RPP contributions – line 20700 / Cotisations à un RPA – ligne 20700 20 0.00	Pension adjustment – line 20600 / Facteur d'équivalence – ligne 20600 52 0.00	Employee's PPIP premiums / Cotisations de l'employé au RPAP 55 0.00
			Charitable donations – line 34900 / Dons de bienfaisance – ligne 34900 46 0.00	RPP or DPSP registration number / N° d'agrément d'un RPA ou d'un RPDB 50	PPIP insurable earnings / Gains assurables du RPAP 56 0.00
Other information (see over) / Autres renseignements (voir au verso)	Box – Case / Montant 57 20,000.00	Box – Case / Montant 58 20,000.00	Box – Case / Montant 59 20,000.00	Box – Case / Montant 60 10,000.00	Box – Case / Montant 60 0.00

Taxable Benefit Considerations

- Special rules applicable to Mar 15, 2020 – Dec 31, 2020
- Commuting Costs
 - Office not Closed
 - Office Closed
- Employer-Provided Parking
- Computer and home office equipment

Taxable Benefit Considerations

Additional Commuting Costs

“To minimize their risk of exposure during the COVID-19 pandemic”

- WORKPLACE **NOT CLOSED**: Employee still commuting to office, **additional commuting costs** as a result of COVID-19
- **OR**
- WORKPLACE **IS CLOSED**, still commuting to office to obtain equipment, required items
 - reimbursed, employer paid OR reasonable allowance provided to employee will NOT be taxable to employee
 - Also no taxable benefit if employer provided motor vehicle (previously did not)

“Additional commuting costs = over and above the employee’s normal commuting costs”

Taxable Benefit Considerations

Employer-Provided Parking

- Place of employment is closed and/or employee sent home
- *no taxable benefit to be reported*
- Parking taxable benefit = Box 40

Taxable Benefit Considerations

Computer and Home Office Equipment

- First \$500 paid for or reimbursed not a taxable benefit
- Computer, desk, chair etc. – Home office equipment
- Employee must submit receipts
- Excess taxable to employee
- If no receipts provided, ALL taxable
- Home office allowance is taxable, accountable advance is NOT (provide receipts)

Taxable Benefit Considerations

Meals & Entertainment

- Same rules are in place as before:
 - Meals & Entertainment
 - there is **no** taxable benefit if **all** of the following conditions apply:
 - The allowance, or the cost of the meal, is reasonable.
 - CRA generally considers a value of up to \$23 (including the GST/HST and PST) to be reasonable. We will consider higher amounts reasonable if the relative cost of meals in that location is higher, or under other significant extenuating circumstances.
 - The employee works two or more hours of overtime right before or right after his or her scheduled hours of work.
 - The overtime is not frequent and is occasional in nature (usually less than three times a week).
 - If overtime occurs frequently or becomes the norm, we consider the overtime meals or allowances to be a taxable benefit, since they start to take on the characteristics of additional remuneration.

Taxable Benefit Considerations

Cellular Phone & Internet Services

- Same rules are in place as before:
 - Cost of the phone – taxable benefit?
 - NO: EMPLOYER OWNS THE CELLPHONE: and you provide your employee with it (or other handheld communication device) that you own, to help carry out their employment duties, the fair market value (FMV) of the cell phone or device is not a taxable benefit.
 - YES: EMPLOYEE OWNS THE PHONE: cost of the phone is a taxable benefit
 - Box 40
 - Cost of the phone/internet service plan – taxable benefit?
 - at home to help carry out their employment duties, the portion used for employment purposes is not a taxable benefit.
 - For cellular phone service only, we do not consider your employee's personal use of the cellular phone service to be a taxable benefit if **all** of the following apply:
 - the plan's cost is reasonable
 - the plan is a basic plan with a fixed cost
 - your employee's personal use of the service does not result in charges that are more than the basic plan cost

Taxable Benefit Considerations

- T4130 Employers' Guide - Taxable Benefits and Allowances
 - Page 44 and 45 list each type of benefit
 - CPP, EI withholding requirements
 - Box number to report it in

Taxable allowance or benefit	Deduct CPP ¹	Deduct EI	Code for T4 slip	Include GST/HST
Automobile and motor vehicle allowances – in cash	yes	yes	40	no
Automobile standby charge and operating expense benefits – non-cash	yes	no	34	yes
Board and lodging, if cash earnings also paid	yes	²	30	³
Cellular phone and Internet services – in cash	yes	yes	40	yes
Cellular phone and Internet services – non-cash	yes	no	40	yes
Child care expenses – in cash	yes	yes	40	⁴
Child care expenses – non-cash	yes	no	40	⁴
Counselling services – in cash	yes	yes	40	⁵

New Form PD27 – TWS Reporting (10% Temporary Wage Subsidy)

- WHO
 - Employers required to complete/submit if:
 - *claimed* the TWS
 - *will claim* the TWS
 - *Did not claim* the TWS but *claimed CEWS*
- WHEN
 - Submit before T4 summary to be safe and not receive an audit letter re discrepancy
- You claimed the CEWS – essentially CRA will match the amount deducted from the CEWS to the PD27 amount

New Form PD27 – Other Considerations

- APPLYING NOW FOR THE TWS:
 - Additional Comment Section
 - Refund the tax OR
 - Transfer to 2021 account
- If you opted to NOT apply for TWS and claimed the CEWS, elect and place zero
 - Enter “0” in Part D for the dollar amount and percentage of the subsidy you are claiming.
 - If you do not enter “0” in Part D, you will be considered to have taken advantage of the full 10% TWS and your CEWS claim may be reduced and recovered if necessary.
 - Potential \$25,000 claim against your CEWS

New Form PD27 – Sample

Pay Period		Deductions and Contributions					
From	To	Gross remuneration per pay period	Income tax deducted	Canada Pension Plan contributions	Employment Insurance premiums	Wage subsidy claimed (\$)	Wage subsidy claimed (%)
Mar 18	Jun 19	\$XXXXX	\$XXXXX	\$XXXXX	\$XXXXX	\$0	0%
Total							

Note: You can reduce your current payroll remittance of federal and/or provincial, or territorial income tax only by the amount of the subsidy. If the eligible wage subsidy calculated is more than the income tax deducted, you can deduct this amount from the income tax portion of future remittances. If you are requesting that the CRA pay the remaining subsidy to you, please write this request in the additional comments section.

Additional comments

The total number of employees were a maximum of 7 during the period however dropped to a low of 4 during May 2020.

New Form PD27 – Other Considerations

- Submit online or Mail
 - best to submit online sign up for my account
- Errors – CRA **may** charge penalties and interest.
- Forms Filed After T4s
 - currently no penalties or late filing charges
 - If claiming the 10% TWS at yearend, it might delay the processing of the claim

New Form PD27 – Other Considerations

- Amend PD27 if previously filed incorrectly – add notes in the comments section explaining it is amended
- DO NOT ASSUME Your payroll providers are completing this for you – ADP for example does not for it's clients

Conclusion

- Be prepared for an audit – keep all detailed records
- Take advantage of the home office deduction if you qualify
- Send in your PD27
- Complete your T4 additional box info
- Haven't filed for TWS yet? There still is time!
- Call us if you have questions

Question and Answer Period



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