



Personal Tax & Finance



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Agenda

Home Office Expenses

Budgeting

First-Time Home Buyers



Home Office Expenses

Introduction

- ❖ As an employee, you can deduct home office expenses on your tax return if you were required to work from home
- ❖ Must work from home at least 50% of the time during a certain period or only use your home work space for earning employment income. If the latter, you have to use it regularly and continually for meeting clients, customers, or other people while doing your work
- ❖ Eligible to claim home office expenses if employer has not/will not reimburse the expenses
- ❖ In light of the pandemic, there are now two methods: simplified method and detailed method
- ❖ The simplified method only applies to claims for the 2020 tax year

Simplified Method

- ❖ Employees who worked from home more than 50% of the time for a period of at least 4 consecutive weeks in 2020 due to the pandemic are eligible to use this method
- ❖ You can claim \$2 per day for each day you worked from home during that period plus any additional days you worked at home in 2020 due to the pandemic. Non-working days, such as vacation and stat holidays, are excluded.
- ❖ Maximum claim is \$400 (200 working days) per person. If multiple people were working from the same home, each person can make the claim
- ❖ No need to keep supporting documentation, calculate the size of your workspace, or have your employer sign a form T2200 or T2200S
- ❖ If you use this method, you cannot claim any other employment expenses, such as vehicle expenses
- ❖ You will need to use Form T777S to report that you are using this flat-rate method and to calculate the deduction

Detailed Method

❖ Criteria

- ❖ Worked from home in 2020 due to the pandemic or your employer required you to work from home
- ❖ Worked from home more than 50% of the time for a period of at least 4 consecutive weeks in 2020
- ❖ Have a completed and signed Form T2200 “Declaration of Conditions of Employment” or Form T2200S “Declaration of Conditions of Employment for Working at Home Due to COVID-19” from your employer
 - If you already worked from home before COVID-19, you will need Form T2200, and cannot use the simplified method
 - If you worked from home as a result of COVID-19 and chose to use the detailed method, you will need Form T2200S
- ❖ Expenses are used directly in your work during the period
- ❖ **You will need to calculate your deduction based on your work space and should have supporting documentation**

Deductible Workspace Expenses

- ❖ **Salaried employees can deduct:**
 - ❖ Electricity
 - ❖ Heating
 - ❖ Maintenance costs including light bulbs, cleaning supplies, minor repairs
 - ❖ Utilities portion of condo fees including heating, electricity, maintenance
 - ❖ Rent payments (if you rent)
- ❖ **Commissioned employees can deduct the above expenses as well as:**
 - ❖ Property taxes
 - ❖ Home/tenant insurance
- ❖ **Employees who own their home cannot deduct mortgage interest payments**

Other Deductible Expenses

- ❖ **Supplies directly used for employment purposes**
 - ❖ Long-distance phone calls and airtime that reasonably relate to employment requirements
 - ❖ Office stationery e.g. pens/pencils, paper clips, paper, stamps, toner, ink cartridges
- ❖ You cannot deduct computer equipment or office furniture since it is not consumed in the course of employment
- ❖ The CRA expanded the list of eligible expenses to include home internet access fees, but not internet connection fees

Deduction Calculation & Example

❖ Home office space is usually calculated based on square footage

- 1) Divide the square footage of your home office space by the square footage of your home to calculate a percentage. Common areas such as hallways, kitchen and washrooms should usually be excluded from the square footage of your home in this calculation.
 - Example: The square footage of your home is 1,000 square feet, excluding the common areas. Your home office is 50 square feet. This makes your home office 5% of your home.
- 2) Calculate how much of your work is done in your home office space
 - ❖ I.e. Do you work from home 50% of the time? 100% of the time?
 - You work from home 50% of the time consecutively for 4 months.
- 3) Multiply the percentage of time spent working from home by the work space area percentage
 - $5\% \times 50\% = 2.5\%$. This means you can deduct 2.5% of your eligible home office expenses for the 4 months you worked from home.
- 4) Multiply the percentage calculated in the previous step by the deductible expenses
 - Your total eligible expenses for those 4 months equal \$4,000 and consist of rent, heating and electricity. $2.5\% \times \$4,000 = \100 , so your total deduction would be \$100.

University of Lethbridge FAQs (adapted)

When do employees have to decide which method they want to use?

Employees should decide if they wish to use the detailed or simplified method, as have been previously described in this presentation, before they complete their T1 Personal Tax return for 2020. The University will provide a T2200S for employees choosing the detailed method.

If I didn't work from home for 200 days because of vacation and stat holidays, can I still claim the \$400 maximum using the Temporary Flat Rate Method?

No, you can only claim \$2 for each eligible day you worked at home, full or part time.

Does receiving T2200S Declaration of Conditions of Employment for Working at Home Due to COVID-19 form from the University of Lethbridge automatically mean I am eligible to claim home office expenses for 2020?

No. Many different work requirements and arrangements occurred across campus during 2020 that Financial Services may not be aware of. It is the sole responsibility of an employee to determine their own eligibility to claim home office expenses, determine what is an eligible expense, calculate amounts, and reduce the claim by any amounts received or receivable from the University of Lethbridge.

University of Lethbridge FAQs (adapted)

I have verified my eligibility and want to use the detailed calculation method. How do I request a T2200S Declaration of Conditions of Employment for Working at Home Due to COVID-19 form from the University of Lethbridge?

The process of requesting/receiving a T2200S is currently being developed. Employees are encouraged to watch for future updates in the UWeekly or on the Financial Services and Human Resources websites.

What specific expenses can you claim under the detailed method?

If you would like further information than what has been covered in this presentation, you can refer to the following site: [Expenses you can claim - Home office expenses for employees - Canada.ca](#)

I need help to determine what method to choose, and/or how to do the calculations. What resources are available for me?

University staff cannot give you tax advice. CRA has some great resources to help you, accessible from the above site. You can also engage us at KPMG for professional tax advice. For questions about the process, employees can contact financial.services@uleth.ca.



Budgeting

Important Considerations

- ❖ **Financial goals, both short-term and long-term**
 - ❖ You should align your budgeting to meet your goals
 - ❖ For example, are you planning to go on a vacation? Planning a wedding? Saving to buy a house?
- ❖ **Emergency fund**
 - ❖ Life does not always go as planned
 - ❖ Ideally, you should build up an emergency fund that will cover your living expenses for 3-6 months
 - ❖ This will help you deal with the unexpected
- ❖ **Keep track of your spending**
 - ❖ Know where your money is going so you know what you can and can't change
- ❖ **Needs vs. Wants**
 - ❖ Determine what is essential for your life, and what is just desired

Making a budget

- ❖ **You can make a budget by hand, on Excel, or through an online template, but however you choose to do it, the overall process remains the same:**
 - ❖ List your income
 - ❖ Deduct your essential expenses
 - ❖ Try to set aside a portion of your income to meet your financial goals and build an emergency fund
 - ❖ Whatever remains is what you can spend on anything else you may desire
- ❖ The government of Canada has an online budget planner that can help you make a budget in 3 steps [Budget Planner - Canada.ca \(fcac-acfc.gc.ca\)](https://fcac-acfc.gc.ca)

Saving

- ❖ **Ideally, you should be saving a portion of each paycheck and distributing the savings based on your financial goals**
 - ❖ Emergency fund in a low risk savings account
 - ❖ Savings for your child's education in an RESP
 - ❖ Retirement savings in RRSPs, TFSAs, etc.
- ❖ **If you are unhappy with the amount you are saving, the best option is to try to reduce your expenses**
 - ❖ Lower expenses increases the amount you can save
 - ❖ If you get used to a lower cost lifestyle, you will need less money in retirement

Debt

- ❖ **Paying off your debt should be a priority so you aren't losing all your money to interest payments**
 - ❖ This is especially true for debt with high interest rates like your credit card
- ❖ **Include debt repayments in your budget**
 - ❖ Make a plan to pay off your high-interest debt first
 - ❖ Once that debt is paid off, you can move on to repaying debt with lower interest rates
- ❖ **Avoid using credit cards extensively**
 - ❖ Using credit cards increases your debt and your interest payments
 - ❖ Stick to paying with cash and debit as much as possible
 - ❖ If you struggle to control your spending and manage your debt, store your credit card out of temptation's way

Budgeting resources

- ❖ [Basic Budgeting Tips Everyone Should Know \(thebalance.com\)](#)
- ❖ [Making a budget - Canada.ca](#)
- ❖ [How to Budget Your Money | Budget Planning for My Money | My Money Coach](#)
- ❖ [15 Practical Budgeting Tips | DaveRamsey.com](#)
- ❖ There are even Budgeting apps for your smartphone, such as Acorns and EveryDollar
- ❖ If books are more up your alley, check out this list of budgeting books: [14 Best Budgeting Books to Improve Your Finances - Just Start Investing](#)



First-Time Home Buyers

First-Time Home Buyer Incentive

- ❖ **Helps qualified first-time homebuyers reduce their monthly mortgage payments**
- ❖ **It offers:**
 - ❖ 5% or 10% for a first-time buyer's purchase of a newly constructed home
 - ❖ 5% for a first-time buyer's purchase of an existing (resale) home
 - ❖ 5% for a first-time buyer's purchase of a new or resale mobile/manufactured home
- ❖ **The Government of Canada has a shared investment in your home, so the government will share in both the upside and the downside of the property value**

Eligibility Criteria

- ❖ Your total annual qualifying income is \$120,000 or less
- ❖ Your total borrowing is no more than 4 times your qualifying income
- ❖ You or your partner are a first-time homebuyer
 - ❖ Note: If you have occupied a home owned by you or your partner in the last 5 years, you are not eligible
 - ❖ If you have not owned a home for 5 years, you are eligible again
- ❖ You are a Canadian citizen, permanent resident or non-permanent resident authorized to work in Canada
- ❖ You meet the minimum down payment requirements

Repayment

- ❖ **You will have to repay the Incentive based on the property's value at the time of repayment**
 - ❖ If you received a 5% incentive, you will have to repay 5% of the home's value at repayment
 - ❖ If you received a 10% incentive, you will have to repay 10% of the home's value at repayment
- ❖ **The Incentive must be repaid either when the home is sold, or after 25 years, whichever comes first**
 - ❖ You can repay the Incentive in full any time before without a pre-payment penalty

Home Buyers' Plan (HBP)

- ❖ Program that allows you to withdraw funds from your Registered Retirement Savings Plans (RRSPs) to buy or build a qualifying home for yourself or for a related person with a disability
- ❖ Allows you to pay back the withdrawn funds within a 15-year period
- ❖ You can withdraw funds from more than one RRSP as long as you are the owner of each RRSP account
- ❖ Your RRSP issuer will not withhold tax on withdrawn amounts of \$35,000 or less
- ❖ You can withdraw a single amount or make a series of withdrawals in the same calendar year, but you cannot withdraw more than \$35,000
- ❖ To withdraw funds from your RRSPs, fill out Form T1036 Home Buyers' Plan Request to Withdraw Funds from an RRSP
- ❖ Your RRSP contributions must remain in the RRSP for at least 90 days before you can withdraw them under the HBP, or they may not be deductible for any year

HBP Eligibility Criteria

- ❖ You must be considered a first-time home buyer, unless you are a person with a disability or you are helping a related person with a disability buy or build a qualifying home
 - ❖ You are considered a first-time home buyer if you have not occupied a home owned by you or your partner in the last 5 years
 - ❖ Note: if you have a partner, it is possible that only one of you is a first-time home buyer
- ❖ You must have a written agreement to buy or build a qualifying home, either for yourself or for a related person with a disability
- ❖ You must be a resident of Canada when you withdraw funds from your RRSPs under the HBP and up to the time a qualifying home is bought or built
- ❖ You must intend to occupy the qualifying home as your principal place of residence within one year after buying or building it. If you are helping a related person with a disability, you must intend that that person occupies the home as his/her principal place of residence
- ❖ If you have previously participated in the program, you may be able to do so again if your repayable HBP balance on January 1st of the year of the withdrawal is zero and you meet all the other criteria

Qualifying Home

- ❖ A qualifying home is a housing unit in Canada, including existing homes and those being constructed. A share in a co-operative corporation that entitles you to possess, and gives you an equity interest in a housing unit located in Canada, also qualifies; however a share that only provides you with a right to tenancy does not qualify
- ❖ You are considered to buy or build a qualifying home if:
 - ❖ You buy or build, or you are considered as buying or building it, before October 1st of the year after the year of the withdrawal
 - ❖ You buy or build it, alone or with one or more individuals
- ❖ You are considered to have built a qualifying home on the date it becomes habitable
- ❖ If you do not buy or build the qualifying home before October 1st of the year after the year you withdrew the funds, you can:
 - ❖ Cancel your participation in the HBP
 - ❖ Buy or build a different home (replacement home) before October 1st of the year after the year you withdrew the funds
 - ❖ A replacement home has to meet the same conditions as a qualifying home

Resources

❖ Resources for the First-Time Home Buyer Incentive:

- ❖ There are 4 videos on this site: <https://www.placetocallhome.ca/fthbi/first-time-homebuyer-incentive> that explain what the Incentive is, if you are eligible for it, how it works, and how to apply for it
- ❖ This site also provides examples and a number you can call if you have further questions about the Incentive

❖ Resources for the Home Buyers' Plan:

- ❖ More information on the Home Buyers' Plan can be found at this site: [How to participate in the Home Buyers' Plan \(HBP\) - Canada.ca](https://www.canada.ca/en/housing-mortgage/2019/04/how-to-participate-in-the-home-buyers-plan-hbp.html)



Questions?



Thank you

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