



Write-Offs for the Employee; Claiming Employment Expenses

Did you know that as an employee of a business, you are allowed to claim certain expenses that you incur as a result of your employment? Now, before you let out a ‘whoop whoop’ and start buying rounds for the house thinking you can write them off, note that I said ‘certain’ expenses. And the CRA is usually pretty conservative in what they allow, so we’ll go over a few of the most common.

First, you will need your employer to sign two forms: the *T2200 Declaration of Employment Expenses* and the *GST370 Employee and Partner GST/HST Rebate Application*.

T2200 Declaration of Employment Expenses

The T2200 is a common form, but employers often leave it incomplete or don’t fill it out correctly. Although most employers complete the T2200 in the first quarter after the end of the taxation year, you should try to have them complete it at the beginning of the tax year so you know what you can deduct. You’ll also need this form if you decide to quit, so if you already have one signed, then your bags are packed!

You are the employee, so it’s *your* form. Double check that it’s complete and make sure you know what your employer will state as required employee expenses and that *you* are paying for those required expenses so you can claim them legitimately.

Cell phones

If your job requires that you have and use a cell phone, check that your employer has listed it as a required expense. The CRA doesn’t normally allow a 100% deduction because, well, chances that you use your ‘work’ phone *exclusively* for work is about as likely as a bona fide royal Nigerian prince needing *your* bank account to transfer his vast fortune out-of-country. The Feds will, however, accept the more reasonable claim of about 33% of your cell bill.

Working from home

Another common omission is the ‘business use of home.’ If you work from home, you can claim a portion as an employment expense as long as your employer hasn’t already provided you with an office and as long as your work-from-home gig is not a choice. If working means it’s possible to either make the trek to the office *or* kick back in your Underoos in Casa Mio for a day of conference calls, work emails, and Cheetos, then a claim for business use of home will be denied.

Assets

You can’t claim assets because the CRA disallows depreciation for employees. It would be wise then to have your employer provide the computer equipment you use for work. Alternatively, and depending on the human resource policies of the organization, you could charge “rent” to the employer for using *your* personal computer equipment for *their* business.

Travel

If you are going to claim travel expenses, make sure your employer properly indicates the expected travel region. Otherwise, the CRA will deny your claim for that recent trip to Vegas (you know, the wild weekend “sales conference”) and that “drumming up new business in Europe” excuse will fall on deaf ears as well as rolled eyes.

As an employee, you can receive tax-free travel allowances. They are available to the owner-managed corporation as well. The prescribed rates are listed here:

<https://www.njc-cnm.gc.ca/directive/d10/v238/s659/en>

To receive the allowance tax-free, you have to pay for the expense out-of-pocket and then, using an expense report, submit to the corporation for the travel allowance. The advantage of doing it that way is that if you spend less than your allowance, you are pocketing tax-free cash!

GST370 Employee and Partner GST/HST Rebate

That brings us to the second form, the GST370 Employee, and Partner GST/HST Rebate Application which allows certain employees and partners (who are individuals) to claim the GST/HST they've paid on certain work expenses. Those expenses could include business trips, office supplies, meals, parking, hotels, and even legal and accounting fees.

You can find more info here:

<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/gst-hst-businesses/gst-hst-rebate-employees-partners.html>

Reimbursement or write off?

If you're an employee of your own company, don't think it makes good business sense to deduct the expenses you've paid out-of-pocket for the business on your personal tax return as a write-off. It's not! As an employee (business owner or not), it's always better to have the business reimburse you 100% rather than receive 30% as a tax deduction.

Ditto for all of you employees out there who do not own the company. Wherever possible, negotiate with your employer to cover as many expenses as possible for the same reason; reimbursement trumps deductions every time!

Duplicate GST/HST claims

Ok, so you're an employee paying for business expenses out-of-pocket, and you've claimed a GST/HST rebate on your tax return. Make sure you get the employer to sign the GST370 form indicating that they will not be claiming the HST on the expenses you paid personally. Only one of you can claim the GST/HST. If the CRA conducts an audit and the GST370 is not signed, they will deny a substantial portion of your refund! To put it in perspective, if you claimed \$10,000 in employment expenses, the CRA would expect the \$1,300 HST rebate back!

Businesses normally complete the GST370 at the same time as the tax return when the total expenses are known. If you leave your employer mid-year, you should have your accountant calculate the GST/HST 370, so your employer can sign the form, and you can avoid the potential duplicity in HST claim.

As an employee, you should only claim expenses to which you're entitled, but if it's within your rights, claim it! After all, it's *your* money.