

Canadian Tax Tips: Work-related deductions for income taxes in Canada

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Still working on your Canadian income taxes? Since there's not much time left before the April 30th deadline, I offer one last look at work-related expenses that are tax deductible in Canada.

What expenses can I write-off against my Canadian income taxes?

"So what can I write-off?" is the most-asked tax question asked by Canadians this time of year. Unfortunately for most Canadian taxpayers the answer is "Nothing!"

Despite the fact that most of us incur real costs in order to make a living in Canada, there are very few expenses that we can write off to reduce our income taxes. So it's annoying to hear stories about tax write-offs that other Canadians apparently enjoy. Are we really missing out on a good thing? Are there secret tax tips we don't know about? Is it possible to use our considerable expenses incurred to earn employment income as tax deductions?

Sadly, most of the costs we bear as employees are simply not deductible. For example, the cost of commuting, meals and other purchases, which can really add up, are all considered personal expenses. We pay those overheads with 'after-tax' dollars.

However, under certain circumstances, some expenses incurred to earn employment income are tax deductible. Examples include business travel, meals and lodging while out of town on business, parking, office supplies, salaries for an assistant or substitute, home work space, and automobile expenses.

Several requirements must be met. First of all, your contract of employment must require you to pay for such business expenses, and your employer cannot reimburse you or pay you a non-taxable allowance to cover them. And you can only deduct meals, lodging, travel and vehicle expenses if you ordinarily work away from your employer's place of business, or in different places. For instance, in order to deduct meals, you generally have to be out of town for at least 12 hours. You can only deduct supplies if they are used up in the course of your employment.

Expenses for a home office can be deducted only if you do most of your work there, or if you use the space exclusively for earning employment income and you meet clients and customers there on a regular and continuous basis.

Deductions for meals are limited to 50 per cent of the amount spent, and home office expenses are limited to rent, utilities, and home repairs and maintenance (no property taxes or insurance may be deducted unless you are a commission salesperson, and no mortgage interest unless you are self-employed).

Finally, in order to deduct employment expenses, you must have Form T2200 Declaration of Conditions of Employment,

verifying that you are eligible to deduct the expenses. The CRA-ARC form must be signed and certified by your employer in Canada.

If you are paid, at least in part, by commission, you may be able to deduct more expenses than those listed above. Sales persons are allowed to deduct advertising and promotion expenses, as well as 50 per cent of the cost of entertaining clients. Deductible home office expenses include insurance and property taxes, as well as the utilities, rent and maintenance.

Although you can deduct more expenses than other employees, you are also subject to additional restrictions. As a sales employee, your claim for expenses is limited to the total commissions you receive, plus any automobile depreciation and interest claimed. If your commission income is low, therefore, it may be better to claim only regular employment expenses, since they are not subject to these restrictions.

For a more detailed review of Canadian employment expenses allowed, check out the publications and tax guidelines issued by the Canada Revenue Agency (CRA-ARC) Agence du Revenu du Canada. Canadian taxpayers can also order printed copies and multiple formats of this information, such as large print, Braille, audio, and E-text (accessible electronic text). While most Canadians don't qualify for these tax deductions, make sure you take advantage of them in your income tax return if you are eligible.