

Can I Write it Off?

You have probably heard the urban legend of “writing off” everyday expenses on your tax return. You may feel like you are missing out on deductions but, in reality, these write offs are usually a myth.

For example, the tax court ruled that haircut expenses cannot be deducted against employment income, even if your job requires you to get one every two weeks. Office clothing, dry cleaning and commuting costs like parking and gas are considered personal expenses. Basically, if you are an employee with a regular paycheque, there are only a few circumstances in which you can claim expenses on your tax return.

Thankfully, there is a little relief for regular working Canadians. The Canada Employment Amount will help with some of expenses related to employment. If you were employed at any time in 2018 - even if it was just a summer job – you are entitled to claim the credit. The maximum amount for 2018 is \$1,195, which means about \$179.25 in tax savings.

The Canada Revenue Agency does allow you to claim auto expenses, business travel, meals and lodging, supplies and home work space expenses, under certain conditions. However, to be eligible, your employment contract must require you to pay for the expenses. And you need to have a Form T2200 Declaration of Conditions of Employment signed and certified by your employer.

In the case of auto and travel expenses, you must be required to do your job outside of the office or in different locations. To be eligible for the claim, make sure you did not receive a non-taxable travel allowance from your employer. If you want to claim meals, you have to be out of town for at least 12 hours and are limited to 50 percent of the overall bill.

In order to claim home work space expenses, you must meet one of two conditions. Either the work space must be the place where you principally perform your job, or you must use the space exclusively on an ongoing basis for meeting customers or other people for your job.

If you do qualify, expenses you can claim include a reasonable percentage of your rent, utilities and home repairs and maintenance. Calculations are based on the total square-footage of your home and must be prorated according to the percentage used for business purposes. If the work space is not used exclusively for employment purposes, it must be further prorated based on the amount of time it is used for personal use.

Working on commission may allow you to deduct more expenses. Salespeople can claim advertising and promotion expenses, as well as 50 percent of client entertainment. They can also claim a reasonable percentage of insurance and property taxes as home work space expenses in addition to the utilities, rent and maintenance allowed to other employees. However, only self-employed taxpayers may claim mortgage interest.

Although sales people can deduct more expenses than other employees, there are still restrictions. As a sales employee, expenses cannot exceed your total commissions, plus any auto capital cost allowance and interest claimed. If your commissions are low, it may be better to only claim regular employment expenses, since they are not subject to these restrictions.

So the answer to the question ‘Can I write it off as an employment expense?’ is usually no. The Income Tax Act is very specific about what employees can deduct on their taxes. If you do qualify for any of the deductions, make sure you keep your receipts. You have to be able to support any claims you make if the Canada Revenue Agency comes knocking at your doorstep.