

Are Travel Expenses from Home to Work Tax Deductible?



It's a well-established rule that an employee's costs in traveling from home to the workplace are non-deductible personal expenses. But there are exceptions. Travel expenses may be tax deductible when employees must incur them to carry out their work duties. Many employees have to go to the workplace (or someplace offsite) to conduct business. But the mere fact that employees can't do their jobs from home isn't enough to make their travel expenses deductible. One of the ways an exception may apply is when:

- The employee's home is considered an extension of the workplace; and
- Traveling back and forth between what are essentially the two places of work is integral to the employee's job.

Here are 2 cases illustrating how courts determine whether such conditions exist.

Travel Expenses ARE Deductible

Here's a case where the tax court ruled that the conditions for deductibility did apply.

Situation

A software company based in Ottawa hires a programmer and lets him work from his home in Kingston, Ontario. The programmer keeps all of his equipment, including 6 computers, in his home office; by contrast, he doesn't even have his own office in the Ottawa building. But the programmer does have to travel to the Ottawa office at least once a week at his own expense to meet clients of the company. The programmer deducts his expenses in travelling back and forth between Kingston and Ottawa from taxable income. The CRA disallows the deduction. The programmer appeals.

Ruling

The Tax Court of Canada rules that the programmer's travel expenses are deductible.

Reasoning

The programmer's real base of operations was his home in Kingston. The Kingston home office was an extension of the software company's place of business and the

programmer's principal place of employment, the court explained. The programmer thus had to do his job in 2 workplaces: Kingston and Ottawa. And if a job must be carried out in 2 workplaces, the costs of travelling back and forth between them are deductible even if one of those workplaces also happens to be the taxpayer's home, the court concluded.

[*Toutov v. The Queen*](#), 2006 TCC 187 (CanLII).

Travel Expenses Are NOT Deductible

This case involving a seemingly similar situation resulted in an opposite ruling due to some crucial differences.

Situation

The director of the Nova Scotia Liquor Corporation (NSLC) spends 70% of his time working from his home in Hubbards and divides the balance of his time between the NSLC's Halifax office, where he has his own office, and offsite events. The director also uses his Hubbards home office to run another company called PMC Communications. Operating PMC is his main business and principal source of income. The home office is equipped by PMC. The CRA rules that the director can't deduct the costs of travelling between the home office and the NSLC Halifax office 55 kilometers away. The director appeals.

Ruling

The Tax Court of Canada rejects the appeal and rules that the director's travel expenses are not deductible.

Reasoning

The court cites 3 key differences between the director's situation and that of the programmer in the *Toutov* case above:

- The director spent most of his time in the home office working for another company, PMC.
- PMC equipped the home office.
- "[M]ost importantly," NSLC maintained an office for the director's use in Halifax.

Thus, unlike the programmer in *Toutov*, the director could have done his job at a single location, i.e., the company office in Halifax. Travelling between Halifax and the home office was his "personal decision" dictated by his own convenience.

[*McCreath v. The Queen*](#), 2008 TCC 595 (CanLII).