

# WHAT HOME OFFICE EXPENSES ARE ALLOWED?

*If you perform some of your work from your home office, you may be able to claim a deduction for the costs you incur in running your home office, even if the room is not set aside solely for work-related purposes.*

## RUNNING EXPENSES

Home Office expenses fall into the following categories:

- Revised fixed rate method (67 cents per hour)
- The actual cost method

### REVISED FIXED RATE METHOD

The revised fixed rate method allows you to claim 67 cents per hour that you work from home for the following expenses:

- Internet,
- Mobile and home phone usage,
- Electricity and gas,
- Computer consumables,
- Stationery.

Like making a motor vehicle claim, diary/logbook evidence should be maintained for a 12-week period to establish a pattern of working from home and justify the number of hours you are claiming.

No deduction is allowed where no additional costs are incurred (meaning, you work in a room where others are watching television, or the income producing use of the home is incidental. For example, the 67 cents per hour deduction would not be allowed for a fax machine permanently left on to receive documents, or if you only check emails from home (these are considered minimal tasks)).



You can claim a separate deduction for the work-related portion of technology (for example, purchase of a laptop), and office furniture (such as an office chair or desk). If the purchase is over \$300, the item must be depreciated over the effect life of the item.

### Record keeping checklist – Revised Fixed Rate:

Check you have the correct records before claiming a working from home deduction. If you don't have records, it is advised not to claim expenses.

- A record of all the hours you work from home for the entire year (example: a timesheet, roster, diary or similar document),
- Evidence you paid for the expenses covered by the revised fixed rate method (example: keep a bill as a record, if you use your phone and electricity,
- You will also need records for items you claim as a separate deduction.

### \*\* For the 2022-2023 income year

From 1 July 2022 to 28 February 2023, the ATO will accept a record which represents the total number of hours worked from home (example: a four-week diary).

From 1 March 2023, a record of all the hours you worked from home is required.

## THE ACTUAL COST METHOD

The actual cost method allows you to claim a deduction for the actual expenses you incur as a result of working from home. You may be able to claim a deduction for each of the expenses you incur, such as:

- Internet,
- Mobile and home phone usage,
- Electricity and gas (client is requested to have records of average units used per hour),
- Computer consumables (e.g. printer ink),
- Stationery,
- The decline in value of assets used while working from home (example: computers, office furniture, as well as any maintenance and repairs of these items),
- Cleaning (only if you have a dedicated home office).

The actual cost method requires detailed calculations and records.

### Record keeping checklist – Revised Fixed Rate:

You will need to keep a record for every running expense you claim.

- You need the following evidence to show you incur additional running expenses like: receipts, bills or invoices, which show the supplier, amount of expense, nature of goods, date it was paid and the date of document.
- Evidence of your personal and work-related use of the items or services you buy and use.

You can work out your work-related expenses records for the entire year or over a four-week period that represents your work use – for example, using a diary or itemised bill.

## DEPRECIATION ON EQUIPMENT

Depreciation on home office equipment including office furniture, carpets, computer, printer, photocopier, scanners, modem etc. used only partly for work or business purposes can be apportioned.

The claim is based on records of the income related and non-income related use covering a representative four-week period.

- The nature of each use of the equipment,
- Cost/receipt of item,

- When you started using the item for a work-related purpose,
- The period for which it was used,
- How you work out your percentage of work-related use, such a diary that shows the purpose and use of the item for work.

## OCCUPANCY EXPENSES

Claims for occupancy expenses are allowed only if the home is used as a place of business. Occupancy expenses include rent, mortgage interest, water rates, repairs, house insurance premiums.

The claim can be made as an apportionment of total expenses incurred on a floor area basis.

Warning: Being able to claim these expenses may affect your 'main residence exemption' for capital gains tax purposes if you sell your house in the future.

## WHEN IS A HOME A PLACE OF BUSINESS?

The following factors, none of which is necessarily conclusive on its own, may indicate whether, or not, an area set aside has the characteristics of a place of business:

- the area is clearly identifiable as a place of business,
- the area is not readily suitable or adaptable for use for private or domestic purposes in association with the home generally,
- the area is used exclusively, or almost exclusively, for carrying on a business, or
- the area is used regularly for client or customer visits.

If you use your home to carry out income producing activities as a matter of convenience, you are not entitled to a deduction for occupancy expenses. It would be rare for an employee to be able to claim occupancy expenses.

## WHAT NEXT

For further information and expert assistance to prepare your tax return and maximise your tax refund, contact our office today!

# KEYPOINT

ACCOUNTANTS & ADVISORS

a Suite 202, Level 2, 1 Lake Orr Drive,  
Varsity Lakes Qld 4227

p 07 5585 0600 e [info@keypointaccountants.com](mailto:info@keypointaccountants.com).



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