



Stimulus Package Home Office Expenses

HOME OFFICE EXPENSES

EMPLOYEES WORKING FROM HOME

As the situation around COVID-19 continues to develop, the ATO acknowledges you may now be working from home and you may incur expenses that you can claim at tax time.

To claim a deduction for working from home, all of the following must apply:

- You must have spent the money.
- The expense must be directly related to earning your income.
- You must have a record to prove it.

This means you cannot claim a deduction for items provided by your employer or if you have been reimbursed for the expense.

If you are not reimbursed by your employer, but instead receive an allowance from them to cover your expenses when you work from home, you:

- must include this allowance as income in your tax return.
- can claim a deduction as outlined in this fact sheet.

EXPENSES YOU CAN CLAIM

If you work from home, you will be able to claim a deduction for the additional running expenses you incur. These include:

- electricity expenses associated with heating, cooling and lighting the area from which you are working and running items you are using for work
- cleaning costs for a dedicated work area
- phone and internet expenses
- computer consumables (for example, printer paper and ink) and stationery
- home office equipment, including computers, printers, phones, furniture and furnishings - you can claim either the:
 - full cost of items up to \$300
 - decline in value for items over \$300.

Tracking all of these expenses can be challenging at this time. So the ATO will accept a temporary simplified method (or shortcut method) of calculating additional running expenses for the period starting 1 March 2020 until at least 30 June 2020. The ATO may extend this method, depending on when work patterns start to return to normal.

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EXPENSES YOU CAN'T CLAIM

If you are working from home only due to COVID-19, you:

- cannot claim occupancy expenses such as mortgage interest, rent and rates
- cannot claim the cost of coffee, tea, milk and other general household items your employer may otherwise have provided you with at work.

CALCULATING RUNNING COSTS

There are three ways you can choose to calculate your additional running expenses:

- **shortcut method** - claim a rate of 80 cents per work hour for all additional running expenses from 1 March 2020 to 30 June 2020
- **fixed rate method** - claim all of these:
 - a rate of 52 cents per work hour for heating, cooling, lighting, cleaning and the decline in value of office furniture,
 - the work-related portion of your actual costs of phone and internet expenses, computer consumables, stationery, and
 - the work-related portion of the decline in value of a computer, laptop or similar device.
- **actual cost method** - claim the actual work-related portion of all your running expenses, which you need to calculate on a reasonable basis.

Shortcut method

You can claim a deduction of 80 cents for each hour you work from home due to COVID-19 as long as you are:

- working from home to fulfil your employment duties and not just carrying out minimal tasks such as occasionally checking emails or taking calls,
- incurring additional deductible running expenses as a result of working from home.
- You do not have to have a separate or dedicated area of your home set aside for working, such as a private study.

The shortcut method rate covers all deductible running expenses, including:

- electricity for lighting, cooling or heating and running electronic items used for work (for example your computer), and gas heating expenses
- the decline in value and repair of capital items, such as home office furniture and furnishings
- cleaning expenses

- your phone costs, including the decline in value of the handset
- your internet costs
- computer consumables, such as printer ink
- stationery
- the decline in value of a computer, laptop or similar device.

You do not have to incur all of these expenses, but you must have incurred additional expenses in some of those categories as a result of working from home due to COVID-19.

If you use the shortcut method to claim a deduction for your additional running expenses, you cannot claim a further deduction for any of the expenses listed above.

You must keep a record of the number of hours you have worked from home as a result of COVID-19.

Examples are timesheets, diary notes or rosters. If you use the shortcut method to claim a deduction when you lodge your 2019-20 tax return, you must include the note 'COVID-hourly rate' next to your claim in your tax return.

Working from home running expenses that are incurred before 1 March 2020 (and/or incurred from this date where an individual does not use the 80 cents per hour method) must be claimed using existing claim arrangements

Fixed rate method

You can claim a deduction of 52 cents for each hour you work from home instead of recording all of your actual expenses for heating, cooling, lighting, cleaning and the decline in value of furniture.

This rate is based on average energy costs and the value of common furniture items used in home business areas.

To claim using this method, keep records of either:

- your actual hours spent working at home for the year
- a diary for a representative four-week period to show your usual pattern of working at home.

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You can then apply the four-week representative period across the remainder of the year to determine your full deduction amount. However, if your work pattern changes you will need to create a new record.

You need to separately work out all other home work area expenses, such as:

- phone and internet expenses
- computer consumables and stationery
- decline in value on computers or other equipment.

Actual expenses method

If you have a **dedicated work area**, you can claim additional running costs and the decline in value of office furniture used in the area for work purposes.

To calculate actual expenses for your dedicated work area, you can:

- keep a record of the number of actual hours you work from home during the income year
- keep a diary for a representative four-week period to show your usual pattern of working at home
- work out the decline in value of depreciating assets and
 - keep receipts showing the amount you spent on the assets
 - work out the percentage of the year you used those depreciating assets exclusively for work – you can claim a deduction for the proportion of the decline in value that reflects your work-related use of the depreciating assets
- work out the cost of your cleaning expenses by adding together your receipts and multiply it by the floor area of your dedicated work area (floor area of the dedicated work area divided by the whole area of the house as a percentage) – your claim should be apportioned for any
 - private use of your home office
 - use of the home office by other family members

- work out the cost of your heating, cooling and lighting by working out the following
 - the cost per unit of power used – refer to your utility bill for this information
 - the average units used per hour – this is the power consumption per kilowatt hour for each appliance, equipment or light used
 - the total annual hours used for work-related purposes – refer to your record of hours worked or your diary for this information.

You must also take into account if any other members of your household use the home office and, if so, apportion your expenses accordingly.

To claim a deduction for an asset that cost \$300 or more, you need to calculate the decline in value for both the period you:

- owned the assets during the income year
- used the assets for work-related purposes.

You can use the depreciation and capital allowances tool to calculate your deduction for the decline in value of equipment, furniture and furnishings that cost more than \$300, use the depreciation and capital allowances tool to work this out.

If you don't have a dedicated work area, you should work out the actual cost of your heating, cooling and electricity expenses. You can do this by working out the cost of running each unit you used per hour and multiplying that by the hours you worked from home. The amount of the additional expense is generally small, especially if there are other people using the area at the same time you are working. In those circumstances, there is no additional cost for lighting, heating or cooling.

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