



The Taxpayers Guide To Working From Home

There have been a massive amount of changes that have been brought to people's lives due to Covid-19. From isolation restrictions to working from home, many people's lives – and expenses – have changed. Many Australian's have felt the crunch with increased utility bills, from an increase to heating and cooling costs, electricity, phone and internet usage, to needing to outright purchase equipment, such as laptops, printers, stationery and mouse pads in order to work their jobs.

The ATO announced a new streamlined way to claim working from home expenses. From 1 March to the 30 June 2020 you'll be able to claim 80 cents per business hour for each person working from home, but will this result in your biggest tax return?

Many ways to claim

This tax time, there are three main ways to claim your working from home expenses, and it's a good idea to understand how you can claim, what's involved and what's included before you make up your mind which would be the most beneficial method for you.

Flat rate

The Australian Taxation Office has introduced that taxpayers can claim a flat rate of 80 cents per business hour, no matter where they set up office – from the kitchen bench to the coffee table to the

dining room, this rate will include your heating, cooling, electricity, phone, internet and cleaning expenses and take into account the decline in office furniture.

You'll need to record how many hours you've worked from home in the form of a diary, log books or time sheet to claim this flat rate. Multiple people working from home in the same house will also be able to claim this 80 cents per business hour flat rate.

52 cents per business hour

Using this method, depreciation calculations can be accounted for on items such as laptops, computers, work benches, office furniture, storage cabinets and other work related capital expenses.

In general, using this method, you must have a dedicated working area of your home such as a study or spare room, or space set aside exclusively for work. Using the 52 cents per business hour, you'll be able to claim the cost of the rooms utilities such as gas and electricity, work-related phone calls, the decline in value of office plant and equipment, the decline in value of curtains, carpets and light fittings and occupancy expenses such as rent, mortgage interest, insurance and rates.

To claim this method, you'll need to keep a log book or diary which details your actual hours spent working

over a four-week consecutive period that will be averaged throughout the year, and the costs to your home office equipment, furniture and furnishings. You'll need to keep receipts and bills to prove your expenses, as well as separately calculate your work-related use for phone expenses, internet expenses, computer consumable and stationery.

Actual Cost Method

Using this method, actual expenses are detailed and calculated, which include the running and occupancy costs of working from home. Expenses include:

- Utilities, such as electricity and gas for heating, cooling and lighting
- The decline in value of office and capital equipment
- The decline in value of phones, computers, laptops and other electronic devices
- Phone expenses
- Internet expenses
- Cleaning
- Computer consumables and stationery

You'll need to keep a record of your work-related hours for a representative four week period that will be averaged out throughout the year. You'll need to keep your receipts to show the amount you purchase your equipment for to be able to calculate the depreciation, as well as show the percentage of time you use the equipment for work.

To calculate cleaning and utility costs, you'll need to calculate the floor space of your home you use for work. You'll be able to claim a deduction for an asset that cost \$300 or more and the decline in value for the period you owned the asset and used the asset for work-related purposes. If you've bought capital equipment, you'll be able to use the instant asset write off to claim straight away.

Pro Tax Tip: Claiming occupancy expense may result in capital gains tax when you go to sell your property. It's best to speak with a tax agent if you plan to claim your occupancy expenses.

Comparing methods

You'll need to work out the method which will result in the best tax deductions for your situation. Claiming one method above the other may result in significant differences to the amount you'll be able to claim. Regardless of the method you use, you'll need to make sure you have the records to prove your expenses. You'll need your log book or diary, employee timesheets, receipts, bank statements, invoices and bills to substantiate your claim.

If you're depreciating assets, your receipts will need to show:

- the date you first started using the asset for work-related purposes
- the effective life of the asset (how long an asset can be used for). If you have not adopted the effective life determined by us, you will need to show how you worked out the effective life
- the method used to work out the decline in value
- how you have calculated the percentage of work use.

Pro Tax Tip: The ATO allows electronic records as long as they are a true and clear representation of the original and must be kept for five years.

Three golden rules

It's good to remember the ATO's three golden rules when claiming:

1. The expense must already have been incurred
2. You must be able to prove your claim
3. The expense must be work-related

Tax time can yield some great deductions to lower your overall tax bill, but you need to know what you can claim and how you claim the expenses to make the most out of your deductions. It's best to speak with an Tax Accountant, who will advise your best method. After all, it's about paying less tax than you have to. An expert will help. Even better, the cost of hiring your Tax Accountant is 100% claimable.