



## ***How To Claim Work Related Mobile Expenses***

*In business, there's no escaping the modern world. Business is built on technology. From laptops, desktops, electronic pads to mobile phones. This equipment also comes at a cost. Come tax time these costs can amount to great tax deductions and will lower your overall tax - if you know what to look for and how to claim.*

### **How Do You Get The Best Out Of Tax Time**

If you're one of the millions of Australians who use a mobile phone for business purposes, there are opportunities to maximise your tax deductions. Expenses that are classified as mobile expenses include phone calls, video calls, text messages, taking photos, managing social media, emails, software systems and testing, online research, tracking, data and bundles.

The first rule of thumb is to know how to separate your personal use and business use. You'll only be able to claim the business use of your mobile devices, and you'll need to abide by the following rules:

- You must have personally incurred the expense and not been paid for it by your employer
- The expense must be directly related to earning your income in a job you already have that earns assessable income
- You must have the records to prove that you have incurred the expense

If your employer supplies you with a phone and pays

for all of the expenses such as calls, texts and data), you won't be able to claim a tax deduction. If you've paid for the expense, but then been reimbursed by your employer, you also will not be able to make any claims. You'll also need to be generating an income before claiming any expenses. If you're applying for a job, or don't have a job, your mobile expenses are regarded as private in nature and expenses cannot be claimed.

### **How To Work Out Your Work-Related Costs**

#### **Incidental Use**

The ATO has allowed Australian individuals to claim for business expenses on devices that are made occasionally and you're not claiming a tax deduction of more than \$50 in total. You'll be able to claim:

- \$0.25 for work calls made from your landline
- \$0.75 for work calls made from your mobile
- \$0.10 for text messages sent from your mobile

#### **Phone Plans**

If you're on a phone plan, you'll need to work out your personal versus business portion of your expenses. Using your phone bill, use a four week representative period to work out your business percentage use, which you then apply over the whole year.

To work out your percentage use, you'll need

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to include the number of work calls made as a percentage of your overall calls made, the amount of time spent as a percentage of your overall time, and the amount of data downloaded for work purposes as a percentage of your total downloads.

**For example:** Joe has an \$80 per month mobile phone plan, which includes \$500 worth of calls and 1.5GB of data. He receives a bill that itemises his phone calls and provides him with his monthly data use.

Over a four-week representative period, Joe identifies that 20% of his calls are work-related. He worked for 11 months during the income year, having had one month of leave. He can claim a deduction of \$176 in his tax return ( $20\% \times \$80 \times 11$  months).

If your phone bill isn't itemised, you can work out your work-related use by keeping a record of all of your calls made over a consecutive four week period and then calculate your business use as a reasonable percentage and apply it for the year.

**For example:** Sara's mobile bill costs her \$50 per month. She does not receive a monthly bill so she keeps a record of the calls she makes over a consecutive four week period. During this time, she makes 25 work calls and 75 private calls. Sara worked for 11 months and had one month of leave.

Sara calculated her work use as 25% (25 work calls divided by 100 total calls). She can claim a tax deduction of \$138 in her tax return ( $25\% \times \$50 \times 11$  months.)

## Bundled Plans

Calls and data are often bundled into one bill. If you have a bundled deal for your household, you'll need to work out your individual use for each device over a four week representative period that is then averaged over the year.

To work out your internet use, calculate the amount of your work-related data downloaded and compare with all members of your household.

To work out your phone expenses, calculate the total number of calls made, and then work out your individual percentage and time spent on your work-related calls. Calculate any additional costs if you have exceeded your monthly cap.

**For example:** Tony has a \$100 per month home phone and internet plan. \$40 of the bill is for Tony's phone, and \$60 is for his internet service. Tony's mobile phone plan is \$90 per month and he receives a \$10 per month discount. The total amount for all services is \$180 per month.

Tony worked 11 months of the year. Based on his itemised accounts, Tony calculates that his work-related percentage of his mobile phone is 20%. Tony uses his home internet for work-related purposes and calculates it is 10% of his overall use. Tony does not use his mobile for work-related calls.

To work out his work-related costs, Tony calculates the value of each bundle component and then apportions the work-related use.

Mobile phone = \$90 per month minus \$10 discount = \$80 per month.

Internet = \$60 per month

Home phone: Not used

Mobile phone use = 20% work-related use x \$80 per month x 11 months = \$176

Home internet use = 10% work-related use x \$60 per month x 11 months = \$66

Tony can claim a total tax deduction of \$242 for the financial year, reducing his taxable income.

## Claiming The Purchase Cost Of Your Mobile

You can claim a percentage of the total cost of your smartphone, tablet or other electronic device if you use it for work.

If your device cost under \$300, you'll be able to claim a one-off, immediate tax deduction for the business use percentage of your total purchase price. If your device cost more than \$300, you'll be able to depreciate the expense over the life of the equipment as determined by the ATO guidelines.

If you've purchased or leased your phone, you can claim a percentage of the monthly fees that are work-related.

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## **Need Some Help?**

This can all be pretty confusing and you don't want to be caught by the ATO if you get it wrong. Don't worry. Your ITP Tax Accountant will be happy to help you work out what you should and shouldn't be claiming. They'll probably even find more claims than you know about!

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