

Home Office Deductions

Fact Sheet—SOLE TRADERS AND EMPLOYEES ONLY

Many of us now do some work from home, even if we have a full-time job elsewhere. The good news is tax deductions are available for this.

Whether you are self-employed or an employee, you may be able to claim work-related expenses as tax deductions where part of your home is used in connection with your business or income producing activities. What you can claim will depend on the extent you use your home for business, and whether you have a specific room set aside for this.

For tax purposes, there are broadly three types of home-based work:

Your home is your principal place of business

Part of your home must be regularly and exclusively used as the principal place where you trade or do business from. This generally means that you do most of your work at home or you meet and deal with your patients, clients or customers at home.

For example

- + a doctor or dentist who has a surgery, consulting or waiting rooms at home
- + a tradesperson who has a workshop at home
- + a self-employed scriptwriter who conducts her writing activities from a room in her flat
- + a sales representative who is required by her employer to maintain an office in her own home to carry out work duties
- + an employee architect who conducts a small private practice from home

You have a home office that you use as a home-work area

Your principal place of business is not at home but you have an area, such as a study or spare room, set aside primarily for business activities. For example you may have an office elsewhere, but work at home after hours.

You sometimes work at home but do not have a specific home work area

Your principal place of business is not your home, nor do you have an area primarily set aside for work, but you conduct some business activities at home. For example, you might work for a few hours in the dining room each week.

See overleaf for a table summarizing the expenses you can typically claim for each category.

How is the claim calculated?

Typically, when you have an area or room that is specifically used for running your business, you calculate the percentage of floor space that the room occupies of the house. You then use this percentage to claim a portion of the home expenses listed overleaf as a tax deduction.

If you do not have an area that is used exclusively for business, the most common way to measure what portion of your home expenses you can claim is to calculate your total hours worked for the year and claim a deduction at the ATO's predetermined rate of **34 cents per hour of work performed**. Please note that this rate was 26 cents per hour for income years prior to the 2011 financial year.

Receipts and/or diaries of usage are typically required for items of significant costs e.g. repairs and maintenance, phone usage etc.

Please note that if you claim occupancy costs as part of your home office expenses, your "main residence exemption" for capital gains tax purposes will be

What home office expenses can you claim?

The expenses you can typically claim for each category are listed below.

Cost Category	Type of Costs	Your home is your principal place of business	You use your home office as a home work area	You work at home but do not have a specific home work area
Running Cost	The cost of using a room's utilities, such as gas and electricity for heating, cooling and lighting	✓	✓	✓
Telephone Cost	Business phone costs, internet access & stationery	✓	✓	✓
Depreciation Cost	Decline in value of office furniture and equipment (eg desks, chairs, computers)	✓	✓	✓
	Decline in value of curtains, carpets and light fittings.	✓	✓	X
Occupancy Cost	Running costs such as cleaning, repair of furniture and furnishings	✓	✓	X
	A portion of the cost of owning or renting the house such as rent, mortgage interest, insurance, rates. (However note CGT implications overleaf.)	✓	X	X

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