

Home Office Deductions

Fact Sheet, July 2023

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 three broad types of home-based work:

1. 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.

This also includes situations where the employer provides no other work location for an employee.

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.

2. 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.

3. You sometimes work at home but do not have a specific 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?

From 1st March 2023, the rules have changed when it comes to claiming work from home deductions.

The COVID shortcut method of 80 cents per hour worked from home ended on 30 June 2022.

From 1st July 2022 you have the choice of the **revised fixed rate method** or the **actual cost method**.

Under the actual cost method, you will need to keep a detailed record of all costs incurred and calculations of how much relates to working from home. Working from home usage is usually determined via a 4 week record of itemised costs that is representative of your usage throughout the year.

You may be able to make an actual cost method claim for expenses you incur such as:

- + Data and internet
- + Mobile and home phone usage
- + Electricity and gas
- + Computer consumables
- + Stationery
- + Decline in value of computers and office furniture as well as maintenance and repairs of these items
- + Cleaning (if you have a dedicated home office)

Under the revised fixed rate method, you are able to claim 67 cents per hour you work from home to cover expenses such as:

- + Data and internet
- + Mobile and home phone usage
- + Electricity and gas
- + Computer consumables
- + Stationery

In addition to the 67 cent per hour calculation you can also claim a separate deduction for:

- + Decline in value of computers and office furniture as well as maintenance and repairs of these items
- + Cleaning (if you have a dedicated home office)

The record keeping under the revised fixed rate method has also changed from 1st March 2023.

You need to have a record of all the hours you work from home for the entire year eg. a timesheet, roster, diary or similar document.

You also need evidence you paid for the expenses covered under the revised fixed rate method. It is best to keep at least one bill from each item you are looking to claim for eg. phone and electricity bill.

You will also need to keep receipts for items that you claim a separate deduction for eg. computer or office chair.

From 1st July 2022 – 28th February 2023, the ATO will accept an estimate of the hours worked from home to use in the 67 cent per hour calculation, however from 1st March 2023 you must keep a record of all hours worked from home for the entire year, no estimates will be accepted.

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 work from home area | You work at home but do not have a specific home work area |
|--------------------------------|---|---|---|--|
| Business Overhead s | Phone costs, internet access & stationery Decline in value of office furniture and equipment (e.g. desks, chairs, computers) | ✓ | ✓ | ✓ |
| Running Cost | The cost of using a room's utilities (e.g. gas and electricity for heating, cooling and lighting) | ✓ | ✓ | x |
| Home Depreciation Costs | Decline in value of curtains, carpets and light fittings. | ✓ | ✓ | x |
| Occupancy Cost Type 1 | Maintenance costs (e.g. cleaning, repairs) | ✓ | ✓ | x |
| Occupancy Cost Type 2 | A portion of the cost of owning or renting the house (e.g. rent, mortgage interest, insurance, rates) Potential CGT implications | ✓ | ?* | ?* |

*As individual circumstances vary, please seek specialist advice as to whether you are able to claim these expenses.

Disclaimer: This fact sheet is of a general nature only and is not intended to be relied upon as, nor to be a substitute for, specific professional advice. No responsibility for loss occasioned to any person acting or refraining from action as a result of this information can be accepted.

Author: Accru Rawsons Brisbane & Accru Felsers Sydney