

Work Related Home Office Expenses

As a general rule, expenses associated with renting or owning your own home (occupancy expenses) are of a private or domestic nature and do not qualify as a deduction for tax purposes. The home will only qualify for a deduction for occupancy expenses where it has the character of a **place of business**. If you use your home to carry out income producing activities as a matter of convenience, you are not entitled to a deduction for occupancy expenses.

Note: *If your home qualifies for a deduction for occupancy expenses and you own it, capital gains made on disposal of the home may be taxed on that portion of the home used as a 'place of business' for the period it is used for that purpose.*

From 1 July 2022 the ATO has introduced a '**revised fixed rate**' method for claiming running expenses. The revised fixed rate allows you to make a claim for a deduction at the rate of 67 cents per hour that you work from your home. This covers making claims for electricity, gas, internet, mobile and home telephone, stationery and computer consumables.

Alternatively, you can claim the '**actual method**' which involves analysing separate running costs associated with working from home and claiming the work-related portion of such costs.

For both methods you will need to keep a diary or similar record calculating the total number of hours worked from home. If you make a claim using the '**revised fixed rate**' a monthly bill is required for electricity, telephone and internet expenses. One receipt is required for an item of stationery and computer consumables. All invoices are required when using the '**actual method**' to substantiate each claim.

Please note that depreciation of office and furniture equipment and cleaning costs associated with working from home are not covered in the revised fixed rate. These items can be claimed using the actual method.

The following factors, none of which are necessarily conclusive on their own, may indicate whether or not an area set aside has the character of a 'place of business':

- the area is clearly identified as a place of business;
- the area is not readily suitable or adaptable for use for private or domestic purposes in association with the home generally;
- the area is used exclusively, or almost exclusively, for carrying on a business; or
- the area is used regularly for client or customer visits.

An example is a salesperson in the country whose city-based employer does not provide an office for them.

Where the home is a **place of business** some of the occupancy expenses incurred for the home may be partially deductible. If you are eligible to claim occupancy expenses you will need:

- rent statements;
- bank statements showing mortgage interest;
- council and water rate notices;
- house insurance premium notices;
- costs for repairs relating to the house as a whole (for example roof, guttering) as opposed to a specific area of the house (for example kitchen, bathroom, home office);
- receipts for any other expenses relating to the home as a whole (for example body corporate levies);
- the floor area of the room used for work purposes and the floor area of the home; and
- a statement of the months used, if less than 12 months.

Note: As a general rule, the floor area of the home includes external walls, verandahs and outbuildings, whereas individual room measurements are the actual floor area between the walls.

IMPORTANT: *This is not advice. Clients should not act solely on the information contained within. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting. This information is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval. © AVANCE, Chartered Accountants, photocopying of this document is only at the approval of its Directors. Issue Date: 12/07/2023*