

Claimable Expense: Working from Home

Employees working from home may be able to claim certain deductions for the following three types of work-related expenses:

Running Expenses

All expenses relating to the cost of utility and equipment usage, including:

- ✓ Cleaning
- ✓ Lighting
- ✓ Heating
- ✓ Cooling
- ✓ Equipment repairs
- ✓ Furniture & furnishings (depreciating value)
- ✓ Equipment (depreciating value)
- ✓ Computer consumables, including printer ink, and paper



How much you can claim?

Two methods of calculating the running expenses:

- ✓ Using the 52 cents per hour, which is the fixed-rate method
- ✓ Calculating the actual expenses

Fixed-rate Method

For the **fixed-rate method**, you record the number of hours you work from home each day during the income year. You can also keep a diary where you document four weeks of usage. It should show the typical pattern of how you work from home.

Using the above computation for the entire year, you can determine how much you can claim. Be sure to separate your expenses for the depreciating value of your furniture, furnishings, & computer, along with phone and internet use and computer consumables.



Actual Expenses

The other method where you calculate the **actual expenses** requires you to:

- ✓ Document the exact number of hours that you work from home throughout the entire income year
- ✓ Determine the total cost of your cleaning expenses where you get the sum from your receipts and multiply the amount by the floor area where you work

You will also need to get the total cost of lighting, heating and cooling, which means you have to:

- ✓ Determine the cost of power used for each unit with the help of your utility bill
- ✓ The total number of hours for work-related use
- ✓ The power consumption for every kilowatt-hour for equipment, light, or appliance used, also known as the average units used per hour.

Apportioning the costs is necessary where some of the members of the household may also use the work area, which results in additional expenses.

The calculation of the deduction for the depreciation of equipment, furniture and furnishings is a little different:

- ✓ If the items cost over \$300, their value should depreciate and be apportioned to indicate work-related consumption only. One way to learn the depreciation of the items is through the ATO's Depreciation Tool found on their website.
- ✓ For those without a dedicated area when working at home, the calculation is based on the actual cost of each expense. These include electricity, cooling, and heating. Using the running cost of the unit for each hour, you will have to multiply the number of hours you have worked at home for the entire income year.

The general amount of extra expense will be smaller for those without a dedicated workspace at home. The reason for it is that other people are using this particular area while you are working. No extra costs for electricity and other utility bills will be added to the claim.

Occupancy Expenses

This type of expense is not applicable for deduction claims because you are an employee. Occupancy expenses include rent, property insurance and land taxes among others.

Most of the time, it is not possible to have **Capital Gains Tax (CGT)** implications for your house if you want to claim work-from-home expenses.

However, there is an exception: If you run a business from home, CGT may apply even if you are claiming occupancy expenses, such as mortgage, interest, and rent.

Although you may not receive the full main residence CGT exemption for claiming a deduction, you may still be given partial exemption.

Phone and Internet Expenses

It is typical for those working from home to use the phone and Internet, which is why you can claim a deduction for these expenses. Make sure that you can provide records that can be used to support your claims. Also, you should pay for the costs yourself and not your employer. Some requirements for claiming phone & Internet expenses are:

- ✓ Records containing a four-week period for the whole income year, which may entitle you to a deduction of over \$50
- ✓ Receipts, such as phone and Internet bills, whether in electronic or paper form
- ✓ Documents that prove you used your phone and Internet for work
- ✓ Diary entries and other pieces of evidence showing that you made work-related phone calls



How much you can claim

There are two methods to help you calculate how much you can claim for a deduction:

- ✓ Providing limited documentation to get up to \$50 deduction
- ✓ Calculating the actual expenses

Claimed up to \$50

For the first method, you can **claim up to \$50** for incidental work use. You are not required to provide complete evidence, but you cannot claim more than \$50 in deductions. You do not have to analyse your bills if you are claiming a deduction based on the following:

- ✓ \$0.25 for work-related calls that you have made using your landline
- ✓ \$0.75 for all work-related call using your mobile phone
- ✓ \$0.10 for all text messages that you sent using your mobile phone

Actual Expenses

However, if you want to claim a larger deduction, you will need to calculate the **actual expenses**. It will help if you have a phone or Internet plan that provides you with an itemised list of your usage. From there, you can determine the real percentage of work-related use of your phone and the Internet for four weeks. You can use this period to represent the whole income year.

Use a reasonable basis to determine the percentage of usage, including:

- ✓ The number of work-related phone calls based on the percentage of total calls made
- ✓ The duration of work calls to work out the percentage of the total calls
- ✓ The data size for work-related downloads for the total download percentage

For owners of bundled plans, apportioning the cost for each service is required. You may also need to identify the amount of usage for each specific service based on a four-week representative period. It can then be applied to the whole income year.

Users with non-itemised plans can work out the actual expenses with the same method outlined above.



Three Common Work-from-Home Setups

Some of the usual scenarios for employees working at home include:

Workers with a Dedicated Workspace

If you work for a company, such as a lawyer for a large city firm, your employer may grant you the ability to work from home for a limited time. You may be allowed to work two days every week while you are at home. The rest of the days are for working at the office.

You have your own home office where you work, but your family also uses the area for different purposes, including personal and as storage. Here are some important reminders to what you can claim:

- ✓ Running costs are claimable, but they will be apportioned based on your work-related use of the home office.
- ✓ You can calculate what you can claim using the actual cost based on your usage of the home office and computer.
- ✓ Consider that you are not the only one using the computer and home office for personal purposes but also other members of the family.

Workers without a Dedicated Workspace

If you work at home, but you have no set work area, you may be working in different parts of the house, such as the lounge room and your bedroom. What you can claim under this scenario:

- ✓ You can claim the running costs of the expenses relating to your work. For example, you can request a deduction for the depreciation of the value of your laptop, which you use for creating reports.
- ✓ You can claim additional expenses or lighting, cooling, and heating that you use when you work in the lounge room or bedroom.
- ✓ Electricity costs are also claimable since you use it to charge or power up your laptop when working.
- ✗ You are not allowed to claim a deduction for the power used in the lounge room if your family is there watching TV while you work. You also cannot claim the extra costs of lighting, heating, and cooling in that area. However, you can claim the electricity cost if you charge your laptop during that same time, along with the decline in the value of the equipment.

Employees choosing to Work from Home

If you usually work in your office, but you decide to work from home even if it's not a requirement, you can claim deductions for the following:

- ✓ You have purchased the equipment you use for working at home, such as your laptop, thumb drive and mobile phone.
- ✓ You pay for your Internet and mobile phone usage.
- ✓ Your employer does not reimburse you for all the purchases and expenses.
- ✓ You can claim the running costs for all the work-related expenses, including depreciation of your laptop and furniture for work.
- ✓ You are also eligible to claim a percentage of your electricity costs for the hours you work in your home office.
- ✓ The deduction can also be applied to relevant usage of the Internet and mobile phone for work.

You will still have to apportion the expenses to make sure you have calculated correctly, including the costs of private use of the appliances and equipment.

Important Documents for Record-Keeping

Everyone who works from home should maintain records, including:

- ✓ A diary containing four weeks of the usual work-from-home pattern
- ✓ Receipts or other forms of written evidence, such as the assets you bought that depreciate in value
- ✓ A list of work-related calls
- ✓ A record of small payments or those that are \$10 or less
- ✓ A list of expenses from which you cannot get any evidence, but all items should not go over \$200 in total

- ⓘ If you need to change your work patterns throughout the year, you will need to have a separate account for this change, along with the four-week record of the previous routine.

For instance, you usually work at home two days weekly. However, due to the COVID-19 situation, you now work from home five days per week. In this case, you need to provide records for these two work-from-home arrangements.

