



Home Office Deductions

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 homebased 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.

4. 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 in 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 the 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 45 cents per hour of work performed.

Using this rate method to claim a deduction covers heating, cooling, lighting expense and depreciation on furniture. However, telephone, internet and stationery expenses can be claimed separately to this rate method based on the actual cost incurred.

5. What records to keep?

Records of all home expenses must be kept to support any claim. It is recommended receipts for items of significant cost are kept (computers, desks, repairs and maintenance) whilst diary entries are recorded for small expenses.

In particular, it is important to keep diary records of all business-related phone and internet usage for a 4-week representative period.

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 tainted i.e. upon the sale of your house, there may be capital gain consequences. Please discuss this with us.

6. What home office expenses can you claim?

Expense Types	Sole Trader: Home is Principal Place of Business	Employee: Dedicated Home Office space	Employee: No specific Home Office space
Running Costs: <ul style="list-style-type: none"> Electricity Gas 	Yes Yes	Yes Yes	Yes Yes
Telephone Costs: <ul style="list-style-type: none"> Landline Internet access 	Yes Yes	Yes Yes	Yes Yes
Depreciation: <ul style="list-style-type: none"> Office equipment (eg: computer) Office furniture (eg: chair, desk) Office fittings (eg: carpet, curtains) 	Yes Yes Yes	Yes Yes Yes	Yes Yes No
Maintenance Costs: <ul style="list-style-type: none"> Cleaning Repairs and other maintenance type costs 	Yes Yes Yes	Yes Yes Yes	No No No
Occupancy Costs: <ul style="list-style-type: none"> Rent Mortgage interest Rates & Land Tax Insurance 	Yes Yes Yes Yes	No No No No	No No No No

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Note: This information is of a general nature only and is not intended to be relied upon, nor to be a substitute for, specific professional advice. Also as changes in legislation may occur quickly we recommend that our formal advice be sought before acting in any of the above areas.

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