



Employees working from home

The other kind of housework

If you're an employee who works from home, you may be able to claim a deduction for expenses relating to that work.

Running expenses

Employees who work from home can claim the work-related proportion of their **running expenses**. These expenses are the cost of using equipment and utilities at your home for work and include:

- ✔ lighting
- ✔ heating and cooling
- ✔ cleaning
- ✔ the decline in value of equipment, furniture and furnishings in the area you use for work
- ✔ the cost of repairs to this equipment, furniture and furnishings, and
- ✔ other running expenses, including computer consumables (such as printer paper, ink) and stationery.

Occupancy expenses

As an employee, generally you can't claim a deduction for occupancy expenses, which includes rent, mortgage interest, property insurance, land taxes and rates.

In most cases, if you work from home as an employee and claim working from home expenses, it will not have capital gains tax (CGT) implications for your home. However, if you are running a business from home or claiming occupancy expenses (like rent, mortgage interest or rates), then CGT may apply.

If you do claim occupancy expenses, you don't get the full main residence CGT exemption, although you may be entitled to a partial exemption.

Phone and internet expenses

If you use your phone or internet for work, you can claim a deduction for the work-related percentage of your expenses if you paid for these costs and have records to support your claims.

You need to keep records for a four-week representative period in each income year to claim a deduction of more than \$50. These records include phone and internet bills (paper or electronic) from which you can identify work-related calls and internet usage. Diary entries and any other evidence which shows you worked from home and made work-related phone calls will also help to demonstrate that you are entitled to a deduction.

i If you are working from home during COVID-19, we have introduced a temporary shortcut method to simplify how you calculate your working from home deduction. This method is only available for the period 1 March 2020 to 31 December 2020. If you meet the eligibility and record-keeping requirements, you can claim 80 cents per work hour using this method. Find out more at ato.gov.au/home



Calculating running expenses

There are two ways to calculate your running expenses:

- ✔ you can claim a fixed rate of 52 cents per hour, or
- ✔ you can calculate your actual expenses.

Fixed rate

You can use a fixed rate of 52 cents per hour for each hour that you work from home (instead of recording all of your actual expenses for heating, cooling, lighting, cleaning and the decline in value of furniture).

To claim using this method keep records of the actual hours you worked at home during the income year, or keep a diary for a representative four-week period to show your usual pattern of working at home.

You can then apply this amount of use across the remainder of the year to determine your full claim.

You need to separately work out your expenses for:

- phone and internet usage
- computer consumables and stationery
- decline in value on your computer.

Actual expenses

To calculate actual expenses if you **have a dedicated work area**, you:

- ✔ record the number of actual hours you worked from home during the income year
- ✔ work out the cost of your cleaning expenses by adding together your receipts and multiply it by the floor area of your dedicated work area
- ✔ work out the cost of your heating, cooling and lighting by working out the following:
 - the cost per unit of power used (using your utility bill)
 - the average units used per hour – this is the power consumption per kilowatt hour for each appliance, equipment or light used
 - the total hours used for work-related purposes while you were working from home.

You must also take into account the use of this area by other members of your household, if applicable, and apportion your expenses accordingly.

- ✔ To calculate your deduction for the decline in value of equipment, furniture and furnishings that cost more than \$300, the item must be depreciated and apportioned to reflect your work-related use. The ATO has a depreciation tool to help you work this out, at ato.gov.au/depreciationtool

If you **did not have a dedicated work area**, the additional expense for lighting, heating, cooling and electricity should be calculated by determining the actual cost of running each unit you used per hour and multiplying that by the hours you spent working at home. Generally, the amount of additional expense will be small. This will be particularly so where other people are using the area at the same time you are working there. In those circumstances there will be no additional cost for lighting, heating or cooling (see the scenario below).



Calculating phone and internet expenses

There are two ways to calculate your phone and internet expenses:

- ✔ you can claim up to \$50 with limited documentation, or
- ✔ you can calculate your actual expenses.

Claiming up to \$50

If your work use is incidental and you are not claiming a deduction of more than \$50 in total, you may make a claim based on the following, without having to analyse your bills:

- ✔ \$0.25 for work calls made from your landline
- ✔ \$0.75 for work calls made from your mobile
- ✔ \$0.10 for text messages sent from your mobile.

Actual expenses

If you have a phone or internet plan where you receive an itemised bill, you need to determine your percentage of work use over a four-week representative period which can then be applied to the full year.

You need to work out the percentage using a reasonable basis. This could include:

- ✔ the number of work calls made as a percentage of total calls
- ✔ the amount of time spent on work calls as a percentage of your total calls
- ✔ the amount of data downloaded for work purposes as a percentage of your total downloads.

If you have a bundled plan, you need to:

- apportion the cost of the plan between the services provided, and
- identify your work use for each service over a four-week representative period during the income year, which can then be applied to the whole year.

The same method should be used for non-itemised plans.

For more information, see ato.gov.au/phoneandinternet

Common scenarios

Julia - A dedicated room for work

Julia is a lawyer who works as an employee for a large city firm. Julia's employer has agreed that she can work from home two days per week. She has a home office that she works in on the days she does not travel to the city. Julia and members of her family use the home office for private purposes, including personal use of the computer and to store household items.

- ✔ Julia can claim running costs, but only the portion of the expenses that relate to her work-related use of the home office. In working out her work-related use of the home office and the computer, Julia must take into account not only her own private use but also her family's use of the home office and the computer.

James - no set work area

James is a high school teacher. From time to time, James works in the lounge room at home – for example, to mark tests and prepare end of term reports. He does not have a room set aside exclusively for work.

- ✔ James can only claim running costs associated with the work he does at home – such as the work-related proportion of the decline in value of the laptop he uses to prepare the reports and the additional cost of lighting, heating and cooling his lounge room. He is also entitled to claim the cost of electricity to power his laptop for the hours he spends working at home.

- ✘ If James' family was in the lounge room watching television at the same time that he was in there marking tests and preparing end of term reports he could not claim the additional cost of lighting, heating and cooling his lounge room. James can still claim the cost of electricity required to power his laptop for the time he spent working and the work-related proportion of the decline in value of the laptop he uses to prepare reports.

Natalie - chooses to work from home

Natalie is a web developer for a large company and usually works from their office in her city. While Natalie is not required to work from home, her employer supports it. Natalie is not provided with the work equipment to use at home, so she uses her own laptop, internet connection, mobile phone and thumb drive. She is not reimbursed by her employer for these costs.

- ✔ Natalie is entitled to claim running costs including the work-related proportion of the decline in value on her laptop, her office desk and chair, and a percentage of lighting, heating and cooling that reflects her work-related use of the office, as well as the cost of using her own internet connection and mobile phone for work. Natalie needs to apportion these expenses to take her private use into account.

Records you must keep

You must keep records, such as:

- ✔ a diary for a representative four-week period to show your usual pattern of working at home
- ✔ receipts or other written evidence, including for depreciating assets you have purchased
- ✔ diary entries to record your small expenses (\$10 or less) totalling no more than \$200, or expenses you cannot get any kind of evidence for
- ✔ itemised phone accounts from which you can identify work-related calls, or other records, such as diary entries.

- ❗ If you use the four-week representative period to calculate your expenses over the income year and your usual pattern of work changes throughout the year, you will need to keep separate records to show your expenses.

For example, if you normally work from home one day a week and due to an emergency situation such as COVID-19, bushfire or drought you're required to work from home for an extended period, you need to keep records of both:

- the actual hours you've worked from home due to the emergency situation
- your usual working from home arrangements.

This is a general summary only.

For more information, speak with your tax agent or visit ato.gov.au/workingfromhome