

# EMPLOYEE HOME OFFICE EXPENSES

Due to the spread of COVID-19 and Government lockdown measures, most employees across Australia are relishing in the flexibility of being able to work from home. While businesses adapt to the unprecedented mass work from home environment, with 30 June 2020 looming, many employees are left asking 'what can I deduct?'

Whether you're working from a home office or on the dining room table, certain costs that you incur as an employee while working from home are deductible.



## 1. SHORTCUT METHOD

Deduction for home office expense of 80 cents per hour that you worked from home

The ATO introduced the shortcut method as a response to the vast number of people forced to work from home during the COVID-19 lockdown period. There is no requirement to use this method, an employee can continue to use one of the previous two methods should they choose (refer below).

The shortcut method provides for a deduction of 80 cents per hour for each hour you worked from home during the period **1 March 2020 to 30 June 2020**.

### What does it cover?

The shortcut method intends to cover all additional running costs including:

- Electricity, cooling, heating etc
- Repair and decline in value of capital items such as furniture, fittings, computer hardware etc
- Phone and internet costs
- Consumables and stationery
- Cleaning

If you use the shortcut method, you are unable to claim any additional working from home costs during the period 1 March to 30 June 2020.

### Am I eligible?

You will be able to use the shortcut method if you meet the following eligibility criteria:

- You were required to work from home during the period 1 March 2020 to 30 June 2020
- Tasks undertaken at home were meaningful and not merely checking of the occasional email or taking ad hoc calls
- You have incurred additional running costs as a result of working from home

There is no requirement for you to have a dedicated office area to claim a deduction under the shortcut method.

### Do I need to substantiate costs?

Yes. While you aren't required to keep records of the actual additional costs incurred as a result of working from home, you will have to keep a record of the hours you worked. The ATO will accept the following records:

- Timesheet
- Roster
- Diary
- Similar document which sets out the number of hours you worked

Time worked from home **excludes** time spent on lunch breaks or similar.

### What about expenses incurred before 1 March 2020?

If you worked from home prior to the COVID-19 lockdown measures, you will be required to calculate your working from home deduction under either the fixed rate method or actual costs method.

## 2. FIXED RATE METHOD

Deduction for home office expense of 52 cents per hour that you worked from home

### What does it cover?

What is **included**:

- Electricity, cooling, heating etc
- Repairs to home office equipment, furniture and fittings
- Decline in value of home office furniture and fittings

What is **excluded**:

- Phone and internet costs
- Consumables and stationery
- Decline in value of home office equipment such as computers, laptops, phones etc

## Am I eligible?

You will be able to use the fixed cost method if you meet the following eligibility criteria:

- You have a dedicated working from home area such as a study or office
- You are required to perform duties as an employee at home from this area
- You meet the below substantiation requirements

## Do I need to substantiate costs?

Yes. To use the fixed cost method, you must keep either of the following records:

- Four-week representative diary of your working from home pattern
- Records of the actual time spent working from home

If you usually work from home one day a week or more and due to the COVID-19 lockdown measures you're required to work from home for additional days, you will need to keep separate records for both situations (e.g., complete a new four-week representative diary) as the original four-week representative diary will no longer be valid for the entire financial year.

A deduction is still able to be claimed for excluded expenses (such as phone and internet etc.), however, you will be required to keep a record of the actual costs incurred for these items and the percentage of their business use where expenditure is above a certain threshold. Specifically:

### Phone and Internet

- Any mobile, landline or internet usage for work purposes can be claimed. While detailed receipts are not required for phone and internet claims of up to \$50, you still need to show how you calculated the claim (e.g., diary record of the number of business calls). For claims of more than \$50, you can claim the actual work use percentage of each bill.

### Asset Purchases and Depreciation

- The items you buy for your home office and work use are generally deductible, such as printing and stationery.
- Office equipment acquired for less than \$300 can be claimed in full in the tax year you buy them. Office equipment acquired for \$300 or more must be depreciated over its effective life, and you can still only claim the percentage amount that applies to work use.



If you have any questions or require further assistance related to individual tax solutions, please [click here](#)

## 3. ACTUAL COST METHOD

Claim a deduction for the actual expenses directly incurred in working from home

### What does it cover?

The actual cost method covers the following additional running costs:

- Electricity, cooling, heating etc
- Repair and decline in value of capital items such as furniture, fittings, computer hardware etc
- Phone and internet costs
- Consumables and stationery
- Cleaning

### Am I eligible?

The eligibility requirements are similar to those for the fixed cost method; however, you do not specifically need a dedicated work area.

Where you do not have a dedicated work area the deductions you can claim are limited as you will generally only incur minimal additional running expenses. For example, you cannot claim a deduction for lighting and heating a common room used by other members of your household.

### Do I need to substantiate costs?

Yes. You will be required to support the number of hours you worked from home by keeping either of the following records:

- Four-week representative diary of your working from home pattern
- Records of the actual time spent working from home. Note that a separate four-week representative diary, or records of actual time spent working from home, will be required if your working from home pattern changed as a result of the COVID-19 lockdown measures

This method is more labour intensive in the level of record keeping required to substantiate the actual expense incurred, for example:

### Declines in value of depreciating assets

- Receipt of amount spent
- Business use percentage of the asset

### Costs for heating, cooling and lighting

- Cost per unit of power used (as per your utility bill)
- Average units used per hour – the power consumption per kilowatt hour for each appliance, equipment or light used

### Costs of phone and internet plan

- Percentage of work use over a four-week representative period based on your itemised bill

### Cost of your cleaning expenses

- Cleaning receipts multiplied by the floor area dedicated for your work area as a percentage. Apportioned for the private use and use by family members of this area