

Changes to claiming working from home costs: Record keeping required.

From 1 July 2022, the short-cut method and the fixed-rate method, previously used for claiming working at home costs have been abolished and replaced by the **revised fixed-rate method**.

Under the revised fixed-rate method, a deduction can be claimed of **67 cents per hour**. This rate covers:

- energy expenses (electricity and gas)
- internet expenses
- mobile and home phone expenses and
- stationery and computer consumables.

Other expenses associated with working from home, such as home office furniture and a personally owned computer used at home for work purposes, will need to be calculated on an actual basis when using the revised fixed-rate method. If the item purchased is under \$300 you can claim it outright, if over \$300 you can make a claim for decline in value (depreciation). **Note, only the work-related proportion can be claimed.**

To claim a deduction under the new fixed-rate method, an individual needs the following criteria:

- (a) The individual is working from home while carrying out their employment duties or carrying on their business on or after 1 July 2022.
- (b) They are incurring additional running expenses of the kind outlined above.
- (c) They keep and retain relevant records in respect of the time they spend working from home and for the additional running expenses (covered by the rate per hour) they are incurring.

Record Keeping

(Please note there are strict record keeping requirements associated with this new fixed-rate method)

For the year ending 30 June 2023, a taxpayer will need to keep a record which is **representative** of the total number of hours worked from home during the period from *1 July 2022 to 28 February 2023*.

The taxpayer will also need to keep a record of the total number of **actual** hours they worked from home for the period *1 March 2023 to 30 June 2023*. Estimates will not be accepted.

The record of the actual hours worked from home could be maintained by timesheets, rosters, time-tracking apps, logs of time spent accessing employer systems or online business systems or a diary kept daily.

For the year ending 30 June 2024 and later income years, a taxpayer must also keep a **record** of actual hours worked from home for the entire year.

The ATO also require a taxpayer claiming under this method to retain at least one monthly or quarterly bill for the above-mentioned costs. This is because the ATO now requires proof that the individual has incurred the running costs represented by the 67 cents per hour deduction.

Claiming under the Actual Expenses method

The actual expense method is still available as an alternative method of claiming working from home costs.

Note: to claim this method you must incur additional running costs as a result of working from home. You don't incur additional running expenses if other members of your household (who are not working from home) are in the same room as you while you are working from home e.g., working from the lounge room while others are watching TV.

Using the actual costs method, you work out your deduction by calculating the actual additional expenses you incur when working from home. This includes expenses you incur for:

- the decline in value of office equipment and furniture
- electricity and gas for heating, cooling and lighting
- home and mobile phone, data and internet expenses
- stationery and computer consumables, such as printer ink and paper
- cleaning your dedicated home office.

Note, only the work-related proportion can be claimed.

In limited circumstances, you may also be able to claim occupancy expenses (such as mortgage interest or rent) if your home is a place of business.

If you need assistance with your tax return and calculating your working from home costs, give Martin & White Accountants a call on (02) 4722 6633.