

Working from home during Covid-19

With the advent of new work arrangements arising from COVID-19, working from home has become the norm for most Australian's and may be the case for at least 3 months in the current income year and, quite possibly, 3 months in the next income year.

Shortcut method

The ATO has announced changes which apply for the period 1 March 2020 to 20 June 2020 which expand the number of people who can claim deductions for working from home but also have some shortcuts that remove the need to keep receipts to substantiate your claim. The shortcut method does not require you to have a dedicated work area (eg. a study) and applies to you even if you are working from a dining table or any other part of your house.

Under the shortcut method, you can claim a rate of 80 cents per work hour for all additional running expenses outlined at point 2 below under the standard method.

This is a temporary simplified method that the ATO has introduced due to Covid-19. It can only be used for expenses incurred from 1 March 2020 until at least 30 June 2020. This period may be extended.

You will only need to keep a record of hours worked from home representative of at least 4 weeks, no receipts will be required under the shortcut method.

You can choose not to apply the shortcut method if you would be entitled to a greater deduction under the standard method for claiming deductions for working from home.

Standard method

What are the key items to consider for claiming deductions associated with working from home under the standard method?

(1) For an expense to be deductible, generally a taxpayer must:

- Have incurred the expense;
- Not have had the expense reimbursed by your employer or anyone else;
- Have incurred the expense in gaining or producing assessable income;
- Have evidence of the expense which usually includes substantiation of expenses

(2) Running expenses you can claim include:

- electricity expenses associated with heating, cooling and lighting the area from which you are working and running items you are using for work. This does not include water costs.
- cleaning costs for a dedicated work area.
- phone and internet expenses in proportion to the work usage.
- computer consumables (for example, printer paper and ink) and stationery.
- home office equipment, including computers, printers, phones, furniture and furnishings – you can claim either the:
 - full cost of items up to \$300; or
 - decline in value for items over \$300.

The information in this bulletin is general in nature and should not be considered to be advice. Clients should not act solely on the basis of material contained in this bulletin and we recommend formal advice be sought in relation to the issues contained in this document and their application to you and your individual circumstances.

Note: Occupancy costs such as mortgage interest, rent and rates are not deductible if you are only working from home due to Covid-19. The only genuine qualification to this exclusion arises if home is usually your principle workplace with a dedicated area. An example would be a doctor's surgery run from the doctor's home.

(3) There are two ways you can choose to calculate your running expenses:

(a) Fixed rate method – under this method you can claim either:

- i. a rate of 52 cents per work hour for heating, cooling, lighting, cleaning and the decline in value of office furniture; or
- ii. The total of:
 - i. the work-related portion of your actual costs of phone and internet expenses, computer consumables, stationery; and
 - ii. the work-related portion of the decline in value of a computer, laptop or similar device.

(b) Actual cost method – claim the actual work-related portion of all your running expenses, which you need to calculate on a reasonable basis.

For both methods (a) and (b), you will need to keep a record of hours worked which is representative of at least 4 weeks to show your usual pattern of working at home, as well as all receipts claimed and an explanation of the basis of apportionment such as floor space used for work purposes relative to total work space in the house.



Contact Us... to discuss how you can claim home office expenses incurred during Covid-19

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