

### Home Office Deductions

If you are an employee or sole trader and you conduct some of your work at home, you are entitled to claim home office deductions provided they are not reimbursed in any way. The type of home office deductions you can claim will depend on:

- As a sole trader, whether your home is your principal place of business
- As an employee:
  - Whether you have a dedicated home office space (eg: study) in which you conduct your after-hours work, or
  - Whether your after-hours work is conducted in non-specific areas of your home

### What expenses can I claim as Home Office Deductions?

Provided the relevant home office deductions are not being claimed elsewhere, for instance by your employer due to reimbursement, you can claim within a set range of home office expenses depending on your circumstances. The following table sets out the types of expenses you can claim as home office deductions:

| 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"> <li>• Electricity</li> <li>• Gas</li> </ul>   | Yes<br>Yes                                       | Yes<br>Yes                            | Yes<br>Yes                              |
| Telephone Costs: <ul style="list-style-type: none"> <li>• Landline</li> <li>• Internet access</li> </ul>  | Yes<br>Yes                                       | Yes<br>Yes                            | Yes<br>Yes                              |
| Depreciation: <ul style="list-style-type: none"> <li>• Office equipment (eg: computer)</li> <li>• Office furniture (eg: chair, desk)</li> <li>• Office fittings (eg: carpet, curtains)</li> </ul> | Yes<br>Yes<br>Yes                                | Yes<br>Yes<br>Yes                     | Yes<br>Yes<br>No                        |
| Maintenance Costs: <ul style="list-style-type: none"> <li>• Cleaning</li> <li>• Repairs and other maintenance type costs</li> </ul>   | Yes<br>Yes<br>Yes                                | Yes<br>Yes<br>Yes                     | No<br>No<br>No                          |
| Occupancy Costs: <ul style="list-style-type: none"> <li>• Rent</li> <li>• Mortgage interest</li> <li>• Rates &amp; Land Tax</li> <li>• Insurance</li> </ul>                                       | Yes<br>Yes<br>Yes<br>Yes                         | No<br>No<br>No<br>No                  | No<br>No<br>No<br>No                    |

### How do I calculate my claim for Home Office Deductions?

If you maintain a dedicated area in which you conduct your work-from-home, you calculate your home office deductions by applying the pro-rated floor space percentage against the total bills that are eligible to be included in your claim. This applies whether you are in business conducting your business activities from home, or you are an employee conducting work after-hours.

If you do not maintain a dedicated home office space you have two options for claiming home office expenses. Both options require you to maintain a diary for at least a four week period in any given financial year, and the methods for claiming home office expenses are as follows:

- Claiming a portion of actual expenses** incurred based on the diarised evidence of your general pattern of home office activities. The general rule is that you can only make a claim for increases in the likes of household running costs that are attributable to home office activities, therefore the diary should prove spikes in what would otherwise be domestic expenditure
- Claiming a set rate per hour** to cover the likes of running expenses and telephone costs. For the year ended 30 June 2011, the set rate per hour is \$0.34. Your claim for the year will be based on the average number of hours per week you spend working from home, as evidenced by your diary. You can claim depreciation on specific home office furniture and equipment in addition to the claim calculated under the set-rate method

### Capital Gains implications when claiming Occupancy Costs as Home Office Deductions

If you own your own home and it is your principal place of residence, you need to be aware of the potential capital gains tax implications of claiming occupancy costs as tax deductions.

Ordinarily your home is exempt from capital gains tax under the "principal place of residence" exemption, however if you claim occupancy costs at any point during the time you hold the property, it becomes subject to capital gains tax. The potential exposure will depend on the portion of the home used as a principal place of business and the period it was used for that purpose.

#### What Next?

If you would like to know more about claiming home office deductions generally, or would like to discuss the rules as they apply to your individual circumstances, please contact your manager or partner at Isaacs and Cole.

*Disclaimer: The information contained in this fact sheet is not intended as specific advice. Please contact Isaacs & Cole to discuss your individual situation.*