

What Home Office Expenses are Allowed?



If you perform some of your work from your home office, you may be able to claim a deduction for the costs you incur in running your home office, even if the room is not set aside solely for work-related purposes.

Home Office expenses fall into the following categories:

- Running expenses relating to income earning activities
- Telephone expenses
- Depreciation on equipment
- Occupancy expenses where the home is a place of business

Running expenses

A deduction can be claimed for office running expenses comprising of electricity, gas and depreciation of office furniture (e.g. desk, tables, chairs, cabinets, shelves, professional library) in the amount of:

- The actual expenses incurred
- 52 cents per hour

No deduction is allowed where no additional costs are incurred e.g. you work in a room where others are watching TV, or the income producing use of the home is incidental e.g. 52c per hour would not be allowed for a fax machine permanently left on to receive documents.

You will need receipts for:

- home office equipment used for work purposes
- repairs relating specifically to the home office or furniture and equipment used for work purposes
- cleaning expenses of home office
- any other day-to-day running expenses for the home office
- diary entries to record your small expenses (\$10 or less) totalling no more than \$200

Telephone (including mobiles) and Internet expenses

If work or business calls can be identified from an itemised telephone account then the deduction can be claimed for the work or business related portion of the telephone account. A representative four week period will be accepted as establishing a pattern of uses for the entire year.

Telephone rental expense may be partly deductible if you are "on call" or required to contact your employer or client on a regular basis.

Depreciation on Equipment

Depreciation on home office equipment including office furniture, carpets, computer, printer, photocopier, scanners, modem etc used only partly for work or business purposes can be apportioned.

The claim is based on a diary record of the income related and non-income related use covering a representative 4 week period. The diary needs to show:

- The nature of each use of the equipment
- Whether that use was for an income producing or non-income producing purpose
- The period of time for which it was used

Occupancy expenses

Claims for occupancy expenses are allowed only if the home is used as a place of business. Occupancy expenses include rent, mortgage interest, water rates, repairs, house insurance premiums.

The claim can be made as an apportionment of total expenses incurred on a floor area basis.

Warning: Being able to claim these expenses may affect your 'main residence exemption' for capital gains tax purposes if you sell your house in the future.

When is a home a Place of Business?

The following factors, none of which is necessarily conclusive on its own, may indicate whether or not an area set aside has the character of a place of business:

- the area is clearly identifiable as a place of business
- the area is not readily suitable or adaptable for use for private or domestic purposes in association with the home generally
- the area is used exclusively, or almost exclusively, for carrying on a business, or
- the area is used regularly for client or customer visits.

If you use your home to carry out income producing activities as a matter of convenience, you are not entitled to a deduction for occupancy expenses. It would be rare for an employee to be able to claim occupancy expenses.

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