

MAKING WORKING FROM HOME WORK FOR YOUR TAX

Caratti Accountants & Business Advisors



As remote work continues to remain prevalent, the Australian Taxation Office (ATO) has tightened its guidelines for claiming deductions on expenses related to working from home. From 1 July 2022, Australian taxpayers have two options for claiming deductions related to working from home, the 'actual cost' method which requires full substantiation, or alternatively the 'fixed-rate' method. From this year, the commonly used 'fixed-rate' method has changed - the rate has dropped from 80 cents to 67 cents and there are additional record keeping requirements from March 2023. We explain the revised fixed-rate method, the eligible expenses it covers, the new record-keeping requirements, and how to adapt to these changes. And yes, these new requirements are far less generous!

WHEN CAN YOU MAKE A HOME OFFICE CLAIM?

If you have worked from home at any time between July 1, 2022 and June 30, 2023, you will be able to make a claim for your home office costs. This is not new, and the concept has been around for a while and the rules for proving these costs were relaxed during Covid. BUT, the ATO has now tightened their approach to these claims to ensure that we all have appropriate documentation to prove both the number of hours and actual costs for these claims.



SO WHAT HAS CHANGED?

The main changes are

- 1) The popular fixed rate method rate and what is included in the cost has reduced down to 67c/hour
- 2) Recording keeping requirements to support the number of hours has increased substantially.
- 3) There are no changes to the actual method.

A summary of the changes is shown in the attached tables. In short, the home office deductions have become much more onerous and far less generous!

KEEPING RECEIPTS

It is important to maintain accurate records in accordance with the new guidelines surrounding the fixed-rate method.

You need to retain documentation for the running expenses you incurred to support your claim, especially if you are using the actual method.

PROVING YOUR HOURS WORKED FROM HOME

One of the main changes is how you need to prove how many hours you have worked from home.

Tracking your hours worked from home

From July 1, 2022, to February 28, 2023

The ATO generally accepts a record of hours worked over a representative period, such as a four-week diary, to estimate the total hours worked during this period.

From March 1, 2023

Maintain a record of the actual number of hours worked from home, documenting the hours on each occasion you worked remotely.

So how do you record these hours? This can be done using a worksheet or diary or more practically, maintaining your outlook calendar with different colour coding etc when you are working from home will suffice.

METHODS AVAILABLE UP TO 30 JUNE 2022

METHOD	CALCULATION METHOD	ADDITIONAL CLAIMS YOU CAN MAKE WITH THIS METHOD	WHEN CAN YOU USE THIS METHOD?
Actual Method	Based on actual invoices and actual % business use per cost of each item	n/a	Anytime – no changes
52c Rate Method	52c/working hour from home	Phone, internet, computer and depreciation claims are in addition.	Up to 30 June 2022
80c Rate Method (Covid rate)	80c/working hour from home	None ie no extra claim for phone, internet, power or depreciation available.	Only available from 1/3/20 – 30/6/20

METHODS AVAILABLE FROM 1 JULY 2022

METHOD	CALCULATION METHOD	ADDITIONAL CLAIMS YOU CAN MAKE WITH THIS METHOD	WHEN CAN YOU USE THIS METHOD?
Actual Method	Based on actual invoices and actual % business use per cost of each item	n/a	Anytime – no changes
67c Rate Method	67c/working hour from home	None ie no extra claim for mobile & home phone, internet, power or stationery and computer consumables. Extra claim available for depreciation.	From 1 July 2022

WHAT DO I NEED TO DO?

Firstly, you need to ensure that you can support the number of hours that you work from home. This may be as simple as going back into your outlook diary and noting down the times. When you were working from home. If you don't have the appropriate records, then it is important that you develop a system for recording these from now on. Without such records now, your home office claims will be limited. The ATO have indicated that work related deductions will be an audit focus for 2022/2023 so this is a high-risk area.



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