

Checklist for Home Office Expense deductions for year ended 30 June 2024

Background

Practical Compliance Guideline PCG 2023/1 sets out the circumstances in which an individual taxpayer can claim a deduction for expenses incurred as a result of working from home in relation to an income producing activity for the year ended 30 June 2024.

In particular, PCG 2023/1 provides that an individual will be able to apply a revised fixed rate method of \$0.67 per hour in relation to certain specified additional home office expenses incurred where various eligibility conditions are met.

These costs comprise energy expenses, internet expenses, mobile and home phone expenses, stationery and computer consumables.

Where an individual taxpayer is ineligible to apply the revised fixed rate method, or wishes to claim a deduction for expenses not covered under that method, taxpayers will need to be eligible to apply the actual cost method.

This method is especially important as any claim for a deduction in relation to the decline in value of depreciating assets such as home office furniture and computers can only be made under this methodology.

Further details on the actual cost method can be downloaded from the ATO's website at [Actual cost method | Australian Taxation Office \(ato.gov.au\)](https://www.ato.gov.au/Actual-cost-method)

Checklists on the eligibility to apply the revised fixed home office rate method and the actual cost method are respectively provided below.

For sake of completeness it should also be noted that a deduction may be available for home occupancy expenses such as rent and mortgage interest in rare circumstances where part of a home has been used for an income producing activity as set out under Taxation Ruling TR 93/30.

However, the ability to claim such expenses is limited to circumstances where part of a residence is set aside exclusively the carrying on of the business of a self-employed person, or in some cases where the individual taxpayer has not been provided an alternate place of business or employment.

It should be stressed that such costs are ordinarily regarded as being non-deductible under the general deductibility rules being a cost which is private or domestic in nature.

Hence, considerable care should be taken in claiming such expenses given that stringent requirements under Taxation Ruling TR 93/30 must be met. Moreover, the claiming of such a deduction may have adverse impacts on a taxpayer including the extent to which a main residence exemption may be available under the capital gains tax provisions.

Further details on the application of Taxation Ruling TR 93/30 can be found in the commentary concerning item D5 in the 2024 edition of the Tax Agent Guide (TAG).

Preparer of return:

Name:

Signed:

Date:

Part 1: Eligibility for the Revised Fixed Rate Method

No.	Issue	Yes	No	Outcome
1	<p>Was the taxpayer actually working from home whilst carrying out employment duties or carrying on a business during the year ended 30 June 2024?</p> <ul style="list-style-type: none"> An individual will only be regarded as working from home where the work is substantive and directly related to their income producing activities. Minimal tasks such as checking emails do not qualify as working from home 			<p>If yes, proceed to the next question</p> <p>If no, no deduction will be allowed under the revised fixed rate method</p>
2	<p>Did the taxpayer incur the following additional running costs as a result of working from home?</p> <ul style="list-style-type: none"> Energy expenses (electricity and gas) for lighting, heating, cooling and running electronic items for use for work; Internet expenses; Mobile and home phone expenses; and Stationery and computer consumables An individual does not have to incur every one of the above listed expenses in order to be eligible. However, any such expense must have been incurred in the sense it was actually paid or there was a definitive obligation to pay that amount 			<p>If yes, proceed to the next question</p> <p>If no, no deduction will be allowed under the revised fixed rate method</p>
3	<p>Did a third party (e.g., employer) reimburse the taxpayer for additional running costs (or did they pay for such costs on their behalf)?</p>			<p>If yes, no deduction will be allowed under the revised fixed rate method</p> <p>If no, proceed to the next question</p>

4	<p>Has the taxpayer kept and retained records contemporaneously evidencing the time spent working from home throughout the year ended 30 June 2024?</p> <p>Such records could include the following:</p> <ul style="list-style-type: none"> • Timesheets • Rosters • Time tracking apps • Logs of time spent accessing employer systems or online business systems • Diary or other document kept contemporaneously • No estimate of time spent will be accepted by the ATO in respect of any part of the 2023-24 year (unlike prior years where it was sufficient to maintain a representative 4-week diary) 			<p>If yes, proceed to the next question</p> <p>If no, no deduction will be allowed under the revised fixed rate method</p>
5	<p>Does the taxpayer have evidence (e.g., invoices and receipts) to demonstrate that he or she incurred the above additional running costs?</p> <ul style="list-style-type: none"> • For energy, mobile and home phone and internet expenses an individual must keep at least one monthly or quarterly bill issued in their name (e.g., electricity bill) • If the bill is not issued in the taxpayer's name but the cost is shared, each member of a household who contributes to the payment of that expense will be taken to have incurred it (e.g., cost incurred on a joint credit card statement with a spouse, or a lease agreement showing the individual's share of a property leased with others). However, this does not include an individual paying board as this arrangement is private in nature 			<p>If yes, proceed to the next question</p> <p>If no, no deduction will be allowed under the revised fixed rate method</p>

	<ul style="list-style-type: none"> For stationary and computer consumables (e.g., printer cartridges) it is necessary to keep one receipt for an item purchased in these categories 			
6	<p>Did the taxpayer claim a separate deduction in respect of any of the above specified home office expenses?</p> <ul style="list-style-type: none"> Taxpayer cannot use the revised fixed time rate method where a separate deduction is claimed in respect of a cost covered under the revised fixed rate method (e.g., mobile phone costs) 			<p>If yes, no deduction will be allowed under the revised fixed home rate method</p> <p>If no, proceed to the next question</p>
7	Where all of the above tests are met the individual will be able to apply the revised fixed rate method			<p>A deduction will be available at a rate of \$0.67 per hour for each hour worked at home during the year ended 30 June 2024</p> <p>Where the revised fixed rate method is not available reliance must be placed on the actual cost method discussed in the checklist below</p>
8	A deduction for expenses not eligible to be claimed under the revised fixed home rate method must be claimed under the actual cost method which is discussed in the checklist below			The most common deduction claimed under the actual cost method is for the decline in value of depreciating assets used in a home office such as a computer or desk

Limitations of revised fixed rate method

An individual taxpayer cannot rely on the revised fixed rate method if that person lodges an objection in relation to their working from home expenses which have been claimed as deductible in their income tax return.

In these circumstances the taxpayer must rely on the actual cost method when lodging an objection to claim a deduction for home office expenses.

Part 2: Eligibility for the Actual Cost Method

No.	Issue	Yes	No	Outcome
1	<p>Was the taxpayer actually working from home whilst carrying out employment duties or carrying on a business during the year ended 30 June 2024?</p> <ul style="list-style-type: none"> An individual will only be regarded as working from home where the work is substantive and directly related to their income producing activities. Minimal tasks such as checking emails do not qualify as working from home 			<p>If yes, proceed to the next question</p> <p>If no, no deduction will be allowed under the actual cost method</p>
2	<p>Did the taxpayer have a dedicated area of their home set aside as a home study?</p> <ul style="list-style-type: none"> No deduction for additional home office expenses will be allowed if other members of the household use the same room as the taxpayer when working from home (e.g. lounge room) No such requirement needs to be met where a claim is made for home office expenses under the revised fixed rate method 			<p>If yes, proceed to the next question</p> <p>If no, no deduction will be allowed under the actual cost method</p>
3	<p>Did the taxpayer incur additional running expenses as a result of working from home?</p> <p>Such additional expenses could include the following:</p> <ul style="list-style-type: none"> Electricity or gas (for heating or cooling and lighting); Home and mobile internet or data expenses; Mobile and home phone expenses; 			<p>If yes, proceed to the next question.</p> <p>However, a deduction will need to be apportioned on a fair and reasonable basis where the costs were incurred for both private and income producing purposes. Such an apportionment may be made on a time or floor area basis depending on the category of expense incurred.</p>

	<ul style="list-style-type: none"> Stationery and office supplies; Decline in value of depreciating assets used for work or business purposes (e.g., office furniture such as chairs and desks and equipment such as computers, laptops and software); and Repairs and maintenance to depreciating assets 			If no, no deduction will be allowed under the actual cost method
4	Did a third party (e.g., employer) reimburse you for your additional running costs (or did they pay for such costs on your behalf)?			<p>If yes, no deduction will be allowed under the actual cost method</p> <p>If no, proceed to the next question</p>
5	<p>Did the taxpayer have contemporaneous records (e.g., timesheet or spreadsheet) showing the number of actual hours work from home for the year ended 30 June 2024.</p> <p>If not, did the taxpayer maintain a diary covering a continuous 4-week period demonstrating their usual pattern of working at home?</p>			<p>If the answer to either these questions is yes, proceed to the next question</p> <p>If no, no deduction will be allowed under the actual cost method</p>
6	<p>Does the taxpayer have evidence that he or she paid for the expense?</p> <ul style="list-style-type: none"> The individual must have copies of invoices, receipts, bills and other documents which would satisfy the substantiation provisions 			<p>If yes, proceed to the next question</p> <p>If no, no deduction will be allowed under the actual cost method</p>
7	<p>Has the taxpayer retained evidence to support the calculation of the deduction claimed</p> <ul style="list-style-type: none"> Deductions for the decline in value of home office furniture and equipment will require depreciation to be calculated on a pro rata basis (unless such assets 			<p>If yes, a deduction for home office expenses under the actual cost method will be allowed where the calculation of the particular expense claimed satisfies the ATO's substantiation requirements</p> <p>If no, no deduction will be allowed under the actual cost method</p>

	<p>are allocated to a low value pool). In addition, where the depreciating asset is used partly for private and income producing purposes it will be necessary to apportion the deduction claimed for the decline in value of a particular asset, (which could be calculated based on a continuous four-week diary demonstrating respective private and income producing use for that period)</p> <ul style="list-style-type: none"> • Cleaning costs could be deductible provided a deduction is limited to the dedicated work area which should be compared to the whole floor area of the house where the entire house is cleaned • Electricity and gas costs should be calculated using the cost per unit of power as set out in the utility bill; average hours of units used per hour and total annual hours used based on the records maintained on actual hours worked • Phone, data and internet expenses can be claimed where a work-related percentage from a sample continuous 4-week period demonstrates the respective private and income producing use of such items • Stationary and consumables will be deductible according to the amount invoiced, (but will require apportionment where those items are partly used for private and income producing purposes). 			
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