

Work Related Home Office Expenses

As a general rule, expenses associated with renting or owning your own home (occupancy expenses) are of a private or domestic nature and do not qualify as a deduction for tax purposes. The home will only qualify for a deduction for occupancy expenses where it has the character of a **place of business**. 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.

Note: *If your home qualifies for a deduction for occupancy expenses and you own it, capital gains made on disposal of the home may be taxed on that portion of the home used as a 'place of business' for the period it is used for that purpose.*

You can claim your decline in value of home office furniture and running costs for heating, cooling and lighting using a **fixed rate** if the area used as a home office is not used for other purposes at the same time (eg by family members to watch television). The fixed rate allows you to claim the above expenses at the rate of 34 cents for each hour that you are in your home office and are using it exclusively for work-related purposes. Alternatively, you will need to retain power bills, calculate the usage of individual appliances, and calculate the decline in value of your home office furniture.

The following factors, none of which are 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 identified 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.

An example is a salesperson in the country whose city-based employer does not provide an office for them.

Where the home is a **place of business** some of the occupancy expenses incurred for the home may be partially deductible. If you are eligible to claim occupancy expenses you will need:

- rent statements;
- bank statements showing mortgage interest;
- council and water rate notices;
- house insurance premium notices;
- costs for repairs relating to the house as a whole (for example roof, guttering) as opposed to a specific area of the house (for example kitchen, bathroom, home office);
- receipts for any other expenses relating to the home as a whole (for example body corporate levies);
- the floor area of the room used for work purposes and the floor area of the home; and
- a statement of the months used, if less than 12 months.

Note: As a general rule, the floor area of the home includes external walls, verandahs and outbuildings, whereas individual room measurements are the actual floor area between the walls.

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