

## Claiming Home Office & Vehicle Expenses

### Home Office

Common home office expenses and suggested methods of calculating how much of your bills you should claim for the home office:

Note, if you use your home to carry out business/work as a convenience rather than because you have nowhere else, you cannot claim home office expenses as a deduction. The expenses claimed must be an expected part of the role and "necessarily incurred".

### Running Expenses

<u>Expense</u>	<u>Suggested Method</u>
Telephone/Internet	Diary or Pattern of Usage
Computers & Equipment	Diary
Cleaning	Floor area
Depreciation	Fixed rate or Actual Usage
Electricity	Fixed rate or Actual Usage <i>NB: You cannot claim electricity if there is usually someone else in the room using electricity who is not working. Eg, if you work in the lounge room while others watch TV you cannot claim electricity.</i>

1. **Diary**
  - a) Must be recorded for no less than 4 weeks and must record ALL usage, not just business usage.
  - b) Must be kept for each financial year and allow for periods such as holidays and illnesses.
  - c) Divide business usage by total usage to get a percentage of business usage and apply this to your bills.
2. **Pattern of usage**
  - a) Eg for telephone bills where each call is itemised and you can tell who it was to/from.
  - b) Choose a bill that best represents your normal usage, total up the cost of business calls and divide that by the total cost of the bill to get a business percentage to apply to your bills.
  - c) If your bill does not itemise, eg prepaid, use the diary method to establish a pattern of use
3. **Actual usage**
  - a) Use where you know the per hour (or per unit) cost - eg electricity
  - b) Multiply number of hours you used the home office (or units you used for business) by the per hour (or per unit) cost.
4. **Fixed rate**
  - a) Used for depreciation on office furniture & electricity costs
  - b) Multiply number of hours you spend using the home office for work by the ATO fixed rate of \$0.34 per hour to calculate your claim
  - c) To use this method your home office MUST NOT be used for any other purpose, eg no blankets stored in the cupboards, no personal appliances being used in the home office, no occasional bed in the corner. Room must be lockable.
5. **Floor area**
  - a) Work out how much your home's undercover floor area the home office occupies and apply this percentage to your bills.
  - b) Eg if your house is 200sqm and your home office occupies 20sqm, then your percentage is 10%.

**Please note** : regardless of which method you use, the tax office requires you to keep whatever you used to work out your claim amount (calculations, diaries, receipts, etc) for 5 years after your return was lodged. You must also be able to show that any calculations or assumptions are reasonable.

### **Occupancy Expenses**

#### **What about rent, rates, house repairs, mortgage interest and insurance?**

These are expenses you pay to occupy the home office, aka “occupancy expenses”, instead of running it. If you use your home to carry out business as a convenience, rather than because you have nowhere else, you can't claim occupancy expenses as a deduction. If you can claim occupancy expenses, to be eligible the home office must be a clearly identified place of business used exclusively for business and must not be used for any domestic purposes (eg no blankets stored in cupboards, no spare beds, no occasional bed in the corner. Room must be lockable).

If you rent, and your home office is eligible then your rent claim is most often calculated using Floor Area method (see above).

**Important:** If you own your home, then any part of your home that is used as a home office for income-producing activities may be subject to **Capital Gains Tax** when you sell. Whether you claim the expense or not, that part of the home that is used exclusively for work/business will be subject to Capital Gains Tax on sale. If the area is not 100% work/business, no claim is possible but then neither is it taxed on sale. If you wish to claim occupancy expenses, they can also be calculated using the Floor Area method.

### **Vehicle expenses**

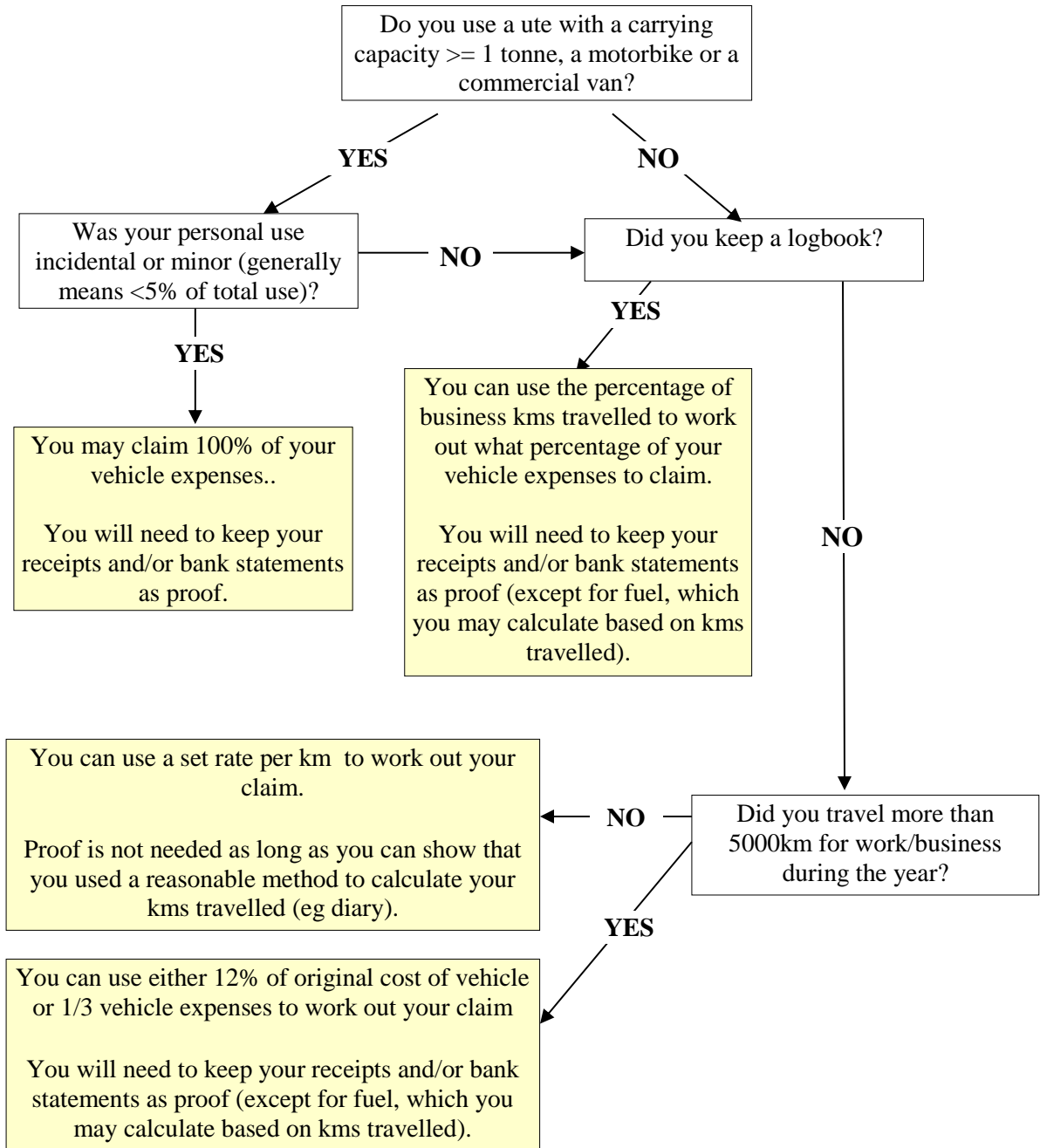
When working out vehicle expenses or how many business kms you travelled:

- You can't claim trips between home and work - even if you're collecting mail on the way, working after hours, or there are no other means of getting to work
  - ◆ Exceptions: You can claim the cost of trips between home and work if you were carrying bulky or heavy items that you used for work but can't leave at work, or if your home is your base of employment.
- You can claim the travel if you make a special trip to and from the Post Office or bank and not just on the way home.
- You can claim trips directly from one work site to the next

#### **Motor vehicle expenses include:**

- Fuel, fuel additives and oil
- Registration
- Insurance
- Interest paid on motor vehicle loans
- Lease payments
- Repairs and servicing
- Breakdown service membership (eg RACQ)
- Towballs and cargo barriers - if you can show that you need these for work.
- Depreciation - but only if you own the car and are using either the “1/3 actual expenses” or “logbook” method (see flowchart on following page)

On the next page are several ways to claim expenses from using your vehicle for business/work-related trips, and if you are eligible to use more than one method the ATO allows you to choose the one that gives you the biggest deduction. You may only use one method per vehicle per year, however.



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