

# Airtax

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## Working from home (WFH) Tax Guide for Employees

**Updated version:**  
now includes ATO's new  
80 cent per hour 'shortcut  
method' for calculating  
deductions incurred 1 Mar  
to 30 Jun 2020.





# Airtax WFH tax guide for employees

**Suitable for:** Anyone who works from home (WFH), but home is not your primary place of work

**Tax difficulty:** Moderate

**Time to read:** 8-10 minutes

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# New 'shortcut method' to calculate WFH expenses

In recognition of the huge increase in employees working from home (WFH) as a result of the COVID-19 pandemic, on 7 Apr 2020, the ATO introduced a new simplified method for calculating deductible home office expenses. Yay! The new '**shortcut method**' allows employees to calculate working from home expenses based on a flat rate of 80 cents per hour. It does not replace existing methods but rather it provides a simpler alternative for claiming expenses incurred between 1 Mar - 30 Jun 2020.



## Three methods for claiming WFH expenses in your FY20 income tax return:

1. **\*New\* Fixed rate 'shortcut method' - 80 cents per hour worked** (for expenses incurred during the period 1 Mar to 30 Jun 2020)
2. **Fixed rate - 52 cents per hour worked**
3. **Actual expenses**

### 1. If you don't normally claim WFH expenses

Then you may go with the new 'shortcut method'. It's simply a matter of working out how many hours you have spent working at home between 1 March and 30 June and then multiplying this by 80 cents. The shortcut method includes all your work related expenses (including depreciation and phone/internet costs). Voila!

Note: to use this method you're not required to have a separate home office set up. However, you must be fulfilling your work duties (not simply taking the odd call or answering an email) in order to use this method.

### 2. If you already claim WFH deductions, have assets which you are depreciating and have existing phone and internet costs

Then you may choose to stick with the existing 52 cents per hour method.

This doesn't include deductions for phone or internet usage, computer consumables or depreciation for things like laptops or printers which can be included in addition.

### 3. If you love spreadsheets and take pride in recording every little detail

Then you may prefer the actual expense method which requires an eye for detail, some mathematics and a little bit more time.

### Summary and more information

Remember that whichever method you choose, your deduction is limited to the additional expenses you have incurred as a result of working from home. You should also keep records to substantiate your claim.

For more detail on the nuts and bolts of each of these methods and additional detail on the expenses you can and can't claim, have a look [here](#).

Alternatively you can book a free [10 minute tax chat](#) with a PwC specialist to have any specific questions answered.

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# Frequently Asked Questions

## **Can I claim my home internet? \***

Yes, you can claim a deduction for the work-related portion of your home internet expenses if this cost is not paid for by your employer.

For claims up to \$50, you don't require a lot of supporting documentation. Any claims greater than \$50 require a little more evidence, which you can read more about [here](#).

## **Can I claim my utility bills (including gas and electricity)? \***

This depends on whether you have a dedicated work area in your home, like a study. If you don't have a dedicated area, you can't claim any utility costs on your return.

If you do have a dedicated work area, there's a couple of ways you can go about claiming these amounts on your tax return. One is quite simple, and the other is fairly complicated.

The easiest and most common way to claim these amounts is to claim 52c for each hour you work from home - which you should track through a simple diary log.

If you prefer to claim a deduction for the actual costs of your utility costs, this will require a bit of effort including information about the cost per unit of power used, and average units used per hour. You can read more about this [here](#).

## **Can I claim my mobile phone? \***

In terms of your mobile data and calls, the answer is the same as your home internet. The work-related portion of these amounts are claimable to the extent that your employer has not paid you for them.

You can claim up to \$50 for these phone running costs with little documentation, or you can claim the actual work-related portion if you collect a few more pieces of info which you can read about [here](#)

If you purchased a new phone outright in the tax year, you may be able to claim a deduction for the decline in value (depreciation) of the phone.

## **Can I claim my printing? \***

Yes, the work-related portion of your printing costs (up to \$300) such as paper and ink are claimable on your return (assuming your employer has not paid for these amounts or reimbursed you for them).

*\* Update: The ATO's the new 'shortcut method', a fixed rate of 80 cents per hour covers all your work related expenses. This method is only valid for working from home expenses incurred between 1 Mar - 30 Jun 2020. Learn more [here](#).*

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### **Can I claim office furniture and or equipment?\***

Furniture and other office equipment that you purchase to facilitate working from home are claimable on your income tax return. If the item is up to \$300, this is super easy as you can claim the full cost of the item. However, if the item is greater than \$300, you will need to claim a deduction for the decline in value of the item (aka depreciation), which you can read more about [here](#).

Common furniture items, chattels and fixtures are included in the fixed rate 52c per hour method so do not need to be separately depreciated.

Check out the below list for some example office equipment purchases that can be claimed if they relate to your home office: desk, chair, monitor/second screen, riser, keyboard, Mouse, laptop, webcam, headset.

### **Can I claim my rent?**

In almost all cases, as an employee you are unable to claim a deduction for your rent, or any other home occupancy expenses. You can learn more about the very limited circumstances in which this may be possible on the ATO website [here](#).

### **Can I claim my mortgage?**

As your mortgage is also an occupancy expense, you will most likely not be able to claim a deduction for this. You can read more about this [here](#).

### **Can I claim cleaning costs?**

Yes, you are able to claim your cleaning expenses relating to a dedicated workspace. The easiest way to claim these costs is through the 52c per hour method. You can read more about this [here](#).

### **Can I claim my breakfast, lunch or dinner?**

No, unfortunately meal costs, like lunch during a normal work day (either at work or at home), are generally private in nature and are considered non-deductible expenses.

### **Can I claim my coffee(s)?**

Generally, the cost of buying food and coffee cannot be claimed as a deduction in your tax return as the expense does not directly relate to earning your income. The cost of food, drink or snacks you consume in the course of your normal working hours are considered private expenses.

### **Can I claim my child care?**

Child care expenses are not claimable as a tax deduction in your tax return when you are working, whether or not you are working from home. Child care expenses are considered to be a private expense.

### **Can I claim for my curtains, carpets and light fittings? \***

Yes, you are able to claim a deduction for the decline in value of these home office items in each tax year. The depreciation of these items is included in the 52c per hour fixed rate OR you may choose to calculate the depreciation on these chattels and fixtures separately if you choose not to use the fixed rate method.

*\* Update: The ATO's the new 'shortcut method', a fixed rate of 80 cents per hour covers all your work related expenses. This method is only valid for working from home expenses incurred between 1 Mar - 30 Jun 2020. Learn more [here](#).*

# About the Income Tax Return

The income tax return is lodged annually by Australian individuals, and is used to determine your income tax liability for the previous financial year (1 July - 30 June). Information that is relevant for your tax return includes:

- Your personal details
- Income amounts, including salary & wages, sole trading (business) income, rental property income, etc
- Deductions - expenses you incur to earn your income
- Family and health information, including your private health insurance details

The normal deadline date for lodging your tax return will be 31 October each year. However, by using a registered tax agent with the ATO, you may be granted access to an extended deadline (31 March or 15 May of the following year). Airtax is a registered tax agent and to take advantage of this, simply start a tax return on Airtax.

Completing your income tax return on Airtax is simple and can be done at your own pace. If you need more detailed guidance with your tax affairs, you can speak with a PwC tax specialist at any stage of your tax return through our Tax Assist service. We have connection to ATO, tailored forms, and over 100 articles published on our Help Centre, if you prefer to complete your tax return independently



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# Income tax and working from home

If you work from home (WFH) as part of your employment you may be able to claim deductions for certain expenses relating to that work. These deductions are included on your personal tax return in the “other work-related deductions” section in the tax year in which they occur.

Your home may also be your primary place of work where a section of your home is set aside exclusively to carry on a business (i.e a Doctor’s surgery). This may apply in some cases for sole traders (unlikely for employees) and is not the focus of this article.

**In this article, we have focused on individuals who work from home, but where home is not the primary place of work (e.g. you normally go to an office or worksite).**

We’ll break down some key things you need to keep in mind when recording and claiming your home office expenses on the income tax return. Along the way, we’ll also highlight some example expenses you should keep in mind.

## Expenses when your home is not your primary place of work

The types of home office expenses available to be claimed on your income tax return will vary depending on whether you have a dedicated work area (such as a study, or spare room) or (for example) you simply work at the end of your kitchen bench (!).

Having a dedicated area where you work does not mean that it needs to be available exclusively to you (i.e. other family members may share a study). However, you will need to apportion the running expenses you claim such that they relate only to the period of time when you use this area for work.

Where you do not have a dedicated work area within your house (i.e you work wherever you can find space at the time), you may be limited in the running expenses that you can claim as a tax deduction. However there are still a number of items that you can deduct.



### Note:\*

It is important to note that as an employee, generally:

- You can't claim a deduction for occupancy expenses, including rent, mortgage interest, council rates and house insurance premiums.
- You are also not able to claim a deduction for any expenses if the item was paid or reimbursed by your employer, and the benefit was exempt from fringe benefits tax.
- Only the additional running costs associated with working from home are deductible.

*\*Update: with the ATO’s announcement of the new ‘shortcut method’, a dedicated workspace is not required to claim 80 cents per hour fixed rate. Read more about the ‘shortcut method’ [here](#).*

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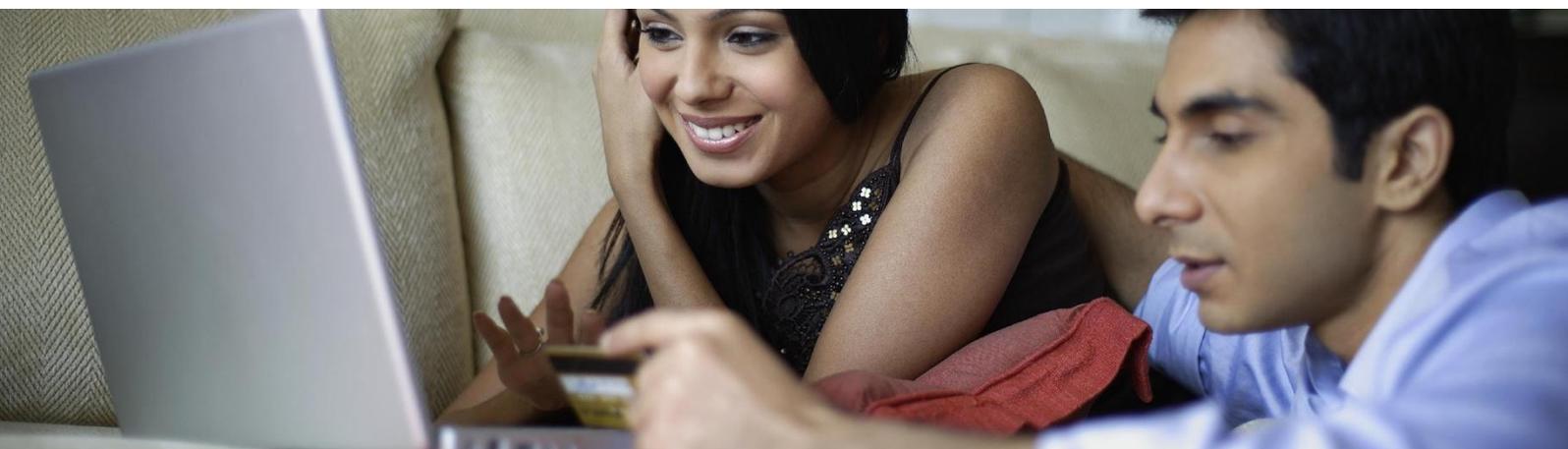
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## Deductions you can and can't claim

Assuming your home is **not your primary place of work**.

Deductions you may be able to claim	You DO have a dedicated work area	You DON'T have a dedicated work area
Costs of using a room's utilities such as gas and electricity	Yes	No*
Work-related phone and internet costs	Yes	Yes
Full cost of office plant and equipment purchases such as desks, chairs, computers, and monitors that are up to \$300 OR Decline in value (depreciation) for purchases that are greater than \$300	Yes	Yes
Decline in value (depreciation) of curtains, carpets and light fittings	Yes	No*
Cleaning costs	Yes	No*
Other running expenses including computer consumables (for example, printer paper and ink) and stationery.	Yes	Yes
Occupancy expenses such as rent, mortgage interest, insurance and rates	No	No

*\*Update: with the ATO's announcement of the new 'shortcut method', a dedicated workspace is not required to claim 80 cents per hour fixed rate. Therefore, follow the 'you to have a dedicated work area' column for what you can and can't claim. Read more about the 'shortcut method' [here](#).*



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# How to calculate your WFH expenses

Once you have established that you are able to claim a deduction for expenses that relate to the work you perform at home, you will need to consider how each type of home office deduction is calculated.

## How do you calculate expenses?

The ATO allows two ways to calculate your running expenses:

- you can claim a fixed rate of 52 cents per hour\
- you can calculate your actual expenses.

For more information on how you calculate your actual expenses, see below.

### 1 Costs of using a room's utilities such as gas and electricity

The costs associated with your home office utilities are included as part of the 'fixed rate' method of claiming your home office running expenses, should you apply this method when preparing your income tax return. This method allows you to claim a deduction of 52 cents for each hour you work from home.

*Update: with the ATO's announcement of the new 'shortcut method', a fixed rate of 80 cents per hour covers all your work related expenses. This method is only valid for working from home expenses incurred between 1 Mar - 30 Jun 2020. Learn more [here](#).*

Alternatively, if you would like to claim a deduction for the actual costs associated with these expenses, you will need to work out the following:

- the cost per unit of power used - refer to your utility bill for this information
- the average units used per hour - this is the power consumption per kilowatt hour for each appliance, equipment or light used
- the total annual hours used for work-related purposes - refer to your record of hours worked or your diary for this information.

Multiplying these three values together will provide you with the amount you can claim as a deduction for your home office utilities on your income tax return.

### 2 Work-related phone and internet expenses

Phone and internet are common expenses that are incurred when working from home. To the extent these costs are not reimbursed by your employer, they can be included as a deduction for running expenses and the ATO has specific guidance on what you may claim.

There are two ways to calculate your phone and internet expenses:

- you can claim up to \$50 with limited documentation
- you can calculate your actual expenses.

You need to keep records for a four week representative period in each income year to claim a deduction of more than \$50. Bear in mind that the expense must relate to the proportion of time you used your phone or internet for work-related purposes (if others share these utilities at home).

### 3 Cost of office plant and equipment purchases such as desks, chairs, computers, and monitors that are up to \$300

If you pay for any home office equipment or furniture that enables you to work from home for your employer, and the item is less than \$300, you can claim the full cost of this item as a deduction on your income tax return.

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## 4 Cost of office plant and equipment purchases such as desks, chairs, computers, and monitors that are greater than \$300

If you pay for any home office equipment or furniture that enables you to work from home for your employer, and the item is greater than \$300, you can claim a deduction for the decline in value of the item in your income tax return.

The value of common furniture items is included as part of the 52 cents per hour 'fixed rate' method of claiming your home office running expenses, should you apply this method when preparing your income tax return.

*Update: with the ATO's announcement of the new 'shortcut method', a fixed rate of 80 cents per hour covers all your work related expenses. This method is only valid for working from home expenses incurred between 1 Mar - 30 Jun 2020. Learn more [here](#).*

For other home office equipment purchases, you can claim a deduction for the decline in value in your return. You can find information on how to do this on the ATO website. Alternatively, you can speak to a PwC tax specialist to get more detailed guidance on this topic through our Tax Assist service.

## 5 Decline in value (depreciation) of curtains, carpets and light fittings

As mentioned above, the value of common furniture items is included as part of the 52 cents per hour 'fixed rate' method of claiming your home office running expenses.

*Update: with the ATO's announcement of the new 'shortcut method', a fixed rate of 80 cents per hour covers all your work related expenses. This method is only valid for working from home expenses incurred between 1 Mar - 30 Jun 2020. Learn more [here](#).*

If you wish to calculate the actual decline in value of these items, you can find information on how to do this on the ATO website.

Alternatively, you can speak to a PwC tax specialist to get more detailed guidance on this topic through our Tax Assist service.

## 6 Cleaning costs

Cleaning costs associated with your home office are included as part of the 'fixed rate' method of claiming your home office running expenses.

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You can apply this method when preparing your income tax return. This method allows you to claim a deduction of 52 cents for each hour you work from home. You can read more about this method on the ATO website.

*Update: with the ATO's announcement of the new 'shortcut method', a fixed rate of 80 cents per hour covers all your work related expenses. This method is only valid for working from home expenses incurred between 1 Mar - 30 Jun 2020. Learn more [here](#).*

Alternatively, if you prefer to claim a deduction for the actual cost of your home running expenses, your home's overall cleaning costs will need to be added together (according to your receipts) and multiplied by the floor area of your dedicated work area (floor area of the dedicated work area divided by the whole area of the house as a percentage\*) in order to calculate your deduction for this expense type. You will then need to apportion this claim to exclude amounts that are not claimable, including:

1. any private use of your home office, and
2. any use that other family members make of the home office.

\*As per ATO

## 7 Other running expenses including computer consumables (for example, printer paper and ink) and stationery

To the extent these costs are not reimbursed by your employer, the full amounts (so long as they are under A\$300) can be included as a deduction for home office running expenses on your income tax return. Just make sure you only claim the work-related proportion of these expenses, and thus exclude any private use which is not claimable.

## 8 Occupancy expenses such as rent, mortgage interest, insurance and rates

Employees are generally not able to claim a deduction for occupancy expenses on their income tax return. You can find more information about the limited circumstances in which you may be able to claim a deduction for these costs as an employee on the ATO website.

Alternatively, you can speak to a PwC tax specialist to get more detailed guidance on this topic through our Tax Assist service.

# Some other questions you may have

## Records you must keep

It is important that you keep all necessary records for your home office expense claims, such as:

- a diary you have created to work out how much you used your equipment, home office and phone for business purposes over a sample/representative four-week period
- receipts or other written evidence, including for depreciating assets you have purchased
- diary entries to record your small expenses (\$10 or less) totalling no more than \$200, or expenses you can't get any kind of evidence for
- itemised phone accounts from where you can identify work-related calls, or other records, such as diary entries if you don't get an itemised bill.

## I'm stuck and need help with my WFH expenses, what can I do?

If you would like a quick chat about this subject then you can email us at [help@airtax.com.au](mailto:help@airtax.com.au) to sign up for a free, 10 minute introductory tax chat. Although we can't provide any specific advice during this call, we will do our best to help you understand this information.

If you would like a more detailed guidance about your specific tax situation, please refer to our Tax Assist service to speak to an Australian-based tax specialist. More information about this service can be found on our Help Centre, or by emailing us.

Alternatively you can book a free [10 minute tax chat](#) with a PwC specialist to have any specific questions answered.

## What you've learned:

- The tax treatment of an assortment of home office expenses
- The difference between home office expenses incurred with and without a dedicated space for work in your home
- The records you need to keep in order to claim these amounts on your income tax return

## Are you an employer?

If you are an employer and unclear about this information, or would like to chat through working from home (WFH) implications with a PwC tax specialist, then please email [help@airtax.com.au](mailto:help@airtax.com.au)



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# Find out more

Head to Airtax to find out more and sign up for free.

<https://airtax.com.au/>

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# Appendix

## 1 What kind of records do I need to keep?

- Payment summaries (or for payments from employers now reporting through Single Touch Payroll (STP), an STP income statement) from your employer (if applicable) and the Department of Human Services
- Statements from your bank and other financial institutions
- Statements for your investment properties
- Dividend statements
- Annual tax statements from managed investment funds
- Receipts and invoices from expense claims
- Private health insurance statement
- Fees related to lodging the previous year's tax return
- Education debt

If your total work-related expenses exceed \$300 for the year, you must have records to substantiate these claims.

## 2 How do I keep track of receipts/expenses?

You should keep receipts to prove your expenses for five years from when you lodge your tax return, in case of an audit.

## 3 Do I need receipts for everything I claim as a deduction on my tax return?

Yes, it is recommended that you keep payment summaries, receipts, invoices and contracts for five years from when you lodge your tax return.

<sup>3</sup>From ATO  
<https://www.ato.gov.au/individuals/income-and-deductions/deductions-you-can-claim/home-office-expenses/>

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## 4 What if I work from home<sup>4</sup>?

If you work from home as part of your employment you may be able to claim deductions for certain expenses relating to that work, depending on whether or not you have a dedicated area that is used exclusively for your work activities (e.g. study or spare room).

See the table below for information on the deductions you may be able to claim if your home is not your primary place of work

Deductions you may be able to claim	You do have a dedicated work area	You don't have a dedicated work area
Costs of using a room's utilities such as gas and electricity	Yes	No*
Work-related phone and internet costs	Yes	Yes
Decline in value (depreciation) of office plant and equipment such as desks, chairs and computers	Yes	Yes
Decline in value (depreciation) of curtains, carpets and light fittings	Yes	No*
Occupancy expenses such as rent, mortgage interest, insurance and rates**	No	No*

*\*Update: with the ATO's announcement of the new 'shortcut method', a dedicated workspace is not required to claim 80 cents per hour fixed rate. Therefore, follow the 'you do have a dedicated work area' column for what you can and can't claim. Read more about the 'shortcut method' [here](#).*

*\*\*Note that occupancy expenses may be able to be claimed where you have a dedicated area that is used as your principal place of business - for example, a physiotherapist or hairdresser.*