



# Employees working from home

## Advice for employees working from home during COVID-19

We understand that due to COVID-19 your working arrangements may have changed. If you have been working from home, you may have expenses you can claim as a deduction this tax time.

Tracking these expenses can be challenging, so we have introduced a temporary shortcut method. It's a simplified way to work out your deduction with minimal record keeping requirements.

The shortcut method initially applied from 1 March to 30 June 2020, however it can now be applied until 31 December 2020.

You can use the shortcut method to work out your working from home expenses for the period from both:

- 1 March 2020 to 30 June 2020 in your 2019–20 tax return
- 1 July 2020 to 31 December 2020 in your 2020–21 tax return.

To claim a deduction for working from home, all of the following must apply:

- ✔ you must have spent the money
- ✔ the expense must be directly related to earning your income
- ✔ you must have a record to prove it.

This means you **can't** claim a deduction for items provided by your employer, or if you have been reimbursed for the expense.

If you receive an allowance from your employer to cover your expenses when you work from home, you:

- ✔ must include this allowance as income in your tax return
- ✔ can claim a deduction.

In most cases, if you are working from home as an employee, there will be no capital gains tax (CGT) implications for your home.

## Expenses you can claim

If you work from home, you can claim a deduction for the additional expenses you incur.

These include:

- ✔ electricity expenses associated with heating, cooling and lighting the area from which you are working and running items you are using for work
- ✔ cleaning costs for a dedicated work area
- ✔ phone and internet expenses
- ✔ computer consumables and stationery (for example, printer paper and ink)
- ✔ home office equipment, including computers, printers, phones, furniture and furnishings – you can claim either the:
  - full cost of items up to \$300
  - decline in value (depreciation) for items over \$300.

## Expenses you can't claim

If you are working from home, you can't claim:

- ✘ the cost of coffee, tea, milk and other general household items your employer may have provided for you at work
- ✘ costs related to children and their education, including setting them up for online learning, teaching them at home or buying equipment such as iPads and desks
- ✘ time spent not working, such as time spent home schooling your children or your lunch break.

Employees generally can't claim occupancy expenses such as rent, mortgage interest, water and rates.



## Calculating your expenses

There are three ways you can choose to work out your deduction for working from home. These are:

- ✔ shortcut method – if you work from home during COVID-19, you can use this method to claim a rate of 80 cents per work hour between
  - 1 March 2020 to 30 June 2020 in your 2019–20 tax return
  - 1 July 2020 to 31 December 2020 in your 2020–21 tax return.
- ✔ fixed rate method – if you have a dedicated work area (like a home office), you can use this method to claim:
  - a rate of 52 cents per work hour for heating, cooling, lighting, cleaning and the decline in value of office furniture
  - the work-related portion of your phone and internet expenses, computer consumables and stationery
  - the work-related portion of the decline in value of equipment (such as phones, computers and laptops)
- ✔ actual cost method – claim the actual work-related portion of all your running expenses, which you need to calculate on a reasonable basis.

You can use the method or methods that will give you the best outcome. You must meet the criteria and record keeping requirements for each method. For information and examples on how to work out your deduction prior to 1 March 2020 or after 31 December 2020, or to use the fixed rate or actual cost methods, see [ato.gov.au/home](https://ato.gov.au/home)

## Shortcut method

You can claim a deduction of 80 cents for each hour you work from home as long as you:

- ✔ work from home to fulfil your employment duties
- ✔ aren't just carrying out minimal tasks such as occasionally checking emails or taking calls
- ✔ incur additional running expenses as a result of working from home.

The shortcut method doesn't require you to have a dedicated work area. The shortcut method rate covers all expenses, including:

- ✔ electricity for lighting, cooling or heating and running electronic items used for work (for example your computer)
- ✔ gas heating expenses
- ✔ the decline in value and repair of capital items such as home office furniture and furnishings including a deduction for capital items that cost less than \$300
- ✔ cleaning expenses
- ✔ your phone costs, including the decline in value of the handset
- ✔ your internet costs
- ✔ computer consumables, such as printer ink and stationery
- ✔ the decline in value of a computer, laptop or similar device.

You do not have to incur all of these expenses, but you must have incurred additional expenses in some of these categories as a result of working from home.

You can work out your working from home deduction for the shortcut method as follows:

- total number of hours worked from home between 1 March and 30 June 2020 × 80 cents (for the 2019–20 income year)
- total number of hours worked from home between 1 July 2020 and 31 December 2020 × 80 cents (for the 2020–21 income year).

If you use the shortcut method to claim a deduction, include the amount at the 'other work-related expenses' question in your tax return and include 'COVID-hourly rate' as the description.

If you use the shortcut method to claim your deduction you can't claim any other expenses for working from home for that period.

## Records you must keep

If you use the shortcut method, you must keep a record of the number of hours you have worked from home. This could be a timesheet, roster, diary or similar document that shows the hours you worked.

If you use the other methods, you must also keep a record of the number of hours you worked from home along with records of your expenses.

## More information

For more information, visit [ato.gov.au/home](https://ato.gov.au/home) or speak to a registered tax professional.

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