

Practice Update: Special Edition

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ATO Guidelines for Working From Home

The Australian Taxation Office ('ATO') has announced a temporary simplified **short cut method** to make it easier for individual taxpayers to claim deductions for **additional running expenses** incurred (e.g. additional heating, cooling and lighting costs), as a result of working from home due to the Coronavirus pandemic. Refer to the ATO's Media Release of 7 April 2020.

Based on the announcement, the ATO will allow individuals to claim a deduction for **all** running expenses incurred during the period **1 March 2020 to 30 June 2020**, based on a rate of **80 cents for each hour** an individual carries out genuine work duties from home. This is an alternative method to claiming home running expenses under existing arrangements, which generally require an analysis of specific running expenses incurred and more onerous record-keeping.

ATO's 80 cents per hour method to cover all running costs

The **80 cents per hour** method is designed to cover **all deductible running expenses** associated with working from home and incurred from **1 March 2020 to 30 June 2020**, including the following:

- Electricity expenses associated with heating, cooling and lighting the area at home which is being used for work.
- Cleaning costs for a dedicated work area.
- Phone and internet expenses.
- Computer consumables (e.g. printer paper and ink) and stationery.
- Depreciation of home office furniture and furnishings (e.g. an office desk and a chair).
- Depreciation of home office equipment (e.g. a computer and a printer).

This means that, **under the 80 cents per hour method**, separate claims **cannot** be made for any of the above running expenses (including depreciation of work-related furniture and equipment). As a result, using the 80 cents per hour method could potentially result in a claim for running expenses being lower than a claim under existing arrangements (including the existing 52 cents per hour method for certain running expenses).

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According to the ATO's announcement, under the **80 cents per hour method**:

- a) there is **no requirement** to have a separate or dedicated area at home set aside for working (e.g. a private study);
- b) **multiple people** living in the same house **could claim** under this method (e.g., a couple living together could each individually claim running expenses they have incurred while genuinely working from home, based on the 80 cents per hour method); and
- c) an individual will **only** be required to keep a **record of the number of hours worked from home** as a result of the Coronavirus, during the above period. This record can include time sheets, diary entries/notes or even rosters.

Working from home running expenses that are **incurred before 1 March 2020** (and/or incurred from this date where an individual does not use the 80 cents per hour method) must be claimed using existing claim arrangements. Broadly, these existing claim arrangements require:

- an analysis of specific running expenses incurred as a result of working from home; and
- more exhaustive record-keeping (e.g., the requirement to provide receipts and similar documents for expenses being claimed, as well as the requirement to maintain a time usage diary or similar record to show how often a home work area was used during the year for work purposes).

Martin & Orr Accountants

52 Sorrell Street, North Parramatta NSW 2151
Ph 61 2 98904411, Fax 61 2 98904433
Visit our website www.martinorr.com.au

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