



13th March, 2023



New Work From Home Rules For Claiming Tax Deductions

With a new norm surrounding how Australians work (hybrid, remote or office-based), there has been a change in how work-related expenses will be claimed this year during tax season.

Where once the expenses and claims that needed to be made during tax return season could be more clearly defined in terms of business or pleasure, work-related expenses or personal expenditure, remote working and work-from-home employees need to keep careful records of what they can and cannot claim as "home office expenses".

Previously, this could be claimed through the COVID-simplified 80 cents per hour, work-from-home method (known as the shortcut method and no longer available for the 2022-23 financial year), the 'fixed method' (previously 52 cents per hour, now 67 cents per hour) and the 'actual method'.

With new changes to the methods in place from 1 July 2022, it's essential that work tax deductions are correctly calculated and claimed and the process is duly followed.

Shortcut Method Is No Longer Available

The shortcut method introduced to simplify the process of claiming work-from-home expenses during the pandemic is no longer available.

Through this method, individuals could claim a fixed rate of \$0.80 per hour worked from home, with the aforementioned shortcut method covering expenses such as phone, internet, and depreciation on furniture & equipment. If this shortcut method was employed, no other costs could be claimed for working from home.

Remember that for the 2022-23 financial year, you must claim any work expenses through the fixed rate or actual methods, not the shortcut method.

Revised Fixed Rate Method

The fixed method will increase from 52 cents per hour to 67 cents per hour. The ‘actual method’ can also still be used. You no longer need a dedicated workspace at home, but you must have a representative four-week diary of the hours worked from home between 1 July 2022 to 28 February 2023.

Many taxpayers will already have kept records, but if you haven’t, one way to do this would be to look back over your diaries for the past four weeks.

You may also be able to use similar records as evidence as long as they represent the hours they worked from home during those eight months.

From 1 March 2023, the record-keeping requirement has changed again, and you will be required to record all your hours worked from home in a diary or some other format as they occur. This can be in the form of timesheets, diaries, time recording apps, or any other similar document, provided it is kept as they occur.

How Does The Fixed Rate Method Work?

To use the revised fixed rate method, you must:

- incur additional running expenses as a result of working from home**
- have a record of the total number of hours you work from home and the expenses you incur while working at home**
- have records for expenses the fixed rate per work hour doesn't cover and that show the work-related portion of those expenses.**

You can claim 67 cents for each hour you work from home during the relevant income year. The rate includes the additional running expenses you incur for:

- home and mobile internet or data expenses**
- mobile and home phone usage expenses**
- electricity and gas (energy expenses) for heating, cooling and lighting**
- stationery and computer consumables, such as printer ink and paper.**

The rate per work hour (67 cents) includes the total deductible expenses for the above additional running expenses. You can't claim an additional separate deduction for these expenses using this method.

Australians must know their entitlements and tax deductions when working from home/remotely.

Speak with us to ensure you comply with your tax return obligations when claiming or for assistance with your tax return this financial year.

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