

ATO announces short cut method for claiming home office running costs

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 under existing arrangements.

From 1 July 2019 to 29 February 2020 the normal ATO's rate 52 cents claim must be used.

ATO's 80 cents per hour method covers all running costs - 1 March 2020 to 30 June 2020

Including the following:

- Electricity associated with heating, cooling and lighting, the area that 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, if you use the shortcut method to claim a deduction**, a separate claim **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 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).**

The existing ATO claim of 52 cents might be better off claiming for the whole financial year.

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

- There is **no requirement** to have a separate or dedicated area at home set aside for working (e.g., a private study);

- **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
- 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.

You will need to keep all receipts of purchases so your accountant can work out the best method to use during the Covid-19 period working from home, which could give you a better deduction for your year-end tax return.

Please keep a 4-week log for Mobile phone usage and internet usage. You can see below these ATO links on how to keep a log and other expenses for working from home.

www.ato.gov.au/uploadedFiles/Content/IND/Downloads/Working-from-home.pdf

www.ato.gov.au/phoneandinternet

Also, please keep track of your COVID-19 hours worked at home by recording timesheets, diary notes or rosters.

How can we help?

If you need assistance with understanding any of these recent announcements, please feel free to give Richards Financial Services a call on 4782 1148 to discuss your particular requirements in more detail.