

## Home Office Expenses

### Necessary criteria to be established

The Taxation Office will generally **not** allow you to claim for expenses associated with your home unless your employer considers it necessary for you to work from home and the following criteria can be established:

- it is normal practice in your industry to perform some work duties from home;
- it is a part of your current job specification; and
- it is a condition of your employment, although not necessarily evidenced/documentated in writing.

### Difference between “running expenses” and “occupancy expenses”

Generally speaking, “running expenses” are claimed by salary and wage earners who satisfy the above. Occupancy expenses may be claimed by people operating a business from home.

### “Running expenses”

Where part of the home is used in connection with earning your current income, you may be able to claim a portion of your heat, power and air conditioning costs.

In addition, if you have a dedicated home office study which is used solely for work duties at home, you may be able to claim a portion of:

- cleaning costs;
- leasing charges (on equipment);
- depreciation on equipment and/or library; and
- cost of repairs on items of furniture and furnishings in the office.

### “Occupancy expenses” - place of business

Where part of your home is in fact used solely for income producing activities and has the character of a “**place of business**”, a proportional claim may exist for direct “**occupancy**” expenses, such as:

- interest (on home loan - excluding principal repayments);
- rent (on a flat, apartment, home unit etc);
- house insurance;
- municipal and water rates;
- heating/cooling and lighting expenses;
- leasing charges;
- cost of repairs on items of furniture and furnishings in the office;
- cleaning costs and pest control;
- security;
- decorating, including painting or wallpapering etc;
- telephone rental and call charges; and
- any other “occupancy” or “running expenses”.

### What is a “place of business”

The Tax Office has **advised** the following may be indicative that a home office is a “**place of business**” where:

- the area is clearly identifiable as a place of business;
- the area is not readily suitable or adaptable for use for private or domestic purposes in association with the home generally;
- the area is used exclusively or almost exclusively for carrying on a business; or
- the area is used regularly for visits of clients or customers.

### Apportionment of “occupancy expenses”

The actual amount of occupancy expenses which can be claimed is dependent on your individual circumstances. In most cases, the apportionment of the total expenses incurred on a **floor area basis** (based on the number of days of available use is the most appropriate method, if applicable) as follows:

$$\text{Floor area of home office} \quad \times \quad \text{Relevant expenditure}$$

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*Total floor area*

### **Capital Gains Tax implications – occupancy expenses**

Where part of your main residence, purchased after 19 September, 1985 has been used as a “**place of business**”, capital gains tax may apply to that portion of any profit on sale.

Whether or not income tax deductions have been claimed for the use of your home office, where your “place of business” has been used to produce assessable income, either by yourself, or **any other person/party**, there may be attendant capital gains implications that should be carefully addressed.