Print whole section

Work-related deductions

Deductions you can claim for expenses that directly relate to earning your employment income.

Cars, transport and travel

Deductions for car, transport and travel expenses you incur in the course of your work.

Tools, computers and items you use for work

Deductions for tools, computers, internet, stationery, books and other items you use for work.

Clothes and items you wear at work

Deductions for clothes, glasses, protective gear and other items you wear at work.

Working from home expenses

Deductions for expenses you incur as a result of working from home such as stationery, energy and office equipment.

Education, training and seminars

Deductions for self-education, conferences and training. You can't claim children's school fees or care.

Personal grooming, health and fitness

Deductions for medical assessments, vaccinations, COVID-19 tests, gym fees, cosmetics and personal grooming.

Standard deduction for work-related expenses

The new standard deduction and other changes that apply to work-related expenses from the 2026–27 income year.

Meals, entertainment and functions

Deductions for meals, snacks, overtime meals, entertainment and functions.

Memberships, accreditations, fees and commissions

Deductions for union fees, professional memberships, working with children check, agency fees and commissions.

QC 105302

Working from home expenses

Deductions for expenses you incur as a result of working from home such as stationery, energy and office equipment.

Last updated 8 June 2026

Eligibility to claim

To claim working from home expenses, you must:

- work from home to fulfil your employment duties, not just carrying out minimal tasks, such as occasionally checking emails or taking calls
- incur additional running expenses because you work from home
- have records that show you incurred these expenses, for example receipts.

To calculate your deduction for working from home expenses, you must use one of the methods set out below.

When incurring running expenses for both private and work purposes, you need to apportion your deduction. You can only claim the work-related portion as a deduction.

Media: Claiming a work from home deduction https://tv.ato.gov.au/ato-tv/media?v=bi9or7orgeamhm (**Duration:** 2:13)

Additional running expenses

Running expenses relate to the use of facilities within your home. These expenses are generally considered private and domestic. You can claim a deduction for additional running expenses you incur as a direct result of working from home.

Additional running expenses may include:

- electricity or gas (energy expenses) for heating or cooling and lighting
- home and mobile internet or data expenses
- mobile and home phone expenses
- stationery and office supplies
- the decline in value of depreciating assets you use for work – for example
  - office furniture such as chairs and desks

  - equipment such as computers, laptops and software
- the repairs and maintenance to depreciating assets.

In limited circumstances where you have a dedicated home office, you may also be able to claim:

- occupancy expenses (such as mortgage interest or rent)
- cleaning expenses.

If your employer pays you an allowance to cover your working from home expenses, you must include it as income in your tax return.

If you're a sole trader or business owner and your home is your principal place of business, see Deductions for home-based business expenses.

Choosing a method to calculate your claim

There are 2 methods available to calculate your claim:

- Fixed rate method
  - an amount per work hour for additional running expenses
  - allows separate claims for expenses not covered by the fixed rate, such as the decline in value of depreciating assets
  - doesn't require you to have a dedicated home office.
- Actual cost method
  - the actual expenses you incur as a result of working from home.

You must keep records to show you incur expenses as a result of working from home. The type of records you need to keep will depend on the method you choose to calculate your expenses.

For a summary of this information in PDF format, see Working from home deduction (PDF, 571 KB).

Expenses you can't claim

You can't claim a deduction for:

- coffee, tea, milk and other general household items, even if your employer provides these at work

- items your employer provides – for example, a laptop or a mobile phone
- expenses your employer reimburses you for the cost.

Fixed rate method

Check your eligibility to calculate your working from home expenses using the fixed rate method.

Actual cost method

Check if you're eligible to calculate your work from home expenses using the actual cost method.

Occupancy expenses

Check if you're eligible to claim occupancy expenses when you work from home.

QC 72158

Fixed rate method

Check your eligibility to calculate your working from home expenses using the fixed rate method.

Last updated 8 June 2026

Eligibility to claim

To use the 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.

How it works

You can claim a fixed rate 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 includes the total deductible expenses for the above additional running expenses. If you're using this method, you can't claim an additional separate deduction for these expenses.

Fixed rate method

To calculate your deduction using this method, multiply the number of hours you work from home by the hourly fixed rate in the income year.

Use the rate for the income year for which you are claiming a deduction:

- 2024–25 and 2025–26: use 70 cents per work hour
- 2022–23 and 2023–24: use 67 cents per work hour
- 2020–21 and 2021–22: use 52 cent per work hour.

For fixed rates and eligibility in earlier years, see Prior year tax return forms and schedules.

How to claim expenses the fixed rate doesn't include

You can separately claim a deduction for the work-related use of technology and office furniture such as chairs, desks, computers, bookshelves. These are generally depreciating assets that decline in value over time. You can also claim the repairs and maintenance of these items.

If the item cost $300 or less and you use it mainly to produce non-business income, you can claim an immediate deduction for the cost in

the year you buy it. This may include items such as keyboards, computer mouses, power boards, desk lamps and chargers.

You can claim a deduction for the decline in value of depreciating assets over the effective life of the item, if it either:

- cost more than $300
- forms part of a set that together cost more than $300
- is identical, or substantially identical to, other items that together cost more than $300.

You may choose to work out the decline in value of low-cost assets and low-value assets with a cost or opening adjustable value of less than $1,000 through a low-value pool. You calculate decline in value of depreciating assets in a low-value pool using a diminishing value rate. You can't allocate depreciating assets that cost $300 or less to a low-value pool if they are used mainly to produce non-business income and you can claim an immediate deduction for them.

Where you use your depreciating assets for both work and private purposes, you need to apportion your decline in value deduction. You can only claim the work-related portion as a deduction. In limited circumstances where you have a dedicated home office, you may also be able to claim:

- occupancy expenses (such as mortgage interest or rent)
- cleaning expenses (such as the cost of cleaning that relates to the work-related use of a room in your house set up as a home office).

For more information about the deductions allowable for 'home office' expenses, see PCG 2023/1 *Claiming a deduction for additional running expenses incurred while working from home – ATO compliance approach*

Example: no additional deduction as expense covered by fixed rate

Keisha is an employee engineer. During 2025–26, Keisha works from home and uses her timesheets to record the hours she spends working from home.

At the end of the income year, Keisha works out that she worked at home for a total of 843 hours.

When she is working from home, Keisha incurs electricity expenses, internet expenses and mobile phone expenses. However, Keisha also uses her mobile phone for work purposes on days when she is not working from home.

If Keisha uses the fixed rate method to calculate her working from home expenses deduction, she can claim a deduction of $590 (843 hours × 70c) in her 2025–26 tax return.

Keisha can't claim a separate deduction in her tax return for the mobile phone expenses she incurs when she's not working from home as the rate per work hour includes this expense.

If Keisha wants to claim all of her work-related mobile phone expenses, she will need to use the actual costs method to calculate her claim for working from home expenses.

Calculate your deduction

Use our home office expenses calculator to help work out your deduction.

Home office expenses calculator

You can also calculate your deduction manually using the steps below.

Steps for calculating your work from home deduction manually

Before you calculate your deduction, check you have all the records you are required to keep.

Step 1: Work out the total number of hours you worked from home

Work out the total number of hours you worked from home during the income year using your records – for example, your timesheets, rosters, diary or similar document you keep at the same time as when you work.

Step 2: Multiply your total work from home hours by the rate per hour

Multiply the total number of hours worked from home during the year by the rate per hour (70 cents for the 2025–26 income year).

Step 3: Work out the decline in value of depreciating assets used for working from home

Calculate the work-related decline in value of any depreciating assets that you used to work from home during the income year.

Use our Depreciation and capital allowances tool to help work this out.

For more information, see Depreciating assets you use for work.

Step 4: Work out the amount of any other working from home expenses you incurred that the rate per hour doesn't cover

Use your records to work out the amount of any other work-related expenses you incurred as a result of working from home.

Don't include any amount for expenses the rate per work hour covers.

Step 5: Add the amounts at step 2, step 3 and step 4 together

The total of step 2, step 3 and step 4 (with the cents disregarded not rounded) is the amount you claim as a working from home deduction in your tax return.

Example: deduction calculated using fixed rate method

Yang is employed as a software engineer. On 6 December 2025, Yang starts working from home 2 days a week and at the office 3 days a week.

On 1 December 2025, Yang buys a desk for $250 and an office chair for $299. Yang only uses the desk and office chair when working from home. He keeps his receipt for both items.

When working from home, Yang uses his work laptop, his personal internet connection and his personal mobile phone. Yang also uses the air conditioner in his spare room to cool and heat the room he works in.

Yang uses a spreadsheet to record the time he starts and finishes working from home. Yang also keeps one quarterly

invoice for his electricity expenses, one monthly internet bill and one monthly mobile phone bill for the period between 6 December 2025 and 30 June 2026.

At the end of the 2025–26 income year, Yang decides to use the fixed rate method to calculate his working from home deduction. Yang calculates his deduction manually as follows:

1. Yang uses his spreadsheet to calculate that he worked from home for a total of 567 hours.
2. Yang calculates his deduction for electricity, mobile phone and internet by multiplying the total number of hours he worked from home by the hourly rate.
   His calculation is:
   567 hours × 70c per work hour = $396.90
3. Yang works out his decline in value deduction.
   As the desk and office chair Yang bought cost less than $300 each and he only uses them when he works from home, he can claim the cost of the desk and the office chair as a decline in value deduction for the 2025–26 income year.
   His deduction is:
   Chair – $299
   Desk – $250
4. Yang has no other expenses.
5. Yang calculates his total deduction by adding the amount he calculated at Step 2 and Step 3.
   This is calculated as:
   $396.90 + $299 + $250 = $945.90

When he lodges his 2025–26 tax return, Yang includes a deduction of $945 (that is, $945.90 with the cents disregarded not rounded) for his working from home expenses.

Record keeping for the fixed rate method

To claim your working from home deduction using this method, you must keep:

- a record of the number of actual hours you work from home during the entire income year – for example, a timesheet, roster, diary or

other similar document (an estimate of your hours won't be acceptable)

- at least one record for each of the additional running expenses you incur that the rate per work hour includes – for example, if you incurred electricity and stationery expenses keep one quarterly bill for your electricity expenses and one receipt for your stationery expenses

You need to keep your records for 5 years (in most cases) from the date you lodge your tax return.

You must keep records for depreciating assets from the time you buy them, that shows:

- the amount spent on depreciating assets you buy
- the percentage of the year you use your depreciating assets exclusively for work, such as a diary or similar document.

You must also keep these records for other running expenses you are claiming as a separate deduction.

You need to keep these records for 5 years from the date of your last claim for decline in value.

Example: estimate of hours worked from home for part of the income year

Wanda has an agreement with her employer to work from home one day a week. She is required to work 8 hours each working day (40 hours per week). Wanda sits at her kitchen table when she works at home and uses her employer provided laptop and mobile phone. Wanda uses her own internet connection and electricity.

Wanda keeps one monthly internet bill and a quarterly electricity bill but she doesn't keep any records of the hours she spent working from home during the period from 1 July 2025 to 28 February 2026.

Wanda estimates the hours she worked from home during this period as 280 hours using:

- 8 hours per day × 1 day per week working from home

- 35 weeks (rounded up from 34 weeks and 4 days).

At the end of February 2025, Wanda finds out that she needs to keep a record of the hours she works at home at the time she works them if she wants to use the fixed rate method.

For the period from 1 March 2026 to 30 June 2026, Wanda keeps a record in her email calendar of when she starts and finishes work (including any breaks) on the day she works from home each week. At the end of the 2025–26 income year, Wanda calculates the hours she worked from home during this 4-month period as 136 hours.

Wanda can claim a deduction for her working from home expenses using the fixed rate method because she has kept records of:

- the expenses she incurred which are covered by the rate per hour, that is, her electricity and internet expenses
- a record of the actual hours she worked from home during the period 1 March 2026 to 30 June 2026.

Wanda calculates deduction as:

136 × 70c = $95 (with cents disregarded, not rounded).

Wanda can't include the hours she worked from home during the period from 1 July 2025 to 28 February 2026. This is because Wanda estimated the hours worked from home during this part of the year and estimates of hours worked from home are not accepted. Only a record kept at the time the hours are worked from home is acceptable.

You can use the myDeductions tool in the ATO app to keep track of your expenses and receipts throughout the year.

myDeductions tool

QC 72159

Actual cost method

Check if you're eligible to calculate your work from home expenses using the actual cost method.

Last updated 8 June 2026

Eligibility to claim

To use the actual cost method to claim actual expenses, you must:

- incur additional running expenses as a result of working from home
- keep records or other written evidence, which shows the amount
  - you spend on expenses
  - you spend on depreciating assets you buy and use while working from home
  - of work-related use for your expenses and depreciating assets.

You don't incur additional running expenses if other members of your household (who are not working from home) are in the same room as you while you are working from home.

Example: working from a lounge room

Lee works from her lounge room while her partner and 3 children watch television. Lee isn't incurring any additional costs for lighting, heating or cooling as a result of working in that room, so she can't claim a deduction for them.

How it works

Using the actual costs method, you work out your deduction by calculating the actual additional expenses you incur when working from home. This includes expenses you incur for:

- the decline in value of depreciating assets – for example, home office furniture (desk, chair) and furnishings, phones and computers, laptops or similar devices

- electricity and gas (energy expenses) for heating, cooling and lighting
- home and mobile phone, data and internet expenses
- stationery and computer consumables, such as printer ink and paper
- cleaning your dedicated home office.

Where you incur running expenses for both private and work purposes, you need to apportion your deduction on a fair and reasonable basis. You can only claim the work-related portion as a deduction.

In limited circumstances, you may also be able to claim occupancy expenses (such as mortgage interest or rent).

Decline in value of depreciating assets

If the item cost $300 or less and you use it mainly for a work-related purpose, you can claim an immediate deduction for its cost in the year you buy it.

You can claim a deduction for the decline in value of depreciating assets over the effective life of the item, if it either:

- cost more than $300
- forms part of a set that together cost more than $300.

You may choose to work out the decline in value of low-cost assets and low-value assets with a cost or opening adjustable value of less than $1,000 through a low-value pool. You calculate decline in value of depreciating assets in a low-value pool using a diminishing value rate.

If you use the asset for work and private purposes, you can only claim the work-related portion of the decline in value as a deduction.

For example, if you buy a device for $289 that you use 80% of the time for work-related purposes and 20% of the time for private purposes, you can only claim a deduction of $231 (80% × $289) in the income year you buy it.

You can use the depreciation and capital allowances tool to calculate your deduction for the decline in value of equipment, furniture and furnishings.

To claim a deduction for the decline in value of depreciating assets, you must:

- keep receipts showing the amount you spent on the assets
- show the percentage of the year you used those depreciating assets exclusively for work.

Cleaning expenses

If you have a dedicated home office, work out the cost of your cleaning expenses and apportion your claim for any:

- private use of your home office
- use of the home office by other members of your household.

For example, if you have a room set up as a home office, add together your receipts for cleaning expenses and multiply by the floor area of the dedicated work area, divided by the whole floor area of the house. Then reduce this amount by the percentage of private use by yourself and the use of the home office by other household members.

Electricity and gas for heating, cooling and lighting

You can work out the cost of your electricity and gas (energy expenses) for heating, cooling and lighting by using the:

- cost per unit of power you use (your utility bill has this information)
- average units you use per hour, which is the power consumption (this information may be found in the manufacturer information, the star energy rating label or by searching the internet) and is
  - per kilowatt (kw) hour for each electrical appliance, equipment or light you use
  - per megajoule (MJ) hour for gas heating appliances you use
- total annual hours used for work-related purposes by checking your record of hours worked or your diary.

Example: electricity for cooling and heating

Ben works at home several days per week and keeps a record of the total hours he works from home. His record shows he worked a total of 768 hours from home in 2025–26.

When he works from home, Ben sits in a separate room of his house and always uses the air conditioner in the room when he is working. Based on the manufacturer's information, his air conditioning unit costs 1.09 kw per hour to run.

Based on his electricity bills, Ben pays 27.81c per kw hour (28c rounded up) for electricity.

Ben calculates the cost of cooling and heating for the room he uses when he is working from home as:

> 1.09 kw per hour × 0.28c per hour = 30.52c per kw hour
>
> 768 hours × 30.52c = $234.39.

Ben can also use the online home office expenses calculator to work out his actual expenses. Ben would fill out the following:

- Select income year: 2025–26
- Do you want to claim a deduction based on actual expenses?: Yes
- Choose one of the following methods to calculate electricity expenses: Actual running expenses
- Cost per unit of electricity used: 0.28c
- Average units of electricity used per hour for income producing purposes: 1.09 kw
- Hours of electricity used for income producing purposes during the year: 768.

Phone, data and internet

If you receive an itemised phone or internet bill, you need to work out your work-related use over a continuous 4-week period. You can use your work-related percentage for the 4-week period to work out your expenses for the whole income year.

For example, you can mark your work-related calls on your monthly phone bill and work out your work-related use based on the number of those phone calls compared to your total calls.

For more information, see PS LA 2001/6 *Verification approaches for electronic device usage expenses*.

Stationery and computer consumables

Work out the cost of computer consumables and stationery by using receipts for the items you buy. If you use the item for both private and work-related purposes, you can only claim the work-related portion of the expense.

Calculate your deduction

Use our home office expenses calculator to help work out your deduction.

Home office expenses calculator

Record keeping for actual costs method

To claim your work from home expenses using actual costs, you must keep:

- either a record showing
  - the number of actual hours you work from home during the entire income year – for example, a timesheet or spreadsheet
  - a continuous 4-week period that represents your usual pattern of working at home – for example, a diary.

You must also keep records that show:

- the additional running expenses you incurred while working from home, such as receipts, bills and other documents
- how you worked out the amount of your deduction.

You can use the myDeductions tool in the ATO app to keep track of your expenses and receipts throughout the year.

myDeductions

QC 72161

Occupancy expenses

Check if you're eligible to claim occupancy expenses when you work from home.

Last updated 8 June 2026

Occupancy expenses for employees

As an employee working from home, generally:

- you can't claim occupancy expenses
- you can claim running expenses.

If you acquired your home after 20 September 1985 and you are eligible to claim occupancy expenses, there are capital gains tax (CGT) implications for your home. There are no CGT implications if you only claim running expenses.

See deductions for home-based business expenses if you operate a business from your home.

Occupancy expenses are expenses that you pay to own or rent your home. These include:

- mortgage interest
- rent
- council and water rates
- land taxes
- house insurance premiums.

If you're eligible to claim occupancy expenses, you can also claim running expenses you incur.

Eligibility to claim

You can only claim occupancy expenses if you have an area of your home set aside that has the character of a 'place of business' and you

can show all the following :

- the nature of your income earning activities requires you to have a place of business
- it was necessary for you to work from home because your employer doesn't provide you with an alternative place of business (as opposed to your employer allowing you to work from another location)
- the area of your home that you use for work is exclusively or almost exclusively used for work purposes and isn't readily capable of being used for any other purpose.

Indicators that the area of your home you've set aside to work from may be a place of business include:

- the area is clearly identifiable as a place of business
- the area isn’t readily capable of being used for private or domestic purposes
- the area is exclusively or almost exclusively used for carrying on a business
- the area is used regularly for visits of clients or customers.

You can't claim occupancy expenses if your employer provides you with a place to work.

Example: employer provides place of work

Priya currently lives in Albury and is employed as a salesperson for the southern New South Wales region. She is offered a promotion to the area sales manager position for Victoria by her employer. The job is based at her employer's Geelong office but they are flexible so they allow Priya to work from her home in Albury.

As Priya’s employer provides her with an office to work from, she can't claim occupancy expenses. It is Priya's personal choice to live in Albury.

Calculate your occupancy expenses

Occupancy expenses can generally be apportioned on a floor area basis. You must also apportion your expenses on a time basis if you only use that area of your home for work purposes for part of the year.

Example: occupancy expenses deductible

Abdul is employed as the on-site manager in a large townhouse complex. As the on-site manager, his duties include being available to deal with issues that arise on-site or that are raised by residents, manage the townhouses in the complex that are rented out by the owners, attend to the gardening, repairs and maintenance issues for the complex and provide monthly reports to the body corporate.

As the onsite manager, Abdul must be available from 9:00 am to 5:00 pm each weekday and from 9 am to noon on weekends. Outside of these times Abdul must be available to attend to emergencies.

He lives on-site and rents a townhouse for discounted rate of $400 per week which has a separate small room at the front set up as an office. The room is 6m² and Abdul's townhouse is 120m². Residents, tradespeople and anyone else coming onto the complex to attend to an issue go to the office to speak to Abdul in the first instance.

The office has a:

- lockable glass sliding door at the front and a lockable door at the back of the office which leads to the rest of his townhouse
- counter installed with a built-in desk, filing cabinets and a photocopier behind the counter
- large sign outside out the front indicating that the on-site manager's office is located there.

Abdul's employer provides a computer, mobile phone and printer for him to use while he is working.

As the office is small and is mainly taken up with a with the built-in counter, desk and other office equipment, Abdul doesn’t use the room for non-work purposes. When he finishes working for the day, he locks the front door of the office and the door leading to the rest of his townhouse.

Abdul can claim a deduction for a portion of his occupancy expenses as a result of working from his home because:

- his income earning activities require him to have a place of business for residents of the complex, tradespeople and other contractors to discuss matters with him and to deal with any issues with arise on-site
- his employer doesn't provide him with an alternative place of business to work from
- it is necessary for him to work from the office set up in his townhouse so that he is onsite when required
- the room he works from is used exclusively for work purposes and it is not readily capable of being used for any other purpose due to the built-in counter, desk and other office equipment.

Abdul's rent expenses for the 2025–26 income year are $20,800 ($400 × 52 weeks).

Abdul calculates his deduction for occupancy expenses as follows:

> Total occupancy expenses × floor area percentage
>
> $20,800 × 5% = $1,040.

Example: occupancy expenses not deductible

Randy’s employer decides to permanently close the office he currently works from before their shutdown in mid-December 2025. From January 2026, Randy works from home in either his lounge room at a desk or at the dining table. As Randy only needs a laptop and a mobile phone, he doesn’t have a room set aside to work from.

Randy can’t claim a deduction for any portion of his occupancy expenses.

Even though his employer hasn’t provided him with a work location and it is necessary for him to work from home, he doesn’t have an area of his home set aside to use exclusively, or almost exclusively, for income producing purposes. His dining room and lounge room are also readily capable of being used, and are used regularly, for private purposes.

Randy also doesn't have an area of his home set aside as a 'place of business'.

Record keeping for occupancy expenses

You must keep records for all of your occupancy expenses, including:

- bank statements for your mortgage interest
- rental receipts
- quarterly invoices for your water and council rates
- invoices or receipts for your house insurance
- land tax assessment notices and evidence of payment
- a floor plan of your home with the floor area used when working from home clearly marked
- records of time spent using the area for a purpose other than working from home
- records showing how you apportioned your occupancy expenses.

You must also keep records for the property, including:

- the purchase and sale contract for your home
- records of any incidental expenses you incur on the purchase and sale of your home – for example, real estate agent commission and stamp duty
- records of the occupancy expenses for every year you claim them.

If you become eligible to claim occupancy expenses sometime after you buy your home and you're eligible to claim a deduction for interest expenses, you won't be eligible for the full main residence exemption. It doesn't matter whether you actually had a home loan or whether you claimed a deduction for interest, your main residence exemption will

still be affected. However, there are special rules around the cost of your home in these circumstances. As such, you should get a market valuation for your house at the time you first start using it for income producing purposes.

These records must be kept for the entire period that you own your home and for at least 5 years after you sell it.

Find out more about how your home may be affected if you use your home in earning your income.

QC 72163

Standard deduction for work-related expenses

The new standard deduction and other changes that apply to work-related expenses from the 2026–27 income year.

Last updated 2 November 2026

> **Not available for Tax Time 2025–26**
>
> The standard deduction is not available for Tax Time 2025–26.

For a summary of this information in PDF format, see Standard deduction (PDF, 209KB)

About the standard deduction

From the 2026–27 income year, eligible taxpayers are entitled to a standard deduction (also referred to as the 'instant tax deduction') of up to $1,000 for work-related expenses, without needing to have spent the money or kept records.

This deduction first applies in your 2026–27 tax return. It **doesn't** apply in the 2025–26 tax return.

How the standard deduction works

The standard deduction:

- is a default work-related expense claim that will be automatically applied in your tax return if you're eligible
- reduces your taxable income
- isn't a tax offset or rebate
- is reduced by any work-related expenses you claim in your tax return that are covered by the standard deduction.

For more information, see Draft Law Companion Ruling LCR 2026/D5 *The standard deduction for work-related expenses*.

Eligibility for the standard deduction

You're eligible for the standard deduction if you:

- are an individual
- are an Australian resident for tax purposes
- earn 'assessable labour income', which includes
  - salary and wages
  - director fees and office holder payments
  - payments to religious practitioners
  - return-to-work payments
  - termination and retirement payments
  - parental leave pay.

The standard deduction will not apply if you only earn other types of income such as dividend income or business income.

Receiving the standard deduction

If you're eligible for the standard deduction:

- you don't need to do anything to claim the deduction

- we'll automatically apply it to your tax return from the 2026–27 income year onwards based on the information in your return.

How your standard deduction is calculated

The maximum standard deduction you may be entitled to is the lower of $1,000 or the amount of your total assessable labour income.

If your total assessable labour income is:

- $1,000 or more, your maximum standard deduction is $1,000
- less than $1,000, your maximum standard deduction will be the total amount of assessable labour income you earned during the income year.

Your maximum standard deduction gets reduced by certain work-related expenses you claim in your tax return.

Example 1: a mix of incomes

Simon is an Australian resident for tax purposes. During the 2026–27 income year he:

- earns wages of $400 from casual work (this is his **assessable labour income**)
- receives $40,000 from dividends, interest and other investment income.

Although Simon's total assessable income is $40,400, his maximum standard deduction is limited to $400. This is because his total **assessable labour income** is $400.

Work-related expenses that reduce the standard deduction

Certain work-related expenses you claim in your tax return reduce the amount of your standard deduction. These include:

- expenses related to earning assessable labour income, such as stationery, tolls, travel allowance expenses, uniform, laundry and

working from home expenses

- car expenses related to earning assessable labour income
- transport expenses incurred between 2 or more separate workplaces (provided none of the workplaces is your home and you earn assessable labour income at one of them)
- balancing adjustment deductions on assets used to earn assessable labour income
- COVID-19 test expenses.

If you're eligible for the standard deduction and you:

- **don't claim** work-related expenses that reduce the standard deduction in your tax return, you automatically receive your maximum standard deduction – see example 2
- **claim** work-related expenses that reduce the standard deduction in your tax return, your standard deduction is reduced dollar for dollar – see example 2 and may be reduced to nil – see example 3.

Example 2: less than $1,000 in work-related expenses

Yui works for an advertising agency, earning $95,000 per year in wages. At the end of the 2026–27 income year, Yui incurred the following work-related expenses:

- $200 in working from home expenses
- $200 for a work-related training course
- $150 for travelling from her workplace to visit clients.

She also made a $50 donation to a deductible gift recipient (DGR) registered charity and paid $175 to her tax agent to complete her previous year's tax return.

Yui is entitled to a $1,000 standard deduction because she is an Australian resident for tax purposes and her income was earned from wages.

Her work-related expenses of $550 are less than the $1,000 standard deduction. Yui has 2 options.

Option 1 – Don't claim the work-related expenses

If Yui doesn't claim her work-related expenses of $550 in her 2026–27 tax return, she'll receive the full $1,000 standard deduction. She doesn't need to keep records for these expenses.

Option 2 – Claim the work-related expenses

If Yui chooses to claim the $550 in work-related expenses, she:

- must have records to support her claim for $550 of work-related expenses
- is still entitled to the standard deduction, however it is reduced by the amount of the $550 work-related expenses claimed in her tax return. The standard deduction she'll receive is $450 ($1,000 − $550). She doesn't need to report the $450 standard deduction amount, as it will be automatically included in her tax return.

In these circumstances, it's easier for Yui to **not** claim the $550 in work-related expenses.

With both options, Yui can still claim a deduction for her donation of $50 and her tax agent fees of $175 in her tax return, as these aren't covered by the standard deduction. Yui needs records to support these expense claims.

Example 3: work-related expenses over $1,000

Marco spends $3,500 in work-related expenses (that reduce the standard deduction) over the 2026–27 income year.

While he's eligible for a $1,000 standard deduction for 2026–27, he chooses to claim all his $3,500 work-related expenses in his tax return and provide written evidence to support his claim. This ensures he gets the full tax deduction he is entitled to.

Marco won't receive a standard deduction because his work-related expense claims are above $1,000, therefore his standard deduction is reduced to nil.

Work-related expenses not affecting the standard deduction

There are work-related expenses that don't reduce the amount of your standard deduction. You should claim the following expenses in your tax return:

- union fees
- memberships of a trade, business or professional association.

You must have the required records to support your claims, such as statements of the fees or subscriptions you paid.

Other deductions not affecting the standard deduction

You need to claim all other tax deductions you're entitled to in your tax return as usual, such as:

- gifts and donations
- investment and rental property deductions
- the cost of managing your tax affairs
- personal super contributions
- income protection, personal sickness or accident insurance premiums
- expenses you incur in earning other types of income, such as business or from providing services through a digital platform.

Record keeping

If you expect your total work-related expenses that reduce your standard deduction to be:

- **more than** the maximum standard deduction you're entitled to – then if you want to claim the amounts as a deduction you need to keep the required records for all work-related expenses you're entitled to. However, you can choose not to claim these deductions and instead receive the standard deduction you're entitled to.

Choosing to receive the standard deduction means you don't need to keep records for those expenses.

- **less than** the maximum standard deduction you are entitled to, it's not necessary but still a good idea to keep records. Unexpected costs can occur, which may increase your total work-related expenses.

You need to keep records for:

- work-related expenses you claim in your tax return
- union fees, subscriptions to trade, business or professional associations
- income protection, personal sickness or accident insurance premiums
- all other deductions you claim, such as investment expenses or donations.

There are other changes to record keeping from 1 July 2026, because of the standard deduction, see removal of record keeping exceptions.

Additional changes due to the standard deduction

Due to the standard deduction for work-related expenses, there are additional changes that apply from the 2026–27 income year.

Removal of record keeping exceptions

From 1 July 2026, the following record keeping exceptions won't apply:

- $300 deduction limit for work-related expenses
- $150 laundry expense limit
- award transport expense exemption

This applies to all taxpayers, regardless of eligibility for the standard deduction.

If you choose to claim more than your maximum standard deduction, you **must** have written evidence (such as a receipt) for all work-related expenses you claim in your tax return for the 2026–27 and later income years.

Laundry expenses

If you incur laundry expenses and claim a deduction for them in your return, we will accept the following amounts for working out your laundry expenses deduction:

- $1 per load if you only wash your work clothes in that load
- 50c per load if you mix other clothes with your work clothes.

For more information, see the compliance approach contained in Draft Law Companion Ruling LCR 2026/D5 *The standard deduction for work-related expenses*.

Low value pool

For the 2026–2027 and later income years, you can't add a depreciating asset to a low-value pool if, when you acquired it, you expected to mainly use it to earn assessable labour income. You can still claim the decline in value of the depreciating asset. However, the decline in value claim for depreciating assets used to earn assessable labour income in an income year will reduce any standard deduction you're entitled to.

This change applies regardless of eligibility for the standard deduction.

It doesn't affect:

- existing assets in a low-value pool
- other depreciating assets (such as business assets) not used to earn assessable labour income.

Balancing adjustments

From the 2026–27 income year, there is a simple way to work out your balancing adjustment amount if you:

- sell, dispose of or stop using a depreciating asset that's used at any time for the purpose of gaining or producing your assessable labour income
- received a partial or full standard deduction in one or more years in which you held the asset.

You have the option of using a fixed 50% rate to calculate the reduction of either of the following amounts that arose because you stopped holding or using the asset:

- the amount you include in your assessable income
- the amount you can deduct from your assessable income.

This simplifies calculations where detailed records of an asset's use were not kept. If you claim a balancing adjustment deduction related to an asset used to produce your assessable labour income, it reduces the amount of your standard deduction in that income year.

For more information on balancing adjustments, see What happens if you no longer hold or use a depreciating asset.

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