PCG 2023/1 - Claiming a deduction for additional running expenses incurred while working from home - ATO compliance approach

Practical Compliance Guideline

Claiming a deduction for additional running expenses incurred while working from home – ATO compliance approach

Relying on this Guideline
This Practical Compliance Guideline sets out a practical administration approach to assist taxpayers in complying with relevant tax laws. Provided you follow this Guideline in good faith, the Commissioner will administer the law in accordance with this approach.

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What this Guideline is about

1. Prior to 1 July 2022, to calculate a deduction for expenses incurred as a result of working from home, taxpayers[1] had the choice of using one of the following methods:

- the shortcut method[2] – available from 1 March 2020 to 30 June 2022 (outlined in Practical Compliance Guideline PCG 2020/3 *Claiming deductions for additional running expenses incurred whilst working from home due to COVID-19*)
- the fixed-rate method[3] – available from 1 July 1998 to 30 June 2022 (outlined in Part 5 of Law Administration Practice Statement PS LA 2001/6 *Verification approaches for home office running expenses and electronic device expenses*), or
- actual expenses; that is, calculating the actual expenses incurred as a result of working from home.

2. From 1 July 2022, taxpayers can continue to claim their actual expenses or, alternatively, they can use the revised fixed-rate method outlined in paragraphs 23 to 26 of this Guideline.

3. This Guideline outlines the revised fixed-rate method for calculating the work-related additional running expenses[4] incurred as a result of working from home. It should be read in conjunction with Taxation Ruling TR 93/30 *Income tax: deductions for home office expenses*, which explains when working from home expenses are deductible.

4. If, on reviewing your deduction for additional running expenses, you are found to have satisfied the requirements set out in paragraph 27 of this Guideline, the Commissioner will not allocate additional compliance resources to reviewing your deduction.

5. If you are found not to have satisfied the requirements set out in paragraph 27 of this Guideline, you will not be able to use the revised fixed-rate method to calculate your expenses. You will only be able to claim a deduction for your actual expenses. This means you must keep adequate records from the start of the income year to demonstrate:

- you incurred the expenses you are claiming directly as a result of working from home[5]
- how the income-producing portion of the expenses were calculated.

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[1] This includes employees and taxpayers carrying on a business.

[2] The shortcut method allowed 80c per hour for each hour a taxpayer worked from their home to calculate all their additional running expenses, such as electricity and gas expenses (lighting, heating and cooling, and use of electronic items used for work), internet expenses, mobile and home phone expenses, the decline in value of office furniture and furnishings, stationery, computer consumables and the decline in value of a computer, laptop or similar device.

[3] The fixed-rate method allowed 52c per hour for each hour a taxpayer worked from their home office to calculate their electricity and gas expenses, home office cleaning expenses and the decline in value of furniture and furnishings. In addition, a separate deduction for the taxpayer's work-related internet expenses, mobile and home phone expenses, stationery and computer consumables, and the decline in value of a computer, laptop or similar device could be claimed.

[4] Running expenses relate to the use of facilities within the home (see paragraphs 6 and 19 to 35 of TR 93/30 for more information).

[5] For employees, the records will have to satisfy the requirements of Division 900 of the *Income Tax Assessment Act 1997*. For taxpayers running a business, the records will have to satisfy the requirements of section 262A of the *Income Tax Assessment Act 1936* (ITAA 1936).

6. Irrespective of paragraph 5 of this Guideline, if you lodge an objection[6] in relation to your working from home expenses for whatever reason, you cannot rely on using the revised fixed-rate method in this Guideline to determine whether you are entitled to a deduction for your expenses. Only the actual expenses you incurred as a result of working from home and for which you have adequate records will be allowed as a deduction.[7]

7. This Guideline does not cover occupancy expenses such as rent, mortgage interest, property insurance and land tax. For further information on when you can claim a deduction for and how to apportion occupancy expenses, refer to TR 93/30.

8. All legislative references in this Guideline are to the *Income Tax Assessment Act 1997*, unless otherwise indicated.

Background

9. To be deductible under section 8-1, a working from home expense must be:

- incurred in the course of gaining or producing your assessable income, or
- necessarily incurred in carrying on a business for the purpose of gaining or producing assessable income.

10. Further, the expense must not be:

- capital or of a capital nature
- private or domestic in nature
- incurred in gaining or producing exempt or non-assessable non-exempt income, or
- prevented under another provision of the tax law from being deductible.[8]

11. Although expenses of capital or of a capital nature are not deductible under section 8-1, a decline in value deduction is allowable under section 40-25 for depreciating assets that are used for the purpose of producing assessable income.[9]

12. Where an expense is only partly incurred in gaining or producing your assessable income, it must be apportioned. Where there is no obvious method of apportioning expenses, it must be done on a fair and reasonable basis.[10]

13. Expenses associated with your home are inherently private and domestic in nature and generally are not deductible. An exception is where you incur additional running expenses as a direct result of working from home. Such expenses are additional to your private and domestic expenditure in relation to your home.

14. The practical compliance approach outlined in this Guideline overcomes difficulties associated with apportioning and calculating the additional expense you actually incur as a result of working from home in respect of:

- energy expenses (electricity and gas) for lighting, heating, cooling and to run electronic items used for work

[6] Including an objection that is not lodged in response to your tax return being amended as a result of a review (see Taxation Ruling TR 2011/5 *Income tax: objections against income tax assessments* for more information on objections).
[7] This is the same way objections regarding working from home expenses calculated using the shortcut method and the fixed-rate method are, and have been, dealt with by the Commissioner.
[8] See Taxation Ruling TR 2020/1 *Income tax: employees: deductions for work expenses under section 8-1 of the Income Tax Assessment Act 1997* for guidance on when an expense is deductible under section 8-1.
[9] See the current Guide to depreciating assets and paragraph 4 of TR 2020/1.
[10] *Kidston Goldmines Ltd v. Commissioner of Taxation* [1991] FCA 351.

- internet expenses
- mobile and home phone expenses, and
- stationery and computer consumables.

15. The actual decline in value deduction for the depreciating assets used while working from home (for example, a computer or similar electronic device, desk and office chair), along with any other running expenses not outlined in paragraph 14 of this Guideline, can be claimed separately, provided the requirements of section 8-1 and Divisions 40 and 900, or section 262A of the ITAA 1936, are satisfied.

Date of effect

16. This Guideline applies from 1 July 2022.

17. For the 2022–23 income year and later income years, taxpayers can no longer rely on the information previously included in PS LA 2001/6 under the heading '5. Special rules for home office running expenses' to calculate their deduction for expenses incurred as a result of working from home.

Who can rely on this Guideline

18. You can rely on this Guideline to calculate your deduction for additional running expenses using the method outlined at paragraphs 23 to 26 of this Guideline if you are:

(a) working from home while carrying out your employment duties or carrying on your business on or after 1 July 2022 (**First criterion – working from home** – see paragraphs 45 to 48 of this Guideline)

(b) incurring additional[11] running expenses of the kind outlined in paragraph 14 of this Guideline which are deductible under section 8-1 as a result of working from home (**Second criterion – incurring deductible additional running expenses** – see paragraphs 49 to 55 of this Guideline), and

(c) keeping and retaining relevant records in respect of the time you spend working from home and for the additional running expenses (covered by the rate per hour) you are incurring (**Third criterion – keeping and retaining relevant records** – see paragraphs 56 to 72 of this Guideline).

19. You do not need to have a separate home office or dedicated work area set aside in your home in order to rely on this Guideline.

20. If more than one taxpayer in your household is working from home at the same time, each taxpayer will be able to rely on this Guideline only if each of those taxpayers meets all the requirements set out in paragraph 18 of this Guideline.

21. Taxpayers working in the same household at the same time can choose which method they will use to calculate their expenses – revised fixed rate or actual expenses. If a taxpayer chooses to calculate their deduction using the actual expenses method, they will need to ensure that they have applied an appropriate apportionment methodology which isolates their individual component of expenses.[12]

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[11] A comparative exercise is not required to demonstrate that you have incurred additional running expenses as a result of working from home. This can be demonstrated by the number of hours you have worked from home.

[12] See Actual cost method.

22. If you do not use the revised fixed-rate method, you need to use the actual expenses method to claim a deduction for the additional expenses you incur as a result of working from home.

Revised fixed-rate method

23. The revised fixed-rate method apportions the following additional running expenses you incur on a fair and reasonable basis by using a fixed rate of 67c per hour[13] for each hour you worked from home during the income year:

- energy expenses (electricity and gas) for lighting, heating, cooling and electronic items used while working from home
- internet expenses
- mobile and home phone expenses, and
- stationery and computer consumables.

24. The rate per hour calculates the total of your deductible expenses for energy , internet, mobile and home phone, and stationery and computer consumables for the income year.

25. This means you cannot claim an additional separate deduction for any of these expenses. For example, if you use your mobile phone when you are working from home and when you are working from somewhere other than your home, your total deduction for mobile phone expenses for the income year will be covered by the hourly rate of 67c per hour.[14]

26. To calculate your total deduction for running expenses using the revised fixed-rate method, you:

(a) calculate the number of hours you worked from home during the income year based on your records[15]

(b) multiply the total number of hours you worked from home during the income year by 67c per hour

(c) calculate the work-related decline in value of any depreciating assets that you used to work from home during the income year[16] and any other running expenses you incurred which are not covered by the rate per hour

(d) add the amounts calculated at subparagraphs 26(b) and (c) of this Guideline together – this is the amount you claim as a deduction in your tax return.

Our compliance approach

27. The Commissioner will not apply compliance resources[17] to review your deduction for working from home expenses if:

- you meet the criteria outlined in paragraph 18 of this Guideline

[13] This rate per hour is based on the Australian Bureau of Statistics (ABS) household expenditure survey with consideration of annual Consumer Price Index (CPI) weightings for the 4 categories of expenses comprising the rate.
[14] See Examples 1 and 8 of this Guideline.
[15] See paragraphs 56 to 63 of this Guideline.
[16] See the current Guide to depreciating assets and the Depreciation and capital allowances tool.
[17] See paragraph 4 of this Guideline.

- you use the revised fixed-rate method outlined in paragraphs 23 to 26 of this Guideline to calculate the additional running expenses you incur as a result of working from home.

28. This Guideline does not apply to you if:

- the number of hours you use in the methodology set out in paragraph 26 of this Guideline exceeds the number of hours you actually worked at home, or
- you claim a separate deduction for any of the expenses listed in paragraph 23 of this Guideline.[18]

Example 1 – using the practical compliance approach

29. *Gerry is employed as a bookkeeper. He goes into the office to work 3 days a week and works from home 2 days a week. When he is working from home, Gerry uses his employer-provided laptop, his home internet connection and his personal mobile phone. He also turns on the light and the air conditioning or the ceiling fan in the room in which he is working. The cost of the chair and desk that Gerry uses was reimbursed by his employer.*

30. *As Gerry uses his employer-provided laptop, he is not entitled to claim a decline-in-value deduction for it. Gerry also cannot claim a decline-in-value deduction for the chair and desk he uses at home.*

31. *During the income year, Gerry keeps and retains all relevant records. Based on his record of hours, Gerry worked from home for 768 hours during the income year.*

32. *As Gerry meets all the criteria in paragraph 18 of this Guideline, he decides to calculate his working from home expenses using the revised fixed-rate method. He calculates his deduction as:*

768 hours × 67c per hour = $514.[19]

33. *No additional amount is added to the hourly rate as Gerry is not entitled to a decline-in-value deduction for any of the depreciating assets he uses when he works from home.*[20]

34. *In his tax return for the income year, Gerry claims a deduction of $514 for his working from home expenses.*

Example 2 – cannot rely on the practical compliance approach

35. *Dan is employed as a financial adviser. Under the terms of his employment agreement, Dan must be in the office at least 3 days per week and can either work in the office or from home for the other 2 days per week. Dan only works from home if he does not have client meetings, so he does not always work 2 days per week from home.*

36. *In his tax return for the 2022–23 income year, Dan claims a deduction of $815 for his working from home expenses using the revised fixed-rate method.*

[18] See paragraphs 24 and 25 of this Guideline.
[19] Under section 388-85 of Schedule 1 to the *Taxation Administration Act 1953*, you only include the whole dollar amount and disregard any cents. The amount is not rounded to the nearest dollar.
[20] This is because Gerry is provided with a computer by his employer and because his employer reimbursed him for the cost of his desk and chair (refer to paragraph 50 of this Guideline).

37. *In February 2024, Dan's claim for his working from home expenses for the 2022–23 income year is subject to review by the ATO. When he responds to the request to substantiate his claim of $815, Dan sends a document setting out the following calculation*:

Hours worked from home = 2 days per week × 8 hours per day × 49 weeks = 784 hours

Office chair = $290

Additional running expenses = 784 hours × 67c = $525[21]

Total deduction = $525 + $290 = $815.

38. *Dan does not provide any records to demonstrate that he worked from home for 784 hours during the income year, nor does he provide any evidence to show he incurred any running expenses. However, he does provide his purchase receipt for the chair that shows it was purchased on 10 December 2022 for $290*.

39. *When questioned about how he calculated the number of hours he worked from home, Dan indicates that he estimated that he worked from home on average for 2 days each week for around 8 hours a day and that he had 3 weeks' leave during the year. In relation to his running expenses, Dan indicates he incurred electricity, internet and mobile phone expenses and that he might have some documents to demonstrate he incurred them but he would need to look for them*.

40. *When Dan is asked if he was able to locate one bill for his electricity, internet and mobile phone expenses, Dan indicates that he has been able to locate a mobile phone and internet bill but not any of his electricity bills. However, Dan is able to provide one of his credit card statements showing a payment to an electricity provider on 10 February 2023*.

41. *Dan cannot rely on the practical compliance approach because he has not kept a record of the hours he worked from home during the income year. Instead, an estimate was provided*.

42. *However, Dan can claim the actual expenses he incurred as a result of working from home. Based on the evidence Dan has been able to provide, his only deduction will be for his office chair. As the office chair costs less than $300 and was only used for work purposes, Dan's deduction for working from home expenses is reduced from $815 to $290*.

43. *If Dan objects to his Notice of Amended Assessment for the 2022–23 income year, he is not able to use the revised fixed-rate method as the basis for his objection. He must use the actual expenses method. The objection would only be allowed if he is able to substantiate that these expenses were incurred as a result of working from home*.

Explanation of criteria

44. The remainder of this Guideline explains the criteria outlined in paragraph 18 of this Guideline and includes a full worked example which sets out how to calculate your additional running expenses using the revised fixed-rate method.

First criterion – working from home

45. To satisfy this criterion, you must be working from home while carrying out your employment duties or while carrying on your business on or after 1 July 2022. The work has to be substantive and directly related to your income-producing activities. As such, minimal tasks such as occasionally checking emails or taking phone calls while at home

[21] See footnote 18 of this Guideline.

will not qualify as working from home for the purposes of subparagraph 18(a) of this Guideline.

Example 3 – not working from home

46. *Amanda is employed as a paramedic. Her rosters are sent to her by email each week. If Amanda does not check her roster while she is on duty at her usual station, she checks the roster at home using her laptop.*

47. *This would not qualify as working from home as Amanda only occasionally uses her laptop to check her roster for the upcoming week. As such, this Guideline will not apply to Amanda.*

Example 4 – working from home

48. *Zachary is employed as a salesperson. He works from his employer's office 4 days per week and he works from home one day per week. Zachary does not have a separate room in his house set up as a home office. He works at a desk in his lounge room. Zachary is working from home one day per week when he is working in his lounge room and can rely on this Guideline if he meets the other criteria outlined in paragraph 18 of this Guideline.*

Second criterion – incurring deductible additional running expenses

49. To satisfy this criterion, you must incur one or more additional running expenses of the kind outlined in paragraph 23 of this Guideline which are deductible under section 8-1 as a result of working from home. You do not have to incur every running expense listed at paragraph 23 of this Guideline. An additional running expense will be incurred when the amount of the expense is actually paid or a definitive obligation to pay the amount of the expense arises.[22]

50. In circumstances where a third party (for example, your employer) reimburses you for all your additional running expenses or is incurring all the additional running expenses on your behalf, you will not satisfy this criterion.

51. Records of the hours you worked from home during the income year and invoices or bills[23] in the name of the home owner or service recipient represent evidence that additional running expenses have been incurred. Where invoices and bills are in the name of one member of the household but the cost is shared, each member of the household who contributes to the payment of that expense will be taken to have incurred it. For example, this can include family circumstances such as a husband and wife, or where 2 unrelated parties share accommodation and both contribute to the cost of expenses jointly. This does not include paying board as these arrangements are generally private in nature.

Example 5 – incurring additional running expenses

52. *Pierre runs a plumbing business. When he gets home each day, he sends out invoices to his clients, calls clients, orders or purchases parts that he will need for certain*

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[22] See Taxation Ruling TR 97/7 *Income tax: section 8-1 – meaning of 'incurred' – timing of deductions* and paragraphs 9 to 12 of TR 2020/1 for more information on when an expense is incurred.
[23] See paragraph 56 of this Guideline.

jobs he has booked in, checks his bank account for client payments and emails a reminder to clients whose payments are overdue. He does this work using his computer, his home internet connection and his mobile phone. Pierre's mobile phone bill is in his name so he has incurred the expense. However, his electricity bills are in his partner's name and the internet bill is in his and his partner's name. All of Pierre's household expenditure is paid from a joint bank account, so Pierre is considered to have incurred the electricity and internet expenses as well.

53. *If Pierre meets the other requirements in paragraphs 18 of this Guideline, he can rely on this Guideline to calculate his additional running expenses.*

Example 6 – not incurring additional running expenses

54. *Sergei is employed as a graphic design artist. He works in the office 3 days per week and works from home 2 days per week. Sergei lives with his parents and when he works from home, he works in his bedroom using his employer-provided laptop and mobile phone. Sergei does not pay his parents any rent and he does not contribute to any of the household bills.*

55. *Although Sergei is carrying out his employment duties while working from home, he is not incurring additional running expenses. Accordingly, Sergei is not entitled to a deduction for additional running expenses and he cannot rely on this Guideline.*

Third criterion – keeping and retaining relevant records

56. To satisfy this criterion and to rely on this Guideline, you must keep:

- records showing the total number of hours you worked from home during the income year
- one document, such as an invoice, bill or credit card statement[24], for each of the additional running expenses[25] which you have incurred during the income year.[26]

57. If, in addition to the revised fixed rate outlined in subparagraph 26(b) of this Guideline, you are claiming a deduction for the decline in value of depreciating assets used while working from home, you must keep:

- documents that meet the requirements of Division 900 if you are an employee[27] or that meet the requirements of section 262A of the ITAA 1936 if you are carrying on a business[28]
- records which demonstrate your income-producing use of any depreciating assets or other expenses you are claiming a deduction for during the relevant income year.

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[24] Your credit card statement must contain enough information to identify what expense is being incurred and that you incurred it.
[25] See paragraph 49 of this Guideline.
[26] You must keep evidence for each of the expenses you have incurred; for example, if you have incurred internet and electricity costs, you must keep at least one monthly or quarterly invoice for each of these expenses.
[27] See paragraphs 64 and 66 of this Guideline.
[28] See paragraph 67 of this Guideline.

Hours worked

58. For the 2023–24 and later income years, you must keep a record for the entire income year of the number of hours you worked from home during that income year. An estimate for the entire income year[29] or an estimate based on the number of hours you work from home during a particular period and applied to the rest of the income year will not be accepted. A record of your hours for the income year can be in any form, provided it is kept contemporaneously. For example, records may be kept in one of the following forms:

- timesheets
- rosters
- logs of time you spent accessing employer systems or online business systems
- time-tracking apps
- a diary or similar document kept contemporaneously.

59. For the 2022–23 income year only, you need to keep:

- a record which is representative of the total number of hours worked from home during the period from 1 July 2022 to 28 February 2023, and
- a record of the total number of actual hours you worked from home for the period 1 March 2023 to 30 June 2023.

Running expenses covered by rate per hour

60. You must also keep evidence, as outlined in paragraphs 61 and 62 of this Guideline, for each of the additional running expenses[30] that you incurred.[31] The documents you need to keep to demonstrate that you have incurred additional running expenses must show what the expense is and that you incurred the expense.

61. For energy, mobile and home phone and internet expenses, you must keep one monthly or quarterly bill.[32] If the bill is not in your name, you will also have to keep additional evidence showing you incurred the expenses; for example, a joint credit card statement showing payment or a lease agreement showing you share the property, and therefore the expenses, with others.

62. For stationery and computer consumables, which are occasional expenses, you must keep one receipt for an item purchased.

63. If you do not keep evidence of the total hours you worked from home and for each of the running expenses you incurred, you will not be able to rely on this Guideline to calculate your additional running expenses.

Decline in value

64. As the decline in value of depreciating assets is not covered by the revised fixed-rate per hour outlined in subparagraph 26(b) of this Guideline, to claim a deduction

[29] See Example 2 of this Guideline.
[30] See paragraph 49 of this Guideline.
[31] See paragraphs 49 to 55 of this Guideline.
[32] If you do not receive your bills on a quarterly or monthly basis, a bill for a different period will also be accepted; for example, a bi-monthly electricity bill.

for decline in value you must keep the written evidence required by Division 900 and also section 262A of the ITAA 1936.[33]

65. For each depreciating asset used as an employee to carry out your employment duties, you must keep a document which shows:

- the name or business name of the supplier
- the cost of the asset to you
- the nature of the asset
- the day you acquired the asset, and
- the day the record was made out.[34]

66. If the document given to you by the supplier does not specify the nature of the asset, you may write in the missing details yourself before you lodge your tax return for the income year in which you first claim a deduction for the decline in value of the asset.[35] You must also keep records which demonstrate your work-related use of the depreciating asset. This can be evidenced by records of a representative 4-week period that show personal and income-producing use of the depreciating assets.

67. For depreciating assets used in carrying on a business, you must keep records that record and explain all transactions.[36] These records include any documents that are relevant for the purpose of ascertaining your expenditure and documents containing any election, choice, determination or calculation and particulars showing the basis of any calculations made.[37]

Example 7 – keeping and retaining relevant records

68. *Pamela is employed as a solicitor. She works from home some evenings or on the weekend, in order to meet deadlines. The number of hours Pamela works from home varies from week to week.*

69. *During the income year, Pamela keeps a record of the total number of hours she spends working from home. She does this by making an entry in her electronic calendar when she starts and finishes working from home on a particular day.*

70. *When she is working from home during the income year, Pamela incurs electricity and internet expenses. Pamela is also claiming the decline in value of a desk and a laptop computer she uses when she works at home.*

71. *To show she has incurred additional running expenses, Pamela keeps:*

- *one quarterly electricity bill*
- *one monthly invoice for her home internet*
- *receipts for the desk and laptop that she purchased and uses while working from home, and*
- *records demonstrating her work-related use of her desk and laptop.*

[33] Failure to keep written evidence for depreciating assets does not affect your ability to claim the revised fixed rate per hour.
[34] Subsection 900-120(2).
[35] Subsection 900-120(3).
[36] Subsection 262A(1) of the ITAA 1936.
[37] Subsection 262A(2) of the ITAA 1936.

72. *Pamela has kept relevant records for the income year. If Pamela meets the other criteria in paragraph 18 of this Guideline, she can rely on this Guideline to calculate her additional running expenses.*

Worked example

73. A full worked example has been set out in paragraphs 74 to 89 of this Guideline to assist you in determining whether you can apply the practical compliance approach outlined in paragraph 27 of this Guideline.

Example 8 – employee who meets requirements and uses the revised fixed-rate method

74. *Piruntha is employed as software engineer. In November 2022, Piruntha's employer decides to give their employees some flexibility by allowing them to work from home. However, each employee must work from the office at least 3 days per week. Piruntha decides to take advantage of this arrangement and work at the office 3 days per week and from home 2 days per week. To work from home, Piruntha sets up a room in her home as an office*.

75. *On 1 December 2022, Piruntha purchases a laptop for $1,499, a desk for $250 and an office chair for $299. She also purchases some stationery to use while she is working from home*.

76. *On 6 December 2022, Piruntha commences working from home. When working from home, she uses the lights in her home office, as well as her laptop, her personal internet connection and her personal mobile phone (which she also uses when she is working at her employer's office and for private purposes)*.

77. *Up until the end of February 2023, Piruntha uses her air conditioning to cool her home office and from around April 2023 until 30 June 2023, she uses her gas heating to warm the room*.

78. *Piruntha keeps a record of the time she spends working from home during the 2022–23 income year, which shows she worked a total of 560 hours at home. For a representative 4-week period, Piruntha keeps records which show that she uses her laptop, desk and office chair for around 5 hours per week while she is gaming and internet shopping and around 20 hours per week for work purposes*.

79. *Piruntha also keeps one quarterly invoice for her electricity and gas expenses, one monthly internet bill and one monthly mobile phone bill for the period 6 December 2022 to 30 June 2023. She also keeps the receipt for the stationery she purchased on 1 December 2022*.

80. *At the end of the 2022–23 income year, Piruntha determines that she meets all the criteria set out in paragraph 18 of this Guideline because she*:

- *is working from home to carry out her employment duties*
- *has incurred additional running expenses as a result of working from home, and*
- *has retained the relevant records*.

81. *As such, she decides to calculate her additional running expenses using the revised fixed-rate method*.

82. *First, Piruntha multiplies the total number of hours she worked from home by the hourly rate. Her calculation is*:

560 hours × 67c per hour = $375.20.

83. *This is Piruntha's deduction for her electricity, gas, mobile phone, internet and stationery expenses*.

84. *As the desk and office chair Piruntha purchased cost less than $300, she can claim the full purchase price of them in the 2022–23 income year. However, she must reduce her deduction for her private use of those items.*[38] *Piruntha works out her private and work-related use of her depreciating assets as follows*:

Time spent using assets for work = 20 hours per week

Time spent using the assets for private purposes = 5 hours per week

Total hours assets used per week = 25 hours

5 hours per week ÷ 25 hours per week = 20% private use

20 hours per week ÷ 25 hours per week = 80% work-related use.

85. *The decline in value deduction (related to her work-related use) for the desk and chair is*:

$250 × 80% = $200

$299 × 80% = $239.20.

86. *To calculate the decline in value of her laptop, Piruntha uses the depreciation and capital allowances tool on the ATO's website and chooses to use the diminishing value method. The tool calculates the decline in value of the laptop as*:

Table 1**: **Information for Example 8 of this Guideline

Income year	*Opening adjustable value*	*Decline in value (using diminishing value method)*	*Taxable use*	*Deductible decline in value*	*Adjustable value at end of year*
2022–23	*$1,499*	*$870.65*	*80%*	*$696.52*	*$628.35*

87. *To work out the total amount of her deduction for the additional running expenses she incurred as a result of working from home during the 2022–23 income year, Piruntha adds the amount calculated using the hourly rate to the work-related decline in value of her laptop, desk and chair. This is calculated as*:

$375.20 + $200 + $239.20 + $696.52 = $1,510.[39]

88. *When she lodges her 2022–23 tax return, Piruntha includes a deduction of $1,510 for her working from home expenses at the other work-related expenses question.*

89. *Even though Piruntha also uses her personal mobile phone for work when she is in the office, she cannot claim any additional deduction for this work-related use of her phone in her 2022–23 tax return*.

Commissioner of Taxation
16 February 2023

[38] See subsections 40-80(2) and 40-25(2) and the current Guide to depreciating assets.

[39] Under section 388-85 of Schedule 1 to the *Taxation Administration Act 1953*, the amount is truncated to the nearest whole dollar.

Amendment history

Date of amendment	Part	Comment
17 August 2023	Paragraphs 49 and 50	A minor update to clarify the availability of the fixed rate method in circumstances where some, but not all, additional work from home expenses have been paid or reimbursed by the employer.

References

Previous draft:
PCG 2022/D4

Related Rulings/Determinations:
TR 93/30; TR 97/7; TR 2011/5; TR 2020/1

Legislative references:
ITAA 1936 262A
ITAA 1936 262A(1)
ITAA 1936 262A(2)
ITAA 1997 8-1
ITAA 1997 Div 40
ITAA 1997 40-25
ITAA 1997 40-25(2)
ITAA 1997 40-80(2)
ITAA 1997 Div 900
ITAA 1997 900-120(2)
ITAA 1997 900-120(3)
TAA 1953 Sch 1 388-85

Cases relied on:
Kidston Goldmines Ltd v. Commissioner of Taxation [1991] FCA 351; 91 ATC 4538; 22 ATR 168; 30 FCR 77

Other references:
Actual cost method
Depreciation and capital allowances tool
Guide to depreciating assets 2022 (NAT 1996)
PCG 2020/3
PS LA 2001/6

ATO references
NO: 1-UANLMNS
ISSN: 2209-1297
BSL: IAI
ATOlaw topic: Income tax ~~ Deductions ~~ Employment expenses ~~ Salary and wages
Income tax ~~ Deductions ~~ General deductions - section 8-1 ~~ Other
Income tax ~~ Deductions ~~ Work-related expenses ~~ Other