

# ***PS LA 2001/6 - Home Office Expenses; diaries of use and calculation of home office expenses***

 This cover sheet is provided for information only. It does not form part of *PS LA 2001/6 - Home Office Expenses; diaries of use and calculation of home office expenses*

 This document has changed over time. This version was published on *28 April 2011*

 This practice statement was originally published on 14 February 2001. Versions published from 11 May 2005 are available electronically - refer to the online version of the practice statement. Versions published prior to this date are not available electronically. If needed, these can be requested by emailing [TCNLawPublishingandPolicy@ato.gov.au](mailto:TCNLawPublishingandPolicy@ato.gov.au) .



# ATO Practice Statement

## Law Administration

PS LA 2001/6

This practice statement was originally published on 14 February 2001. Versions published from 11 May 2005 are available electronically – refer to the online version of the practice statement. Versions published prior to this date are not available electronically. If needed, these can be obtained from the [Corporate Policy and Process Unit](#) in Law and Practice.

---

**FOI status: may be released**

---

*This Practice Statement is issued under the authority of the Commissioner and must be read in conjunction with Law Administration Practice Statement PS LA 1998/1. It must be followed by ATO officers unless doing so creates unintended consequences. Where this occurs ATO officers must follow their Business Line's escalation process.*

---

**SUBJECT: Home Office Expenses: diaries of use and calculation of home office expenses**

---

### STATEMENT

1. Where individual taxpayers keep a diary for the purpose of establishing a connection between the use of their home office and their work or business, the Commissioner will accept diary records covering a representative four week period as establishing a pattern of use for the entire year.
2. Individual taxpayers who claim deductions for work or business related home office running expenses comprising electricity, gas and decline in value of office furniture may claim either a deduction for the actual expenses incurred or a deduction calculated at the rate of 34 cents per hour. A deduction is allowable only where additional running costs are incurred by a taxpayer because of income producing activities. For example, if a taxpayer undertakes a work activity in a room where other family members are watching television, there may be no additional cost occasioned by that work activity. Also, the income producing use of the home office needs to be substantial and not merely incidental. For example, a deduction would not be allowed at the rate of 34 cents per hour for the home office simply because a facsimile machine is left on 24 hours a day 7 days a week to receive business documents.
3. Other home office expenses, such as telephone expenses and decline in value of computers or other equipment, will have to be calculated separately.
4. **Telephone expenses**
  - (a) Home office telephone rental expenses may be partly deductible for taxpayers who are either 'on call' or required to contact their employer or clients on a regular basis. TR 98/14 states that the deductible portion of telephone rental expenses can be calculated using the formula:  
  
$$\text{Business calls (incoming and outgoing)} / \text{Total calls (incoming and outgoing)}$$
  - (b) A deduction is allowable for the cost of telephone calls made in the course of work or business. Work or business calls may be identified from an itemised

telephone account. If such an account is not provided, records covering a representative four week period will be accepted as establishing a pattern of use for the entire year for the purpose of making a reasonable estimate of the portion of call expenses for work or business.

**5. Decline in value of Computers or other equipment**

If home office equipment, such as a computer, printer, photocopier etc., is used only partly for work or business purposes, then the decline in value deduction is reduced by an amount that reasonably reflects the extent that equipment was not used for income producing purposes. Taxation Ruling TR 93/30 states that the amount of decline in value claimed as a deduction should be based on an *bona fide* estimate of the percentage of income producing use. The Commissioner will accept an estimate of the extent of income producing use where it is based on a diary record of the income related and non-income related use of that equipment covering a representative four week period. Such a diary record would need to show the nature of each use of the equipment, whether that use was for an income producing or non-income producing purpose and the period of time for which it was used.

**EXPLANATION**

**Records of Home Office Use**

6. Individual taxpayers who claim home office expenses are required to be able to prove that they have incurred such expenses. Such taxpayers must also be able to establish a connection between the use of their home office and their work or business. The Commissioner's view of the law relating to home office expenses is contained in Taxation Ruling TR 93/30 – Deductions for home office expenses.
7. Normally, a taxpayer would have to keep a complete diary recording the duration and purpose of each use of their home office during the year in order to demonstrate this connection for every occasion. However, this imposes an unreasonably high compliance cost upon taxpayers in relation to what are frequently small claims.
8. In order to ease this evidentiary burden, the Commissioner will accept a diary covering a representative four week period as establishing a pattern of use for the entire year. The taxpayer may then use this pattern of home office use to calculate the home office running expenses claim for the entire year, allowing for periods when the home office is not used for income production, such as holidays, illnesses, etc. This method is outlined in Tax Pack.
9. A new diary must be kept for each financial year, as patterns of use are likely to fluctuate over two or more years. Employees must keep each of these diaries for five years after lodgment of the return for that year or the due date for that lodgment, whichever is later, in accordance with section 900-25 of the *Income Tax Assessment Act 1997*.
10. A small number of taxpayers incurring home office expenses may not have a regular pattern of home office use upon which a representative pattern may be based. Such taxpayers will need to keep records of the duration and purpose of each use of their home office during the year.

## **Calculation of Home Office Running Expenses**

11. Based upon actual use or an established pattern of use, the Commissioner will accept that a taxpayer has incurred 34 cents per hour for home office running expenses for heating, cooling, lighting and decline in value of furniture (desks, tables, chairs, cabinets and shelves). This rate is based upon average energy costs and the value of common furniture items used in home offices. However, due to larger variations in cost of computers, telephones, photocopiers, etc, the taxpayer will still have to calculate decline in value of other items in the home office separately.
12. Naturally, taxpayers who wish to use the actual costs method to claim a deduction for these home office running expenses can do so, but they will need to keep appropriate records to be able to show the amounts of the expenses incurred and the extent to which they are incurred in deriving assessable income.
13. By accepting this simpler and easier method of calculating the small amounts of home office running expenses, the Commissioner is again attempting to decrease the cost of compliance for individual taxpayers.

## **Examples**

14. The following are examples applying this approach to typical taxpayer situations.

### ***Example 1***

Betty is an employee accountant working for a city-based firm that expects her to complete a specified amount of work each day. In order to achieve this, Betty has elected to take some of her work home at night so that she can spend more time with her family. Betty spends an average of two hours per night Monday to Friday working in her home office.

Betty has two options for calculating her running expenses, both of which require her to keep a log to apportion between income producing activities and private/domestic use, aside from decline in value of her computer equipment (which is common to both scenarios but separately calculated):

#### ***Option 1 (Actual Running Expenses)***

Betty has the following home office running expenses, including energy expenses which have been calculated using electricity authority hourly costs per appliance. The apportionment has been based on four weeks' diary entries as follows:

| <b>Item</b>                       | <b>Calculation</b>                                | <b>Deduction Amount</b><br><br>This year | <b>Deduction Amount</b><br><br>Future years<br>(assuming similar use) |
|-----------------------------------|---------------------------------------------------|------------------------------------------|-----------------------------------------------------------------------|
| Decline in value of Desk          | Value \$350 over 10 years                         | \$35.00                                  | \$35.00                                                               |
| Decline in value of Chair         | Value \$200 over 1 year                           | \$200.00                                 | \$NIL                                                                 |
| Electricity for 60W Ceiling Light | 0.7c per hour for ten hours per week for 48 weeks | \$3.36                                   | \$3.36                                                                |
| Electricity for Computer          | 1c per hour for ten hours per week for 48 weeks   | \$4.80                                   | \$4.80                                                                |
| Electricity for Heating/Cooling   | 9c per hour for ten hours per week for 48 weeks   | \$43.20                                  | \$43.20                                                               |
| <b>Total Deductible Amount</b>    |                                                   | <b>\$286.36</b>                          | <b>\$86.36</b>                                                        |

*Option 2 (Estimated Running Expenses)*

Betty is able to use a simpler and quicker calculation for her expenses:

| <b>Item</b>      | <b>Calculation</b>                               | <b>Deduction Amount</b><br><br>This year | <b>Deduction Amount</b><br><br>Future Years<br>(assuming similar use) |
|------------------|--------------------------------------------------|------------------------------------------|-----------------------------------------------------------------------|
| Running Expenses | 34c per hour for ten hours per week for 48 weeks | \$163.20                                 | \$163.20                                                              |

While Option 1 gives a greater deduction this year because of the immediate write-off of a chair costing less than \$300, Option 2 will allow greater ongoing deductions with a simpler calculation, assuming future use and electricity costs remain similar.

### ***Example 2***

Felix is a computer programmer with BMI Corp. Felix telecommutes to the BMI site in Silicon Valley USA for fifteen hours each week.

#### ***Option 1 (Actual Running Expenses)***

Felix has the following home office running expenses, including energy expenses which have been calculated using electricity authority hourly costs per appliance. The apportionment has been based on four weeks' diary entries as follows:

| <b>Item</b>                       | <b>Calculation</b>                                    | <b>Deduction Amount<br/>This year</b> | <b>Deduction Amount<br/>Future years<br/>(assuming similar use)</b> |
|-----------------------------------|-------------------------------------------------------|---------------------------------------|---------------------------------------------------------------------|
| Decline in value of Desk          | Value \$350 over 10 years                             | \$35.00                               | \$35.00                                                             |
| Decline in value of Chair         | Value \$200 over 1 year                               | \$200.00                              | \$NIL                                                               |
| Electricity for 100W Lamp         | 1c per hour for fifteen hours per week for 48 weeks   | \$7.20                                | \$7.20                                                              |
| Electricity for 60W Ceiling Light | 0.7c per hour for fifteen hours per week for 48 weeks | \$5.04                                | \$5.04                                                              |
| Electricity for Computer          | 1c per hour for fifteen hours per week for 48 weeks   | \$7.20                                | \$7.20                                                              |
| Electricity for Heating/Cooling   | 9c per hour for fifteen hours per week for 48 weeks   | \$64.80                               | \$64.80                                                             |
| <b>Total Deductible Amount</b>    |                                                       | <b>\$319.24</b>                       | <b>\$119.24</b>                                                     |

#### ***Option 2 (Estimated Running Expenses)***

Felix also has the option of using a simpler, less complicated method of calculating his expenditure:

| <b>Item</b>      | <b>Calculation</b>                                   | <b>Deduction Amount</b> | <b>Deduction Amount</b> |
|------------------|------------------------------------------------------|-------------------------|-------------------------|
| Running Expenses | 34c per hour for fifteen hours per week for 48 weeks | \$244.80                | \$244.80                |

Once again, while Option 1 gives a greater deduction this year because of the immediate write-off of a chair costing less than \$300, Option 2 will allow greater ongoing deductions with a simpler calculation, assuming future use and electricity costs remain similar.

### **Amendment history**

| <b>Date of amendment</b> | <b>Part</b>                                                               | <b>Comment</b>                                                                                            |
|--------------------------|---------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| 28 April 2011            | Paragraphs 2, 11 and 14; Examples 1 and 2 and Option 2<br>Contact details | Hourly rate for home office expenses updated from 26c to 34c per hour, effective 1 July 2010.<br>Updated. |
| 18 September 2009        | Contact details                                                           | Updated.                                                                                                  |
| 16 September 2008        | Amendment history                                                         | Updated.                                                                                                  |
| 11 May 2005              | Various<br>Contact details                                                | Hourly rate for home office expenses updated from 20c to 26c per hour, effective 1 July 2004.<br>Updated. |
| 1 June 2004              | Various<br>Contact details                                                | Change 'depreciation' to 'decline in value'.<br>Update legislative references.<br>Updated.                |

---

*subject references:* diaries; home office; record-keeping

*legislative references:* ITAA 1997 section 8-1  
ITAA 1997 Division 900  
ITAA 1997 section 900-25

*related public rulings:* TR 93/30; TR 95/12; TR 98/14

*file references:* 99/117-1

---

FOI extraction number: **I 1021779**  
Date issued: **14 February 2001**  
Date of effect: **1 July 2004**