


# ***TR 93/30A1 - Addendum - Income tax: deductions for home office expenses***

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# Addendum

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## Taxation Ruling

### Income tax: deductions for home office expenses

This Addendum amends Taxation Ruling TR 93/30 to reflect the changes to the law caused by the repeal of inoperative provisions.

#### TR 93/30 is amended as follows:

**1. contents table (front page, left margin)**

(a) Omit 'Depreciation'; substitute 'Deduction for the decline in value of depreciating assets'.

(b) Omit:

Rates and Taxes

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**2. Paragraph 1**

Omit the paragraph; substitute:

1. This Ruling is about the deductions allowable for 'home office' expenses. In particular, it explains:

- when an area of the home is considered to be a private study;
- when an area of the home is considered to be a place of business;
- what deductions are allowable in each case under section 8-1 of the *Income Tax Assessment Act 1997* (ITAA 1997)<sup>1</sup> and how they should be calculated; and
- the deductibility of repairs under section 25-10.

It also deals with the capital gains tax implications on the disposal of a main residence for which home office expenses have been allowed.

This Ruling consolidates previous Rulings on home office expenses.

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<sup>1</sup> All legislative references are to the ITAA 1997 unless otherwise indicated.

### 3. Paragraph 6

After 'municipal and water rates'; insert ', land taxes'.

### 4. Paragraph 9

- (a) Omit 'subsection 51(1)'; substitute 'section 8-1 ;'.
- (b) Omit '*Faichney*(1972)'; substitute '*Faichney* (1972)'.

### 5. Paragraph 15

After 'municipal and water rates'; insert ', land taxes'.

### 6. Paragraph 16

Omit 'subsection 51(1)'; substitute 'section 8-1'.

### 7. Paragraphs 26 and 27

Omit the heading and paragraphs; substitute:

***Deduction for the decline in value of depreciating assets:***

26. Taxpayers are entitled to claim deductions for the decline in value of depreciating assets which are used, or installed ready for use, for a taxable purpose. In the case of depreciating assets used in a home office, taxable purpose means the purpose of producing assessable income. Depreciating assets relevant to a home office may include a professional library and items of equipment used at home.

27. Where items used for business purposes are also utilised for domestic or private purposes, the taxpayer will need to reduce their deductions for the depreciating assets' decline in value in proportion to the extent that the assets are used for other than a taxable purpose.

### 8. Paragraphs 28, 29, 30 and 31

Omit the heading and paragraphs.

### 9. Paragraphs 32 and 33

Omit the paragraphs; substitute:

32. Section 25-10 allows a deduction for non-capital expenditure on repairs to premises, or part of premises, held or used by the taxpayer for the purpose of producing assessable income.

33. Conducting income producing activities from a residence is not necessarily the same as using the residence for the purpose of producing assessable income. Whether a dwelling, or part of it, is held or used for the purpose of gaining or producing assessable income depends on the nature of any income producing activities conducted in it and the role played by the dwelling in those activities. For a dwelling (or part of it) to be regarded as being 'held or used for the purpose of gaining or producing income' it must constitute a place of business in the way described in paragraphs 11 to 13 of this Ruling. Therefore no deductions are allowable under section 25-10 for repairs in respect of a main residence where the only income producing activities are associated with a private study.

**10. Paragraph 34**

Omit 'section 53'; substitute 'section 25-10'.

**11. Paragraph 35**

Omit the paragraph; substitute:

35. Where the premises, or part of the premises are used partly for income-producing purposes and partly for other purposes, you can deduct so much of the cost of repairs as is reasonable in the circumstances; subsection 25-10(2). For example, the cost of repairing a broken window in a doctor's surgery is wholly deductible, while the cost of repairing a broken window in a home office which is used for both business and private purposes would have to be apportioned accordingly.

**12. Paragraph 36**

Omit the paragraph; substitute:

36. Generally, capital gains tax does not apply to a person's main residence. However, section 118-190 applies when the main residence disposed of was also used for the purpose of gaining or producing assessable income during the period of ownership. Where an area of a home is set aside and used as a place of business the capital gains provisions will apply. When a CGT event happens to the home that was used at any time for the purpose of producing assessable income, the capital gain or capital loss is increased by an amount that is reasonable according to the extent to which the interest on money borrowed to acquire the home would have been deductible (subsection 118-190(2)). The Commissioner has expressed his views on the amount that is reasonable in Taxation Determination TD 1999/66.

## 13. Legislative references

Omit the references; substitute:

- ITAA 1997 8-1
- ITAA 1997 25-10
- ITAA 1997 25-10(2)
- ITAA 1997 118-190
- ITAA 1997 118-190(2)

## 14. Other references

After Case references, insert:

*other references*

- Law Administration Practice Statement PS LA 2001/6
- TD 1999/66

This Addendum applies on and from 14 September 2006.

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**Commissioner of Taxation**

6 April 2011

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ATO references

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