If you’re an employee who works from home, you may be able to claim a deduction for expenses relating to that work.

**Running expenses**

Employees who work from home can claim the work-related proportion of their running expenses. These expenses are the cost of using equipment and utilities at your home for work and include:

- lighting
- heating and cooling
- cleaning
- the decline in value of equipment, furniture and furnishings in the area you use for work
- the cost of repairs to this equipment, furniture and furnishings, and
- other running expenses, including computer consumables (such as printer paper, ink) and stationery.

**Occupancy expenses**

As an employee, generally you can’t claim a deduction for occupancy expenses, which includes rent, mortgage interest, property insurance, land taxes and rates. In most cases, if you work from home as an employee and claim working from home expenses, it will not have capital gains tax (CGT) implications for your home. However, if you are running a business from home or claiming occupancy expenses (like rent, mortgage interest or rates), then CGT may apply.

If you do claim occupancy expenses, you don’t get the full main residence CGT exemption, although you may be entitled to a partial exemption.

**Phone and internet expenses**

If you use your phone or internet for work, you can claim a deduction for the work-related percentage of your expenses if you paid for these costs and have records to support your claims.

You need to keep records for a four-week representative period in each income year to claim a deduction of more than $50. These records include phone and internet bills (paper or electronic) from which you can identify work-related calls and internet usage. Diary entries and any other evidence which shows you worked from home and made work-related phone calls will also help to demonstrate that you are entitled to a deduction.

**Calculating running expenses**

There are two ways to calculate your running expenses:

- you can claim a fixed rate of 52 cents per hour, or
- you can calculate your actual expenses.

**Fixed rate**

You can use a fixed rate of 52 cents per hour for each hour that you work from home (instead of recording all of your actual expenses for heating, cooling, lighting, cleaning and the decline in value of furniture).

To claim using this method keep records of the actual hours you worked at home during the income year, or keep a diary for a representative four-week period to show your usual pattern of working at home.

You can then apply this amount of use across the remainder of the year to determine your full claim.

You need to separately work out your expenses for:

- phone and internet usage
- computer consumables and stationery
- decline in value on your computer.

**Actual expenses**

To calculate actual expenses if you **have a dedicated work area**, you:

- record the number of actual hours you worked from home during the income year
- work out the cost of your cleaning expenses by adding together your receipts and multiply it by the floor area of your dedicated work area
- work out the cost of your heating, cooling and lighting by working out the following:
  - the cost per unit of power used (using your utility bill)
  - the average units used per hour – this is the power consumption per kilowatt hour for each appliance, equipment or light used
  - the total hours used for work-related purposes while you were working from home.

You must also take into account the use of this area by other members of your household, if applicable, and apportion your expenses accordingly.

To calculate your deduction for the decline in value of equipment, furniture and furnishings that cost more than $300, the item must be depreciated and apportioned to reflect your work-related use. The ATO has a depreciation tool to help you work this out, at [ato.gov.au/depreciationtool](https://ato.gov.au/depreciationtool).

If you **did not have a dedicated work area**, the additional expense for lighting, heating, cooling and electricity should be calculated by determining the actual cost of running each unit you used per hour and multiplying that by the hours you spent working at home. Generally, the amount of additional expense will be small. This will be particularly so where other people are using the area at the same time you are working there. In those circumstances there will be no additional cost for lighting, heating or cooling (see the scenario below).
Calculating phone and internet expenses

There are two ways to calculate your phone and internet expenses:

- You can claim up to $50 with limited documentation, or
- You can calculate your actual expenses.

**Claiming up to $50**

If your work use is incidental and you are not claiming a deduction of more than $50 in total, you may make a claim based on the following, without having to analyse your bills:

- $0.25 for work calls made from your landline
- $0.75 for work calls made from your mobile
- $0.10 for text messages sent from your mobile.

**Actual expenses**

If you have a phone or internet plan where you receive an itemised bill, you need to determine your percentage of work use over a four-week representative period which can then be applied to the full year.

You need to work out the percentage using a reasonable basis. This could include:

- the number of work calls made as a percentage of total calls
- the amount of time spent on work calls as a percentage of your total calls
- the amount of data downloaded for work purposes as a percentage of your total downloads.

If you have a bundled plan, you need to:

- apportion the cost of the plan between the services provided, and
- identify your work use for each service over a four-week representative period during the income year, which can then be applied to the whole year.

The same method should be used for non-itemised plans.


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**Common scenarios**

**Julia - A dedicated room for work**

Julia is a lawyer who works as an employee for a large city firm. Julia’s employer has agreed that she can work from home two days per week. She has a home office that she works in on the days she does not travel to the city. Julia and members of her family use the home office for private purposes, including personal use of the computer and to store household items.

- Julia can claim running costs, but only the portion of the expenses that relate to her work-related use of the home office. In working out her work-related use of the home office and the computer, Julia must take into account not only her own private use but also her family's use of the home office and the computer.

**James - no set work area**

James is a high school teacher. From time to time, James works in the lounge room at home — for example, to mark tests and prepare end of term reports. He does not have a room set aside exclusively for work.

- James can only claim running costs associated with the work he does at home — such as the work-related proportion of the decline in value of the laptop he uses to prepare the reports and the additional cost of lighting, heating and cooling his lounge room. He is also entitled to claim the cost of electricity to power his laptop for the hours he spends working at home.

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**Records you must keep**

You must keep records, such as:

- a diary for a representative four-week period to show your usual pattern of working at home
- receipts or other written evidence, including for depreciating assets you have purchased
- diary entries to record your small expenses ($10 or less) totalling no more than $200, or expenses you cannot get any kind of evidence for
- itemised phone accounts from which you can identify work-related calls, or other records, such as diary entries.

**If you use the four-week representative period to calculate your expenses over the income year and your usual pattern of work changes throughout the year, you will need to keep separate records to show your expenses.**

For example, if you normally work from home one day a week and due to an emergency situation such as COVID-19, bushfire or drought you’re required to work from home for an extended period, you need to keep records of both:

- the actual hours you’ve worked from home due to the emergency situation
- your usual working from home arrangements.

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This is a general summary only.

For more information, speak with your tax agent or visit [ato.gov.au/workingfromhome](http://ato.gov.au/workingfromhome).