



**Urgent Warning – Start a diary of your home office use NOW!**

Despite objections from the Tax Agent community, the ATO have introduced new rules to make it damn near impossible and probably uneconomical to claim home office expenses on the cents per hour basis. The first hurdle is you must start a diary now! From 1<sup>st</sup> March 2023 every hour all year must be recorded in a diary.

On 16<sup>th</sup> February, 2023 paragraph 5 was removed from this ruling <https://www.ato.gov.au/law/view/document?docid=PSR/PS20016/NAT/ATO/00001&PiT=2023021600000>  
 1 This was the section that allowed you the option of just claiming 52 cents an hour, based on a 4 week diary, for home electricity, furniture etc. rather than go to all the trouble of calculating the actual cost method. Though the ruling is still relevant if you are going to use the actual cost method. Paragraph 5 has now been replaced by a new ruling <https://www.ato.gov.au/law/view/document?DocID=COG/PCG20231/NAT/ATO/00001&PiT=99991231235958>

The ATO is claiming to have increased this rate to 67 cents but that is not quite the truth. To qualify you must keep a diary all year and not be able to claim a tax deduction for your mobile calls which was not the case under the 52 cents an hour rate. If you are working 40 hours per week at home for 48 weeks that is a claim of \$1,286.40 which is probably less than your mobile phone bill for the year but of course it all depends on how much you use your phone for work. Using the 67 cents an hour rate also prevents you from claiming phone calls you make on your mobile for work even when you are not at home.

To help you discern which method is most suitable to your circumstances here is a comparison:

Actual Cost Method

67 Cents per Hour Method

Need to keep 4 week representative diary each year	Must keep diary of every hour all year every year
Can only claim electricity if in separate room	Each taxpayer can claim 67 cents even if in same room
Claim electricity by calculating actual use	Electricity included in 67 cents
Claim phone on basis of actual calls for 4 weeks	All home phone and mobile calls included in 67 cents
Claim internet on 4 week diary for whole family	Internet include in the 67 cents
Claim stationery & printer supplies as per receipts	Stationery & printer supplies included in 67 cents
Must keep all phone, internet and electricity bills	Need to have at least one each of phone, internet & elect
Boarders cannot claim expenses they do not pay	Boarders cannot use this method

In both cases plant and equipment such as printers and laptops will be depreciated over their effective life with a 4 week diary every year showing the ratio of business to work use.

Tips and Traps:

If the ATO decide that you don't qualify to use the 67 cents per hour method you cannot object, you are only left with claiming the actual method so the only real certainty is to use the actual cost method as the ATO in an audit situation can deny the 67 cents per hour method and you cannot challenge it. The ruling makes it very clear if they catch you out on just one simple thing such as arguing that you claimed more hours than you truly worked then the whole claim is lost.

To claim your mobile when not using the 67 cents per hour method you will still need to keep records for 4 weeks to show the ratio of private to business calls. This is best done by screen shots of 4 weeks recent calls within the financial year. Print them up and put a w for work calls and a p for private calls against each entry.

To work out the amount of electricity you are using for work purposes turn everything else off in the house, just turn on your work equipment and see how much electricity is used then use your electricity bill to work out how much per hour this extra use is costing you.

If you live at home with mum and dad, pay an actual share of the electricity bill so you can show that you have incurred extra costs because you are working from home.

If you have kids, game online or watch movies online it is probably not worth the trouble of trying to claim your work related internet use under the actual cost method.

Don't delay, start record keeping now! Basically, anyone who has not started their diary at 1<sup>st</sup> March 2023 will not be able to use the 67 cents per hour method. Odds are most taxpayers won't even know about this trap until they see their tax agent next financial year.