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Tools, computers and items you use for work

Deductions for tools, computers, internet, stationery, books and other items you use for work.

Tools and equipment to perform your work

Deductions for tools or instruments you use for work, including the cost of repairs and insurance.

Mobile phone mobile internet and other devices

Deductions for mobile phone calls and internet expenses you incur for a work-related purpose, including the device.

Computers laptops and software

Deductions for computers, laptops and software you use for work, including the cost of repairs.

Home phone and internet expenses

Deductions for home phone, internet and other online services you use for work.

Bags and cases for work items



Deductions for bags, cases, luggage, lunch boxes and travel mugs you use for work.

Stationery and office supplies



Deductions for stationery and supplies such as pens, printer ink, and paper you use for work.

Office furniture and equipment



Deductions for equipment or furniture, such as a desk or chair you use for work, including repairs.

Books periodicals and digital information



Deductions for books, journals, periodicals, digital information, newspapers and magazines you use for work.

Interest and transaction expenses to buy items for work



Deductions for interest and transaction fee expenses, you incur on items you buy for work.

Depreciating assets you use for work



As an employee, find out how to claim for your depreciating assets and work out decline in value.

Tools and equipment to perform your work

Deductions for tools or instruments you use for work, including the cost of repairs and insurance.

Last updated 25 June 2024

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Eligibility to claim tool and equipment expenses

To claim a deduction for tools and equipment expenses:

- You must use the items to perform your work duties.
- You must work out if you can claim the cost of the item in the income year you buy it or the decline in value over its effective life.
- You must have a [record of your expenses and use of the items](#).

When you use the items for both private and work purposes, you need to apportion your deduction. You can only claim the work-related use of the item as a deduction.

You can also claim a deduction for the work-related portion of:

- costs you incur to repair and insure your tools and equipment
- interest expenses you incur on money you borrow to buy these items.

What you can't claim

You can't claim a deduction for:

- your use of the tools or equipment for private purposes
- expenses for tools and equipment that someone else supplies for your use.

Types of tools and equipment you can claim

You can claim the cost of tools and equipment that you use for work, such as:

- hand tools – for example, spanners, hammers and screwdrivers
- power tools – for example, grinders, sanders and hammer drills
- calculators
- cameras
- musical instruments
- safety equipment – for example, a hard hat or steel cap boots
- technical instruments
- electric clippers and scissors
- phones and other devices
- computers, laptops and software
- bags and cases
- stationery and office supplies
- office furniture and equipment.

This is not an exhaustive list of items or equipment you use for work.

How to calculate your tools and equipment deduction

Tools and equipment are generally depreciating assets that decline in value over time. How you work out your deduction will depend on if the item cost:

- \$300 or less

- More than \$300

You need to apportion your deduction if you use the item for both work and private purposes.

You claim the deduction in your tax return as **other work-related expenses**. For instructions on how to complete your tax return, see [Lodgment options for preparing your tax return](#).

\$300 or less

An immediate deduction is available for items that cost \$300 or less, if you use them more than 50% of the time for a work purpose. You must satisfy the conditions of **4 tests** to claim an immediate deduction.

You can't claim a deduction for the cost of the item if it is part of a set that cost more than \$300, or is identical or substantially identical to similar items that together cost more than \$300. In this case you claim a deduction for the **decline in value** of the items.

Example: tools costing less than \$300

Delia is a violinist in an orchestra and requires a new bow for performances. The new bow costs \$200. Delia keeps a copy of the receipt, that shows the cost of the bow and where and when she bought it.

Delia only uses this bow for performances with the orchestra.

Delia can claim an immediate deduction for the full cost of the new bow as:

- it cost less than \$300
- the bow is required for work-related duties
- the bow is only used for work purposes
- she has records as evidence she incurred the cost.

More than \$300

You can claim a deduction for the **decline in value** over the **effective life** of the item, if the item:

- cost more than \$300
- forms part of a set that together cost more than \$300
- is identical, or substantially identical to, other items that together cost more than \$300.

Example: decline in value for a set of tools costing more than \$300

Sammy is an employee mechanic and needs a spanner set for working on cars.

Each spanner costs \$22 and can be bought individually. There are 16 spanners in the set costing a total of \$352.

Sammy buys one spanner each fortnight of the income year starting in August.

As the spanners are part of a set costing more than \$300 in total, to claim a deduction, Sammy must work out the decline in value of the set.

Calculating your claim

Work out your claim for the decline in value for a depreciating asset using our [Depreciation and capital allowances tool](#).

[Depreciation and capital allowances tool](#)

You can **manually calculate** the decline in value of a depreciating asset using either the prime cost method or diminishing value method.

Keeping records for tools and equipment

You must keep records to support your claim for work use of tools and equipment, such as:

- receipts for items you buy
- evidence that you need to use the items for work purposes

- a diary or similar record that shows how you work out your percentage of work-related use.

If you are claiming the decline in value of an asset, you also need to keep records that show how you calculated decline in value.

For more information on general record keeping requirements and formats, see records you need to keep.

QC 72139

Mobile phone, mobile internet and other devices

Deductions for mobile phone calls and internet expenses you incur for a work-related purpose, including the device.

Last updated 13 November 2024

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[How to calculate your deduction for a mobile phone or other electronic devices](#)

[Calculating your claim](#)

[Keeping records for mobile phone, mobile internet and other devices](#)

Eligibility to claim mobile phone calls and mobile internet

To claim a deduction for mobile phone calls and mobile internet (data), you must meet all of the following conditions:

- You must incur the cost and make the phone calls or use the data to perform your work duties.
- You must have a record of your expenses showing the total amount you incurred and how you calculated your work-related phone calls and data.

You can only claim the work-related portion of your expenses as a deduction.

Similar rules exist for home phone and internet expenses for work purposes.

Exceptions to eligibility for working from home

If you use the fixed rate method – 67 cents to claim your working from home expenses, your deduction for phone and data usage expenses is included in that deduction. You can't claim any other deduction for phone and data usage expenses.

You will need to meet the eligibility and record keeping requirements of the work from home method you use.

Eligibility to claim mobile phone and other devices

To claim a deduction for a mobile phone (handset or smartphone) or other devices, you must:

- incur the cost and use the item to perform your work duties.
- have a record of your expenses and use of the item.

[How you calculate your deduction](#) depends on the cost of your mobile phone or device.

When you use the items for both private and work purposes, you need to apportion your deduction. You can only claim the work-related use of the item as a deduction.

You can also claim a deduction for the work-related portion of costs you incur to insure your device.

Work-related use includes using the device (or mobile internet) to access a Digital ID app on your device to access online services to do your work.

Example: employee uses existing smartphone – apportioned personal and work use

Eliza works in the payroll department of a large company. Her duties involve calculating the pay for employees and ensuring that her employer meets their superannuation guarantee obligations. In order to carry out these duties, Eliza requires a Digital ID, such as myID to access ATO online services on behalf of her employer.

Eliza bought her smartphone on 1 July 2023 for \$1,100. She uses her smartphone for private phone calls and for making and receiving work-related calls.

On 29 February 2024, she uses the smartphone to set up myID. Her employer gives her authorisation to access ATO online services through the Relationship Authorisation Manager.

As Eliza has been using her smartphone for both private and work purposes during the income year, she has kept itemised accounts and diary records representing a 4-week period.

Eliza's records prior to using her smartphone to access ATO online services, show that up until 29 February 2024, she used her smartphone 40% for work purposes.

From 1 March 2024 when she started using her myID for work purposes, Eliza found that her use of the smartphone increased to 50% for work purposes. She works this out by looking at the increase in data used from that date.

As Eliza is on a \$50 per month bring your own phone plan, she can claim a deduction for 40% of her monthly plan rate from 1 July 2023 to 29 February 2024.

Eliza took 4 weeks leave during this period so she excludes the 4 weeks from her calculation for that period.

Eliza can also claim a deduction for 50% of her monthly plan for the period from 1 March 2024 to 30 June 2024.

Her deduction of \$240 for her monthly plan is calculated as follows:

$$(\$50 \times 7 \text{ months}) \times 40\% = \$140$$

$$(\$50 \times 4 \text{ months}) \times 50\% = \$100$$

$$\$140 + \$100 = \$240$$

Eliza can also claim a deduction for the decline in value of her phone. She decides to use the diminishing value method and calculates the decline in value using the following formula:

$$\text{Base value} \times (\text{days held} \div 365) \times (200\% \div \text{asset's effective life})$$

$$\$1,100 \times (366 \div 365) \times (200\% \div 3 \text{ years}) = \$735$$

$$(\$735 \times 7 \div 12 \text{ months}) \times 40\% = \$171.50$$

$$(\$735 \times 4 \div 12 \text{ months}) \times 50\% = \$122.50$$

$$\$171.50 + \$122.50 = \$294$$

In her return for the 2023–24 income year, Eliza can claim a total deduction for her phone expenses of \$534 (\$240 + \$294).

What you can't claim

You can't claim a deduction for:

- your mobile phone and internet use for private purposes – for example
 - personal phone calls and texts to family and friends
 - seeking employment – as you are not generating employment income from the use of the phone
- installation and set up costs for mobile phones and other devices
- expenses for mobile phone calls or mobile internet where someone else pays the bill or reimburses you
- expenses for the phone or other device where someone else supplies the item for use

- expenses for phone calls or text messages if you're a casual employee and either
 - an employer phones or texts you to ask you to work
 - you phone or text your employer to check on work availability.

Types of mobile phones and devices you can claim

If you meet all the eligibility conditions, you can claim a deduction for the decline in value of the following depreciating assets:

- your mobile phone – for example, smartphone, basic mobile phone or a feature mobile phone
- electronic devices – for example, tablets, personal digital assistants, and portable GPS navigation receivers.

How to calculate your deduction for phone and data use

You can calculate your mobile phone and data use expenses for a work purpose by:

- claiming incidental use (\$50 or less), with basic records to show how you calculated your claim, based on a cost of
 - \$0.75 for work phone calls made from your mobile phone
 - \$0.10 for text messages sent from your mobile phone
- keeping records and written evidence to work out actual expenses for **work-related use**.

If you use the **fixed rate method** – 67 cents to calculate a deduction for your working from home expenses, you can't claim a separate deduction for phone and data usage. You will need to keep the records required for that method even if your mobile phone and data expenses are incidental.

How to work out your work and private use

There are many types of phone and data plans available. You will need to work out your work-related percentage of phone calls and data on a reasonable basis. Your options are based on whether you:

- [Use is itemised on your bills](#)
- [Use is not itemised on your bills](#)

The way you predominantly use your mobile phone is also relevant to how you calculate your work-related use percentage. For example, if you predominantly use it for phone calls, then comparing your work-related phone calls to your total phone calls will be the most relevant way to calculate your work-related use percentage.

If your work and private use of different functions is quite different, you may also need to apportion the cost of the plan between those services.

For more information on how to calculate your work-related use of your mobile phone, see *PS LA 2001/6 Verification approaches for electronic device expenses*.

Use is itemised on your bills

If you have a phone plan with an itemised bill, you need to work out your percentage of work use over a continuous 4-week period (one monthly bill), that you can then apply to the full income year.

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

- number of work phone calls made as a percentage of total phone calls
- amount of time spent on work phone calls as a percentage of your total phone calls
- amount of mobile internet (data) downloads for work purposes as a percentage of your total data downloads
- any additional costs you incur as a result of your work-related use – for example, if your work-related use results in you exceeding your monthly cap.

Example: phone calls are itemised on your bill

Julie has a \$65 per month mobile phone plan, which includes unlimited phone calls and text messaging and 80GB of mobile internet. She receives a bill that itemises her phone calls and shows her monthly data use.

Julie only uses her mobile phone internet for work when she is out of the office for client meetings. These meetings are all scheduled in Julie's work calendar.

Julie uses her phone bill for the month of August to work out her work-related use percentage for the entire year of income. On this bill, she identifies the work-related phone calls and private phone calls. Julie uses her work calendar to work out the data downloaded for work purposes.

Based on the number of work-related phone calls and data downloaded, Julie calculates that 20% of her phone calls and mobile internet use is work-related.

She worked for 11 months during the income year, having had one month of leave.

Julie calculates her deduction for mobile phone expenses as:

$$20\% \times \$65 \times 11 \text{ months} = \$143$$

Julie can claim a deduction of \$143 in her tax return.

Use is not itemised on your bills

If you have a phone plan where you don't receive an itemised bill, you must work out your work-related percentage use by:

- keeping a record of all your work-related and private phone calls and the time you spent using the internet for work and private purposes over a continuous 4-week period
- calculating your claim using a reasonable basis – for example, the number of work-related calls as a percentage of total calls.

Example: non-itemised account

Ahmed has a prepaid mobile phone plan that costs him \$50 per month.

Ahmed does not receive a monthly bill, so he keeps a record of the time he spends using his phone for work-related phone calls and using the mobile internet for work for a continuous 4-week period.

During this 4-week period, Ahmed spends 25 hours making work phone calls and using his mobile internet for work and he spends 75 hours using his phone for private purposes.

Ahmed worked for 11 months during the income year, having had one month of leave.

Ahmed's work use percentage is 25% (25 work hours ÷ 100 total hours).

Ahmed calculates his claim for mobile phone and internet use as:

$$25\% \times \$50 \times 11 \text{ months} = \$138$$

He can claim a deduction of \$138 in his tax return.

How to calculate your deduction for a mobile phone or other electronic devices

Mobile phones and other electronic devices are generally depreciating assets that decline in value over time.

How you treat and work out your deduction will depend on if the item cost:

- [\\$300 or less](#)
- [more than \\$300.](#)

You need to apportion expenses if you use mobile phone or other electronic device for both work and private purposes.

\$300 or less

An immediate deduction is available for items that cost \$300 or less, if you use them more than 50% of the time for work purposes. You must satisfy the conditions of **4 tests** to claim an immediate deduction.

More than \$300

You can claim a deduction for the **decline in value** over the **effective** life of the item, if the item cost more than \$300.

Calculating your claim

Work out your claim for the decline in value for a depreciating asset, using our Depreciation and capital allowances tool.

[Depreciation and capital allowances tool](#)

You can **manually calculate** the decline in value of a depreciating asset using either the prime cost method or diminishing value method.

Keeping records for mobile phone, mobile internet and other devices

You must keep records to support your claim for work use of mobile phones, internet and other devices, except where your claim is for incidental expenses (\$50 or less).

Records you need to keep may include:

- diary entries, including electronic diary records, to show how you worked out your percentage of work-related use
- bills for mobile phone and mobile internet (data) services
- receipts for phones and devices you buy
- evidence that you need to use a Digital ID app, such as myID to access online services for work purposes.

If you are claiming the decline in value of an asset, you also need to keep records that show how you calculated decline in value.

For more information on general record keeping requirements and formats, see [Records you need to keep](#).

QC 72140

Computers, laptops and software

Deductions for computers, laptops and software you use for work, including the cost of repairs.

Last updated 25 June 2024

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[Types of devices you can claim](#)

[Types of computer software and programs you can claim](#)

[How to calculate your deduction for computers and laptops, and software](#)

[Calculating your deduction](#)

[Keeping records for computers, laptops and software](#)

Eligibility to claim computers, laptops and software

Computers and laptops are generally depreciating assets which decline in value over the time you use them.

If when you buy a computer, it includes software as part of the purchase price, you don't need to break up the costs to calculate the decline in value. However, if you buy additional software, or it is sold separately you may need to calculate its decline in value.

To claim a deduction for computers and laptops and software expenses:

- You must incur the cost and use the item to perform your work duties.
- You must work out if you can claim the cost of the item in the income year you buy it or the decline in value over its effective life.
- You must have a [record of your expenses and use of the item](#).

When you use the items for both private and work purposes, you need to apportion your deduction. You can only claim the work-related use of the item as a deduction.

You can also claim the work-related portion of:

- costs you incur to repair and insure these items
- interest expenses you incur on money you borrow to buy these items.

What you can't claim

You can't claim:

- your use of computers, laptops or software for private purposes
- expenses for computers or laptops where someone else supplies the item for your use.

Types of devices you can claim

You can claim a deduction for a device you buy and use for work, such as a:

- laptop
- desktop computer or personal computer (PC)
- monitor
- printer.

You can also claim the cost of peripherals such as a mouse, keyboard, docking station or cables (if you buy these separately).

Types of computer software and programs you can claim

You can claim the cost of associated computer software or programs that you use for work, such as:

- physical CDs or apps you buy for your device
- subscriptions
- anti-virus and anti-spyware software
- virtual private networks (VPN).

How to calculate your deduction for computers and laptops, and software

How you treat and work out your deduction will depend on if it cost:

- \$300 or less
- More than \$300.

You need to apportion expenses if you use the computer for both work and private purposes.

You claim the deduction in your tax return as **other work-related expenses**. For instructions on how to complete your tax return, see [Lodgment options for preparing your tax return](#).

\$300 or less

An immediate deduction is available for items that cost \$300 or less, if you use them more than 50% of the time for a work purpose. You must satisfy the conditions of **4 tests** to claim an immediate deduction.

More than \$300

You can claim a deduction for the **decline in value** over the **effective life** of the item, if the item cost more than \$300.

Example: separate decline in value calculation for the cost of software

Mateo works from home 2 days a week. He buys a computer which comes with the operating system already installed (\$999). Mateo only uses the computer when working from home.

He also separately buys an annual subscription for antivirus (\$149) and software that he needs for his work (\$450).

As the cost is more than \$300, Mateo can claim a deduction for the decline in value of both:

- the computer and operating system
- the software.

He can also claim a deduction for cost of the anti-virus software (\$149) as it is under \$300 and only used for a work-related

purpose.

Calculating your deduction

Work out your claim for the decline in value for a depreciating asset, using our Depreciation and capital allowances tool.

[Depreciation and capital allowances tool](#)

You can manually calculate the decline in value of a depreciating asset using either the prime cost method or diminishing value method.

Keeping records for computers, laptops and software

You must keep records to support your claim for work use of computers, laptops and software, such as:

- receipts for items you buy
- evidence that you need to use the item for work purposes
- a diary or similar record that shows how you work out your percentage of work-related use.

If you are claiming the decline in value of an asset over its effective life, you also need to keep records that show how you calculated decline in value.

For more information on general record keeping requirements and formats, see [records you need to keep](#).

QC 72141

Home phone and internet expenses

Deductions for home phone, internet and other online services you use for work.

Last updated 25 June 2024

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[How to calculate your deduction for home phone and internet use](#)

[How to work out your work and private use](#)

[Keeping records for home phone and internet services](#)

Eligibility to claim home phone and internet services

You can claim a deduction for the cost of your home phone and internet use that relates to your work.

To claim a deduction for home phone and internet services, you must meet all of the following conditions:

- You must incur the cost and use the service to perform your work duties.
- You must have a record of your expenses and use of the service.

When you use your home phone and internet for both private and work purposes, you need to apportion your deduction. You can only claim the work-related use of as a deduction.

You can claim a deduction for the work-related portion of the cost of internet devices or equipment – for example, a router.

Similar rules exist for mobile phones, mobile internet and other device expenses for work purposes.

Exceptions to eligibility for working from home

Home phone and internet expenses you incur when working from home may be included in the method you use to work out your

deduction . Where this is the case, you can't claim any other deduction for home phone or internet expenses.

You will need to meet the eligibility and record keeping requirements of the work from home method you use.

What you can't claim

You can't claim:

- your use of the home phone or internet (data) for private purposes, such as
 - personal emails or phone calls to family and friends
 - watching or subscribing to pay television or streaming services (except in limited circumstances)
 - seeking employment – as you are not generating employment income from the use of the home phone or internet
- installation and set up costs for the service
- expenses for home phone or internet services where your employer or someone else supplies it or reimburses you for the expenses.

In limited circumstances you can claim the costs you incur to access pay television or streaming services. You must show a direct connection to your work and your deduction is limited to the part of the content that directly relates to your work.

How to calculate your deduction for home phone and internet use

You can calculate your deduction for work-related home phone and internet use by:

- claiming incidental use (\$50 or less), with basic records to show how you calculated your claim – you can claim \$0.25 for work phone calls made from your home phone
- keeping records and written evidence to work out actual expenses for [work-related use](#).

However, even if your home phone and internet expenses are incidental, if you claim a work from home expenses you need specific records depending on the method you use.

How to work out your work and private use

You need to work out your percentage of work use if you use your home phone and internet for work and private purposes. Keep records that show a detailed pattern of use by you and other members of your household.

Home phones generally use the internet to make calls. The cost of phone calls is either:

- covered by an additional monthly amount added to your home internet plan that covers the cost of all phone calls made
- a charge for each phone call you make.

If you use your home phone for work purposes and private purposes and you pay a monthly amount, you will need to apportion the monthly amount. You can apportion this expense in the same way as where **your use is not itemised on your bills.**

If you are charged for each phone call you make, you will need to keep a record of your work-related calls. You can claim a deduction for the total amount.

A reasonable basis to work out your work-related internet use could include:

- the amount of data you download for work as a percentage of the total data downloads by you and all other members of your household
- any additional costs incurred as a result of your work-related use – for example, if your work-related use results in you exceeding your monthly cap
- the time spent using the internet for work purposes as a percentage of the time spent by you for private purposes and by your family for any purpose.

Keeping a diary for a continuous 4-week period is the easiest way to work out your deduction. If you record a continuous 4-week period that represents your work use, you can use it across the rest of the income year to work out your full deduction.

If you don't have a record of a continuous 4-week period, you will need to keep records for the full income year.

If you have a [bundled plan](#) that includes other related services, you need to apportion your costs. You can only claim the work-related use of each service.

Example: calculating work use percentage of internet expenses

Sometimes, Sam works from home connecting to his office through a virtual desktop. He keeps a work diary for a continuous 4-week period and compares it to his data usage on his home internet.

Sam calculates his work use percentage on the download amounts. His household uses 240 GB of data in the 4-week period.

Sam calculates that he uses 48 GB while he is working from home. This gives him a work use percentage of 20%, using the formula:

$$\text{Data used for work} \div \text{Total data use} = \text{Work use percentage}$$

$$48 \div 240 = 20\%$$

Sam's internet costs \$60 per month, so the total claim he could make in a month would be calculated using the formula:

$$\text{Total bill for each month} \times \text{Work use percentage} = \text{Monthly claim}$$

$$\$60 \times 20\% = \$12$$

As Sam took all of December off, he wouldn't be able to claim a deduction for that month. To calculate his total deduction at the end of the year he uses the formula:

$$\text{Monthly amount to be claimed} \times \text{Number of months} = \text{Total claim amount}$$

$$\$12 \times 11 = \$132$$

Bundled plans

Internet, home phone and other related services are often bundled together in a plan – for example, pay television or streaming services. If

you are claiming deductions for work-related use of one or more services, you need to apportion your costs based on your work use for each service.

If other members of your household also use the services, you need to take into account their use in your calculation.

If you have a bundled plan, before calculating your work-related use of each service, you need to identify the cost of each service covered by the plan. Bundled services can be apportioned based on:

- a supplier's breakdown of relative costs of the bundled services
- the relative costs of the bundled services as if they were purchased separately from the same supplier
- information from a comparable supplier.

Once you have identified the cost of each separate service in a bundled plan, you need to identify your work use for each service over a continuous 4-week period during the income year. This will allow you to work out your pattern of work use, that you can then apply to the full income year.

Example: apportioning bundled services

Sujita has a \$100 per month home phone and internet bundle.

The bill shows that the monthly cost of Sujita's phone service in her bundle is \$40, and her internet service is \$60.

Sujita brings in her pay television of \$90 per month and receives a \$10 per month discount. Her total costs for all services are \$180 per month.

Sujita worked for 11 months during the income year, having had one month of leave.

Based on her itemised accounts, Sujita works out that the work-related use of her internet is 20%. Sujita also uses her home phone for work purposes and works out that 10% of her use is for work. Sujita does not use her pay television for work purposes.

As the components are part of a bundle, Sujita calculates her work-related use as follows:

Step 1: work out the value of each bundled component

- Pay television – Sujita does not need to determine the pay television costs as she does not use this service for work purposes.
- Internet \$60 per month
- Home phone \$40 per month

Step 2: apportion work-related use

- Internet use: 20% work-related use × \$60 per month × 11 months = \$132
- Home phone use: 10% work-related use × \$40 per month × 11 months = \$44

Step 3: add all amounts

- \$132 home phone use + \$44 home internet use = \$176

Sujita claims a deduction of \$176 in her tax return.

Example: apportioning bundled services

Des has a \$90 per month home phone and internet bundle, and unlimited internet use as part of his plan. There is no clear breakdown for the cost of each service.

By keeping a record of the phone calls he makes over a continuous 4-week period, Des works out that 25% of his phone calls are for work purposes.

Des also keeps a record for 4 weeks of the data downloaded. He works out that 30% of the total amount used was for work.

Des worked for 11 months during the income year, having had one month of leave.

As there is no clear breakdown of the cost of each service (phone calls and downloads), it is reasonable for Des to allocate 50% of the total monthly cost to each service.

Step 1: work out the value of each bundled component

- Internet: \$45 per month ($\$90 \div 2$ services)

- Home phone: \$45 per month ($\$90 \div 2$ services)

Step 2: apportion work-related use

- Internet: 30% work-related use \times \$45 per month \times 11 months = \$149
- Home phone: 25% work related use \times \$45 per month \times 11 months = \$124

Step 3: add all amounts

- \$149 internet use + \$124 home phone use = \$273

In his tax return, Des claims a deduction of \$273 for the year.

Keeping records for home phone and internet services

You must keep records to support your claim for work use of your home phone and internet.

Records you need to keep may include:

- diary entries, including electronic diary records showing your work use
- bills for internet services
- bills for home phone services
- bills for bundled plans.

If you're claiming incidental use (\$50 or less), you will need basic records to show how you calculated your claim.

For more information on general record keeping requirements and formats, see records you need to keep.

QC 72142

Bags and cases for work items

Deductions for bags, cases, luggage, lunch boxes and travel mugs you use for work.

Last updated 25 June 2024

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[Types of bags and cases you can claim](#)

[Types of bags and equipment you can't claim](#)

[How to calculate your deduction for bags and cases](#)

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Eligibility to claim bags, cases and luggage

To claim a deduction for a bag, case or satchel:

- You must incur the cost and use the bag or case to carry items for work.
- You must need to carry the items for work and the bag or case must be suitable for that purpose.
- You must work out if you can claim the cost of the item in the income year you buy it or the decline in value over its effective life.
- You must have a record of your expenses and use of the bag or case.

Items you carry and use for work may include laptops, tablets, work papers, protective equipment or diaries.

Items such as gym gear, food, or a personal phone, tablet or laptop are not items you need to carry and use for work. These are private or domestic items.

When you use the bag or case for both private and work purposes, you need to apportion your deduction. You can only claim the work-related use of the bag or case as a deduction.

What you can't claim

You can't claim a deduction for bags or cases:

- if you mainly use the bag or case for private purposes, such as carrying your lunch or beauty and hygiene products to work
- you use the bag or case for private purposes, such as weekend travel
- that someone else supplies for your use.

Types of bags and cases you can claim

Bags and cases that you use for work may include:

- a briefcase
- a laptop bag
- a satchel
- luggage – for example, suitcases and carry-on bags
- a handbag (in limited circumstances).

Example: luggage for a work trip

Ibrahim works as cabin crew on long-haul international flights. He buys luggage which he only uses for work for \$200.

He can claim an immediate deduction for the luggage in the income year he buys it, as it costs under \$300.

Example: deduction for a handbag used for work purpose

Elizabeth buys a handbag for \$150 to carry her tablet and work diary between appointments with clients. She only uses the handbag to carry the work items and she carries another bag for her personal items. She does not use the handbag that carries her tablet outside of work hours.

Elizabeth can claim a deduction for the cost of the handbag she uses to carry the work items. As the handbag costs less than \$300 and is used 100% for work purposes, she can claim a deduction for \$150 in the year she buys the bag.

Types of bags and equipment you can't claim

You can't claim a deduction for the cost of items that you use to take your food or drink to work, or use at work, even when travelling overnight. For example, you can't claim for:

- a lunch bag or lunch box
- cooler or esky
- travel mug, thermos or keep cup
- plate, bowl and cutlery.

Example: travel mug

Olivia is a train driver and uses a travel mug while she is driving. Olivia only uses the mug while at work.

Olivia can't claim a deduction for the cost of her travel mug as it's a private expense.

Example: satchel for personal items

Arki buys a messenger satchel for \$220 to carry his lunch and snacks, personal medical kit and private grooming items. He also carries a mini tablet for his work.

Arki also uses the satchel outside of work hours for carrying personal items.

Although Arki's satchel cost less than \$300 and he uses to carry his mini tablet for work, he doesn't use the satchel mainly for

work purposes. Arki can't claim a deduction for the satchel.

How to calculate your deduction for bags and cases

Bags, cases, luggage and similar items are generally depreciating assets which decline in value over time.

How you treat and work out your deduction will depend on if the item cost:

- \$300 or less
- More than \$300.

You claim the deduction in your tax return as **other work-related expenses**. For instructions on how to complete your tax return, see Lodgment options for preparing your tax return.

\$300 or less

A deduction is available for items that cost \$300 or less in the year you buy them, if you use them more than 50% of the time for a work purpose. You must satisfy the conditions of **4 tests** to claim an immediate deduction.

You can't satisfy the conditions of the 4 tests if the item is part of a set that cost more than \$300, or is identical or substantially identical to similar items that together cost more than \$300. In this case you claim for the decline in value of the assets.

More than \$300

You can claim a deduction for the **decline in value** over the **effective life** of the item, if the item:

- cost more than \$300
- forms part of a set that together cost more than \$300
- is identical or substantially identical to other items that together cost more than \$300.

Example: bag for a work laptop

Maria is an account executive employee. Her job requires her to regularly attend meetings with clients. She has to take her work laptop, phone and the client's file with her to the meetings.

Maria frequently works from home and sometimes goes directly to a client meeting before heading into the office. She buys a bag for \$565 that she uses to carry her work laptop and phone, chargers and client briefs. She carries her cash and cards, personal phone and other personal items in a smaller clutch bag.

As Maria's bag is suitable to carry all the items that are necessary for her to transport for work, Maria can claim a deduction for the decline in value of the bag over its effective life.

Calculating your deduction

Work out your deduction for the decline in value for a depreciating asset, using our Depreciation and capital allowances tool.

[Depreciation and capital allowances tool](#)

You can manually calculate the decline in value of a depreciating asset using either the prime cost method or diminishing value method.

Keeping records for bags and cases

You must keep records to support your deduction for work use of bags and cases, such as:

- receipts for items you buy
- evidence that you need to use the item to carry items for work purposes
- a diary or similar record that shows how you work out your percentage of work-related use.

If you are claiming the decline in value of an asset over its effective life, you also need to keep records that show how you calculated decline in value.

For more information on general record keeping requirements and formats, see [records you need to keep](#).

QC 72143

Stationery and office supplies

Deductions for stationery and supplies such as pens, printer ink, and paper you use for work.

Last updated 25 June 2024

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[Types of stationery and office supplies you can claim](#)

[How to calculate your stationery and office supplies deduction](#)

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Eligibility to claim stationery and office supplies

To claim a deduction for stationery and office supplies:

- You must use them to perform your work duties.
- You must incur the cost of the items.
- You must have a record of your expenses and use of the item.

When you use the stationery and offices supplies for both private and work purposes, you need to apportion your deduction. You can only claim the work-related use of the stationery and offices supplies as a deduction.

Exception to eligibility for working from home

Stationery and office supply expenses you incur when working from home may be included in the method you use to work out your deduction for **working from home**. Where this is the case, you can't claim any other deduction for stationery and office supply expenses.

You will need to meet the eligibility and record keeping requirements of the work from home method you use.

Types of stationery and office supplies you can claim

You can claim the cost of stationery and office supplies that you use for work, such as:

- a calculator
- printer ink
- paper
- envelopes
- pens
- a diary
- a logbook.

How to calculate your stationery and office supplies deduction

In most circumstances, stationery and office supplies are small expenses, and you can claim an immediate deduction for the cost of the items.

Stationery and office supplies that cost **\$300 or more**, are part of a set or substantially identical are generally depreciating assets which decline in value over time. For example, if you purchase a printer to use at home that cost \$300 or more, you can't claim the cost of the printer in the year you buy it. You can claim the printer's decline in value over its effective life.

Calculating your deduction

Work out your deduction for the decline in value for a depreciating asset, using our Depreciation and capital allowances tool.

Depreciation and capital allowances tool

You can manually calculate the decline in value of a depreciating asset using either the prime cost method or diminishing value method.

Keeping records for stationery and office supplies

You don't have to keep a receipt for small expenses:

- that are \$10 or less, as long as your total claim for small expenses is \$200 or less
- where you are unable to get a receipt from a supplier.

However, you must instead keep other evidence to support your deduction, and your work use of stationery and office supplies, that shows you spent the money and what you spent the money on, such as:

- a bank or credit card statement that shows the amount, and when and to who it was paid
- other documents that outline the nature of the goods or services
- a written record in your work diary outlining the item purchased, its cost, where it was purchased and the day it was purchased.

For more information on general record keeping requirements and formats, see [records you need to keep](#).

QC 72144

Office furniture and equipment

Deductions for equipment or furniture, such as a desk or chair you use for work, including repairs.

Last updated 25 June 2024

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[Types of office furniture and equipment you can claim](#)

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Eligibility to claim office furniture and equipment

To claim a deduction for office furniture and equipment:

- You must use them in connection with performing your work duties.
- You must work out if you can claim the cost of the item in the income year you buy it or the decline in value over its effective life.
- You must have a record of your expenses and use of the item.

When you use the items for both private and work purposes, you need to apportion your deduction. You can only claim the work-related use of the item as a deduction.

You can also claim the work-related portion of:

- costs you incur to repair and insure your office furniture and equipment
- interest expenses you incur on money you borrow to buy these items.

What you can't claim

You can't claim:

- your use of office furniture and equipment for private purposes
- expenses for office furniture and equipment where someone else supplies the item for your use.

Types of office furniture and equipment you can claim

You can claim office furniture and equipment that you use for work, such as:

- office desk
- office chair
- desk lamp
- bookshelves
- power boards and charging cables.

You may also be able to claim computers, laptops and similar devices you use for work.

How to calculate your office furniture and equipment deduction

Office furniture and equipment are generally depreciating assets which decline in value over time.

How you treat and work out your claim will depend on if the item cost:

- \$300 or less
- More than \$300.

You need to apportion expenses if you use the office furniture and equipment for work and private purposes.

\$300 or less

An immediate deduction is available for items that cost \$300 or less, if you use them more than 50% of the time for a work purpose. You must satisfy the conditions of **4 tests** to claim an immediate deduction.

More than \$300

You can claim a deduction for the **decline in value** over the **effective life** of the item, if the item cost more than \$300.

You claim the deduction in your tax return as **other work-related expenses**. For instructions on how to complete your tax return, see

Lodgment options for preparing your tax return.

Calculating your deduction

Work out your deduction for the decline in value for a depreciating asset, using our online Depreciation and capital allowances tool.

[Depreciation and capital allowances tool](#)

You can manually calculate the decline in value of a depreciating asset using either the prime cost method or diminishing value method.

Keeping records for office furniture and equipment

You must keep records to support your deduction for office furniture and equipment, such as:

- receipts for items you buy
- a diary or other record that shows how you work out your percentage of work-related use.

If you are claiming the decline in value of an asset over its effective life, you also need to keep records that show how you calculated decline in value.

For more information on general record keeping requirements and formats, see [records you need to keep](#).

QC 72145

Books, periodicals and digital information

Deductions for books, journals, periodicals, digital information, newspapers and magazines you use for work.

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[Eligibility to claim books, periodicals and digital information](#)

[Types of books, periodicals and digital information you can claim](#)

[How to calculate your deduction for books](#)

[How to calculate your deduction for periodicals](#)

[Calculating your deduction](#)

[Keeping records for books, periodicals and digital information](#)

Eligibility to claim books, periodicals and digital information

To claim a deduction for books, periodicals and digital information:

- You must use them in connection with performing your current work duties.
- You must have a record of your expenses and use of the item.

Depending on the item's cost, you may be able to claim a deduction in the income year you buy it or for its decline in value over the item's effective life.

When you use the items for both private and work purposes, you need to apportion your deduction. You can only claim the work-related use of the item as a deduction.

What you can't claim

You can't claim a deduction for:

- your use of the books, periodicals and digital information for private purposes
- expenses for books, periodicals and digital information that someone else supplies for your use.

You generally can't claim a deduction for:

- newspapers, news services and other news subscriptions
- magazines.

The cost of newspapers, news services and other news subscriptions are a private expense. If you can show there is sufficient connection between your specific employment duties and the content of the specific publication, you can claim a deduction.

If your work-related use is incidental to your private use, you can't claim a deduction for the book, digital information service or periodical.

Types of books, periodicals and digital information you can claim

Books and periodicals you use for work may include:

- library subscriptions
- academic journals
- technical journals
- database subscriptions
- reference books and similar.

Digital information services you use for work may include:

- online subscriptions
- electronic material, such as e-books or e-journals – for example, midwifery journals for obstetric nurses
- other digital materials – for example, annotated legislation for lawyers.

How to calculate your deduction for books

Books, such as reference books or a professional library are generally depreciating assets which decline in value over time.

How you treat and work out your claim will depend on if it cost:

- [\\$300 or less](#)
- [More than \\$300.](#)

You need to apportion expenses if you use the books, periodicals and digital information for work and private purposes.

\$300 or less

An immediate deduction can be claimed in the year you buy a book, periodical or digital information if you satisfy 4 tests. These are:

- the item cost \$300 or less
- you use it mainly (more than 50% of the time) for the purpose of producing assessable income that is not from carrying on a business
- the item is not part of a set that cost more than \$300
- the item is not identical or substantially identical to similar items that together cost more than \$300.

More than \$300

You can claim a deduction for the decline in value over the effective life of the item, if the item:

- cost more than \$300
- forms part of a set that together cost more than \$300
- is identical to other items that together cost more than \$300.

Example: set of books

Anh works as a lawyer at a suburban firm. She discovers a series of 3 books about conveyancing that would greatly help in her work. The series is marketed as a set, and each volume builds on the knowledge of the previous one. The 3 books are a set.

The 3 books cost \$600 together but can be bought separately for \$200 each. Anh buys one book each month for 3 consecutive months in the same income year for a total cost of \$600.

Although the cost of each book is less than \$300, Anh can't claim an immediate deduction for the books, because they are a set and the cost of the set is over \$300.

How to calculate your deduction for periodicals

- Periodicals include subscriptions to journals, newspapers, magazines or specific information.
- You can claim a deduction for the cost of work-related periodicals you incur in the income year you buy them.

For more information, see TD 2004/1 *Income tax: are the costs of subscriptions to share market information and services and investment journals deductible under section 8-1 of the ITAA 1997?*

Example: subscription used in connection with performing current work duties

Tania is an employee taxation lawyer in a large company. Tania subscribes to the *Taxation in Australia* journal to keep up to date with tax changes.

Tania can claim a deduction for the cost of subscribing to the journal. The content of the publication is specific to Tania's employment and there is a direct connection between her work duties and on the content of the publication.

Example: subscription used partly in connection with performing current work duties

Judy is a real estate salesperson who subscribes to the local paper to keep abreast of the properties available for sale and the prices of those properties.

The real estate section only appears in the Wednesday and Saturday editions of the local paper.

Judy can claim a work-related portion of the cost of the Wednesday and Saturday newspapers.

Calculating your deduction

Work out your deduction for the decline in value for a depreciating asset, using our Depreciation and capital allowances tool.

[Depreciation and capital allowances tool](#)

You can manually calculate the decline in value of a depreciating asset using either the prime cost method or diminishing value method.

Keeping records for books, periodicals and digital information

You must keep records to support your deduction for books, periodicals and digital information, such as:

- receipts for items you buy
- records that show how you work out your percentage of work-related use.

If you are claiming the decline in value of an asset over its effective life, you also need to keep records that show how you calculated decline in value.

For more information on general record keeping requirements and formats, see [records you need to keep](#).

QC 72146

Interest and transaction expenses to buy items for work

Deductions for interest and transaction fee expenses, you incur on items you buy for work.

Last updated 25 June 2024

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[Eligibility to claim transaction fees](#)

[What you can't claim](#)

[Interest and transaction fee expenses you can claim](#)

[Calculating your interest deduction](#)

Eligibility to claim interest expenses

To claim a deduction for interest expenses you incur, you must meet all of the following conditions:

- You must loan (borrow) the funds and incur the interest expenses to buy an item or pay for a service you use to perform your work duties.
- You must have a record of your expenses and the use of the loan funds.
- If you use the loan to purchase private items and services as well, you must apportion the interest expenses and only claim the work-related portion.

For further information on the general principles regarding the deductibility of interest expenses, see paragraphs 2 and 3 of TR 95/25 *Income tax: deductions for interest under section 8-1 of the Income Tax Assessment Act 1997 following FC of T v. Roberts: FC of T v. Smith.*

Eligibility to claim transaction fees

- To claim a deduction for a transaction fee you incur, you must meet all of the following conditions:
- you incur the transaction fee
- you use the item or service the transaction fee relates to, to perform your work duties
- you have a record of your expenses and the use of the item of service for work purposes.

- You can only claim a deduction for the portion of the transaction fee that relates to your work-related use of the item or service.

What you can't claim

You can't claim:

- account keeping fees or overdraft fees
- interest and transaction fee expenses that someone else pays for
- interest and transaction fee expenses you incur on items for private purposes.

Interest and transaction fee expenses you can claim

You can claim expenses such as:

- bank fees
- transaction fees
- interest you incur on money you borrow to pay for work-related expenses.

You must be able to show that the expense relates specifically to the item you buy for work and that you incur the cost. You can only claim the interest and transaction fee expenses to the extent that they relate to the work item.

You need to apportion expenses if you use the items you buy for work and private purposes.

Example: transaction fees

Adrienne buys deductible work-related books from an international retailer and is charged an international transaction fee by her bank. Because the books are a work-related expense, Adrienne can also claim the cost of the international transaction fee imposed by her bank.

Calculating your interest deduction

You can calculate your deduction for interest expenses by adding up the amounts for interest shown on your loan statements only if you borrow the funds solely to purchase items or services you use for work-related purposes.

If you borrow funds to buy items or services you use for private purposes and work-related purposes, you must apportion your interest expenses. How you apportion interest expenses depends on:

- the type of loan you have
- when you used the loan to purchase work-related services and items.

For information on how to calculate your deductible interest expenses, see paragraphs 53 to 73 in *TR 2000/2 Income tax: deductibility of interest on moneys drawn down under line of credit facilities and redraw facilities*.

QC 72148

Depreciating assets you use for work

As an employee, find out how to claim for your depreciating assets and work out decline in value.

Last updated 25 June 2024

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[What are depreciating assets?](#)

[Cost of depreciating assets](#)

What are depreciating assets?

Depreciating assets are assets that have a limited effective life and can reasonably be expected to lose value over the time they are used. These assets can be used for a long time (normally more than one year). This includes items such as tools, computers or books.

Costs for capital assets are capital expenditure, and you can't claim a deduction for them under normal deduction rules (known as the general deductions provisions).

You may be able to claim a deduction for the decline in value of depreciating assets each year under the capital allowances provisions. You will need to work out the **effective life** and the [cost of the asset](#).

Jointly held assets

If you have joint ownership of a depreciating asset with someone else, your interest (portion you own) is the amount that is relevant as the cost of the depreciating asset.

Generally, the owner (or owners if the asset is jointly held) of the depreciating asset can claim a deduction for its decline in value.

Cost of depreciating assets

Before you can claim a deduction for a depreciating asset you need to consider the cost of the asset. There are 2 elements to the cost of an asset:

1. The amount you pay for it (the purchase price) at the time you buy it and any other expenses you incur to acquire the asset (such as shipping).
2. Any amounts you pay after you buy the asset, including the costs to:
 - a. bring the asset to its present condition – for example, the cost of making an improvement to the asset such as attaching a towbar to your car
 - b. bring the asset to its present location – for example, the cost of moving an asset to a different location or getting the towbar you are attaching to your car delivered to you.

There are also 2 different treatments for depreciating assets, depending on whether they cost more or less than \$300.

An immediate deduction is allowable for certain capital assets costing \$300 or less. You must satisfy the conditions of 4 tests to claim an immediate deduction.

If you're not eligible to claim the immediate deduction for the asset, you may choose to allocate the depreciating asset to a low-value pool where its cost is less than \$1000.

If you're not eligible to claim the immediate deduction, you can claim a deduction for the decline in value of a depreciating asset over the effective life where either:

- The assets cost more than \$300.
- The asset forms part of a set or are identical or substantially identical items that together cost more than \$300.

You can't treat items that are part of a set or identical separately to avoid working out the decline in value.

You need to apportion your claim if you use the item for both work and private purposes. You must also keep records to show how you work out your work-related use.

Assets costing 300 dollars or less



The 4 tests to claim an immediate deduction for a depreciating asset you use for work that cost \$300 or less.

Assets costing more than 300 dollars



Find out how to claim a decline in value deduction for a depreciating asset you use for work and cost more than \$300.

Keeping records for depreciating assets



Which records to keep for depreciating assets so you can claim a deduction and show how you calculate work use.

Assets costing \$300 or less

The 4 tests to claim an immediate deduction for a depreciating asset you use for work that cost \$300 or less.

Last updated 25 June 2024

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[Test 2 – you use the asset mainly to produce non-business assessable income](#)

[Test 3 – the asset is not part of a set costing more than \\$300](#)

[Test 4 – asset is not one of a number of items that are identical or substantially identical](#)

Test 1 – asset costs \$300 or less

To claim the immediate deduction, the cost of the depreciating asset must be \$300 or less.

The cost of an asset is generally what you pay for it (the purchase price), and other expenses you incur to buy it – for example, delivery costs.

If you own a depreciating asset jointly with someone else, the portion of the asset you own is used to calculate the cost of the depreciating asset. For example, if you and someone else buy a depreciating asset for \$500 and you each own 50% of the asset, the cost of the asset for you will be \$250 ($50\% \times \500).

Example: jointly held assets

Yousef and Giovanni together buy a laptop for \$1,000 to use for work. Yousef contributes \$750 to the cost and Giovanni contributes \$250. They therefore own 75% and 25% of the laptop respectively.

Giovani may be able to claim an immediate deduction because the cost of his interest in the laptop doesn't exceed \$300.

Yousef can't claim an immediate deduction as the cost of his interest exceeds \$300. Yousef can claim the deduction for the decline in value for his portion of work-related use of the asset.

Where the cost is \$300 or less, you can claim a deduction for the full purchase price in the year you buy it. However, if you use the asset for both private and work-related purposes, you must apportion your deduction. You can claim only the work-related portion of the cost.

Test 2 – you use the asset mainly to produce non-business assessable income

To claim the immediate deduction, you must use the asset mainly (more than 50% of the time) for the purpose of producing assessable income that is not income from carrying on a business.

As long as you meet this test, you can use the asset for other purposes (such as private purposes or to carry on a business) and still claim an immediate deduction. However, if you use an asset for private purposes, you must work out the **work-related use** of the asset and only claim the work-related portion of costs.

Some examples of assets employees use to produce non-business income include:

- a briefcase
- tools of trade
- computer or laptop.

Example: depreciating asset used mainly to produce non-business assessable income

Rob buys a calculator for \$150. He uses the calculator 40% of the time in his sole-trader business and 60% of the time for his job as an employee bookkeeper. As the calculator is used more than 50% of the time for producing assessable income in his employee role, Rob can claim an immediate deduction of \$150.

If Rob used his calculator 40% of the time for private purposes and 60% of the time for his job, he is still using the calculator more than 50% of the time for producing non-business assessable income. However, his deduction would be reduced by 40% to reflect his private use of the asset.

Test 3 – the asset is not part of a set costing more than \$300

To claim the immediate deduction, the asset must not be part of a set of assets you start to hold during the income year where the total cost is more than \$300.

Whether items form a set is determined on a case-by-case basis. Items may be regarded as a set if they are either:

- interdependent on each other
- marketed as a set
- designed and intended for use together.

A set needs to have more than one depreciating asset. In some cases, a single depreciating asset may be made up of more than one item.

A group of assets bought in an income year can be a set in themselves. This is even if they also form part of a larger set you buy over more than one income year.

If the assets bought in an income year are a set, the total cost of that set must not exceed \$300 to be able to claim an immediate deduction. If the total cost of the set bought in the same income year is more than \$300, you can't claim an immediate deduction – see **Assets costing more than \$300**.

Assets bought in another income year aren't taken into account when working out whether items form a set or the total cost of a set.

Example: set of items

Brenna, a sales manager, hears about a series of 6 progressive learning CDs. The CDs are designed to develop selling skills in

stages. You move through to the next CD only when you are familiar with the lessons on the previous CD.

The CDs are marketed as a set and are designed to be used together. The 6 CDs would be regarded as a set. The 6 CDs cost \$360 when bought as a set or individually for \$60 each. Brenna buys one CD each week for 6 weeks in the same income year at a total cost of \$360.

Although the cost of each CD is less than \$300, Brenna can't claim an immediate deduction for the CDs because they are a set and the cost of the set is more than \$300.

Example: items not forming part of a set

Mary buys some new tools for her work as a carpenter. She buys a shifting spanner, a boxed set of screwdrivers and a hammer for her toolkit.

Each item individually costs less than \$300.

While these tools may comprise or add to Mary's toolkit, they're not a set because they are not interdependent or designed to be used together. It would make no difference if Mary bought the items at the same time and from the same supplier or manufacturer.

An immediate deduction is available for all the items, including the screwdrivers.

Even though the screwdrivers are marketed as a set – as the cost is \$300 or less she can claim the full cost as an immediate deduction.

Test 4 – asset is not one of a number of items that are identical or substantially identical

To claim the immediate deduction, the asset must not be one of a number of identical, or substantially identical assets, you start to hold

during the income year that together costs more than \$300.

You need to work out whether the depreciating asset is identical or substantially identical to other depreciating assets you buy in the same income year. You don't take items into account that you acquired in another income year.

Items are identical if they are the same in all respects.

Items are substantially identical if they are the same in most respects even though there may be some minor or incidental differences.

Factors you would consider include colour, shape, function, texture, composition, brand and design.

Example: identical or substantially identical items

Tahir is employed as a cabinet maker and he supplies his own tools for work. He buys 10 clamps to use in holding cabinets together.

Each clamp cost \$40 and all came from the same manufacturer.

Each clamp is sold separately and comes in its own packaging. They have a total cost of \$400.

Tahir's clamps are all identical as they are all the same brand and have the same shape, composition and use. Tahir can't claim an immediate deduction.

Tahir must work out the decline in value of the items over the effective life to claim a deduction.

QC 72150

Assets costing more than \$300

Find out how to claim a decline in value deduction for a depreciating asset you use for work and cost more than \$300.

On this page

[Claiming the decline in value of depreciating assets](#)

[Methods for calculating decline in value](#)

[Effective life of a depreciating asset](#)

[Work-related use](#)

[Calculating your deduction](#)

Claiming the decline in value of depreciating assets

Assets that have a limited effective life and can reasonably be expected to lose value over the time they are used are **depreciating assets**.

For depreciating assets that you use while performing your work duties and cost more than \$300, you can claim a deduction for the cost over the effective life of the asset. The amount you claim as a deduction over the asset's effective life is called the decline in value.

Alternatively, you may choose to allocate the depreciating asset to a low-value pool where its cost is less than \$1,000.

For depreciating assets that cost \$300 or less, see [Assets costing \\$300 or less](#).

The amount you can claim for the decline in value deduction depends on all of the following:

- [Methods for calculating decline in value](#)
- [Effective life of a depreciating asset](#)
- [Work-related use](#).

Methods for calculating decline in value

You will need to choose either the prime cost method or the diminishing value method to calculate the decline in value for each

depreciating asset you hold.

You can choose whichever method you prefer, however the method you choose may affect how much you can claim as a deduction. Once you have made a choice, you can't change the method in future income years for that asset.

If you get the asset from an associate, such as your spouse, you must continue using the same method that they chose to depreciate the asset.

Select one of the following methods to calculate the decline in value of a depreciating asset:

- [prime cost method](#)
- [diminishing value method](#).

Prime cost method

The prime cost method assumes that the value of a depreciating asset decreases uniformly over its effective life. Calculate the annual decline in value using the formula:

$$\text{Asset's cost} \times (\text{Days held} \div 365) \times (100\% \div \text{Asset's effective life})$$

If you use the depreciating asset for both work and private purposes, you can only claim the percentage of [work-related use](#) as the decline in value deduction.

Diminishing value method

The diminishing value method assumes that the value of a depreciating asset decreases faster earlier in its effective life. Calculate the annual decline in value in the income year where the asset's start time occurs using the formula:

$$\text{Base value} \times (\text{Days held} \div 365) \times (200\% \div \text{Asset's effective life})$$

If you use the depreciating asset for both work and private purposes, you can only claim the percentage of [work-related use](#) as the decline in value deduction.

The base value for the income year in which the asset's [start time](#) occurs is the asset's cost.

In future years, the base value is the asset's opening adjustable value for that year, plus any amount for costs to improve the asset, incurred

in the year.

Effective life of a depreciating asset

A depreciating asset's effective life is how long it can be expected to be used by any entity for a specified purpose, including the purpose of producing assessable income. An asset begins to decline in value when you first use or install it for any purpose. This is known as the [start time](#).

The effective life involves considering how the asset will be used.

To calculate the decline in value, you can use the effective life:

- that is in force at the time to calculate the decline in value
- you estimate based on your expected pattern of use of the asset.

For more information on the Commissioner of Taxation's determination of effective life, see the latest Taxation Ruling *TR 2022/1 Income tax: effective life of depreciating assets (applicable from 1 July 2022)*.

You can recalculate the effective life of an asset if:

- you make an improvement to the asset that increases its cost by 10% or more in the income year
- circumstances arise that result in your initial estimate of the effective life being inaccurate.

For more information on recalculating the effective life of an asset see [Effective life of a depreciating asset](#).

Start time of a depreciating asset

The start time of a depreciating asset is when you first use it, or install it ready to use for any purpose, including a private purpose.

Assets begin decline in value from their start time, but you can only claim a deduction for the decline in value when you start using it for work.

If you first buy an asset for private use, then later use it for work, you need to work out the decline in value from when you first started using it for a private purpose, that is, its start time.

You will also need to work out your [work-related use](#) of a depreciating asset and show how you work this out.

If you start using a depreciating asset for work after its effective life has ended and it has fully declined in value, you can't claim any deduction in relation to the asset.

Work-related use

You can claim your work-related use of a depreciating asset.

If you use a depreciating asset for both work and private purposes, you must keep records (for example, a diary) to show how you calculate your percentage of work and private use.

If you are keeping a diary, you should:

- keep it for a continuous 4-week period
- fill it in at the time you undertake the activity, not retrospectively
- include sufficient detail to support your calculations.

If you record a continuous 4-week period that represents your work-related use of your depreciating assets, you can use it across the rest of the income year to work out your full deduction. However, if your work pattern changes substantially you need to create a new record.

You must reduce your deduction for the decline in value to account for your private use.

Example: work out the decline in value deduction adjusted to remove private use

Julian is an employee gardener. On 1 July 2023, he buys an electric hedge trimmer for \$680. Julian also uses the hedge trimmer at home when he is working in his own garden.

Based on his records, he works out that he used the hedge trimmer:

- 20% of the time for private purposes
- 80% of the time for work purposes.

As the hedge trimmer cost more than \$300, he must calculate the decline in value.

Julian can only claim a deduction for his work-related use (80%) of the hedge trimmer.

Julian uses the published effective life of 4 years and calculates the decline in value using the prime cost method for the first year as below:

$$\$680 \times (366 \div 365) \times (100\% \div 4 \text{ years}) = \$170$$

Julian can claim a deduction of \$136 (\$170 × 80%).

Calculating your deduction

To help you work out your deduction for the decline in value for a depreciating asset, use our depreciation and capital allowances tool.

[Depreciation and capital allowances tool](#)

Alternatively, you can [manually calculate](#) the decline in value using the formula for the method you have chosen.

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Keeping records for depreciating assets

Which records to keep for depreciating assets so you can claim a deduction and show how you calculate work use.

Last updated 25 June 2024

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How long to keep records

You must keep records for depreciating assets from the time you buy them.

You need to keep these records for 5 years from the date of your last claim for decline in value.

Your records can be in paper or electronic form.

We may ask that you show us your records during the 5 years. It is important that you have sufficient evidence to support your claims.

Types of records you need

For depreciating assets, you must keep records that include:

- when and where you buy the item and its cost
- when you started using the item, or install it ready to use, for both private and work-related purposes
- how you work out your percentage of work-related use, such as a diary that shows the purpose of and use of the item for work
- one of either
 - a copy of the **Commissioner of Taxations determination of effective life** you use to work out the decline in value of the item
 - how you work out the effective life if you don't use the Commissioners determination
- which method you chose to calculate the decline in value.

Records for percentage of work use

You must keep records that show how you work out your percentage of work-related use, such as a diary.

If you are keeping a diary, you should:

- keep it for a continuous 4-week period

- fill it in at the time you undertake the work activity, not retrospectively
- include sufficient detail to support your calculations.

For more on the format and importance of keeping records, see [records you need to keep](#).

You can record your expenses or upload a photo of receipts or invoices in the myDeductions tool in the ATO app.

[myDeductions tool](#)

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