

# ***PS LA 2001/6 - Diaries of use and calculation of home office expenses***

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## Practice Statement Law Administration

**PS LA 2001/6**

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*This law administration practice statement is issued under the authority of the Commissioner and must be read in conjunction with Law Administration Practice Statement [PS LA 1998/1](#). ATO personnel, including non ongoing staff and relevant contractors, must comply with this law administration practice statement, unless doing so creates unintended consequences or is considered incorrect. Where this occurs, ATO personnel must follow their business line's escalation process.*

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**SUBJECT:** Diaries of use and calculation of home office expenses  
**PURPOSE:** To confirm that diary records covering a four week period will establish a pattern of use for an entire year.

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### STATEMENT

1. Where individual taxpayers keep a diary for the purpose of establishing a connection between the use of their home office and their work or business, the Commissioner will accept diary records covering a representative four week period as establishing a pattern of use for the entire year.
2. Individual taxpayers who claim deductions for work or business related home office running expenses comprising electricity, gas and decline in value of office furniture may claim either a deduction for the actual expenses incurred or a deduction calculated at the rate of 34 cents per hour. A deduction is allowable only where additional running costs are incurred by a taxpayer because of income producing activities. For example, if a taxpayer undertakes a work activity in a room where other family members are watching television, there may be no additional cost occasioned by that work activity. Also, the income producing use of the home office needs to be substantial and not merely incidental. For example, a deduction would not be allowed at the rate of 34 cents per hour for the home office simply because a facsimile machine is left on 24 hours a day 7 days a week to receive business documents.

3. Other home office expenses, such as telephone expenses and decline in value of computers or other equipment, will have to be calculated separately.

### Telephone expenses

4. Home office telephone rental expenses may be partly deductible for taxpayers who are either 'on call' or required to contact their employer or clients on a regular basis. Paragraph 174 of Taxation Ruling TR 98/14 *Income tax: employee journalists – allowances, reimbursements and work-related deductions* states that the deductible portion of telephone rental expenses can be calculated using the formula:

$$\text{Business calls (incoming and outgoing) / Total calls (incoming and outgoing)}$$

5. A deduction is allowable for the cost of telephone calls made in the course of work or business. Work or business calls may be identified from an itemised telephone account. If such an account is not provided, records covering a representative four week period will be accepted as establishing a pattern of use for the entire year for the purpose of making a reasonable estimate of the portion of call expenses for work or business.

### Decline in value of Computers or other equipment

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

## EXPLANATION

### Records of Home Office Use

7. Individual taxpayers who claim home office expenses are required to be able to prove that they have incurred such expenses. Such taxpayers must also be able to establish a connection between the use of their home office and their work or business. The Commissioner's view of the law relating to home office expenses is contained in TR 93/30.
8. Normally, a taxpayer would have to keep a complete diary recording the duration and purpose of each use of their home office during the year in order to demonstrate this connection for every occasion. However, this imposes an unreasonably high compliance cost upon taxpayers in relation to what are frequently small claims.
9. In order to ease this evidentiary burden, the Commissioner will accept a diary covering a representative four week period as establishing a pattern of use for the entire year. The taxpayer may then use this pattern of home office use to calculate the home office running expenses claim for the entire year, allowing for periods when the home office is not used for income production, such as holidays, illnesses and used concurrently by other family members etc.

10. A new diary must be kept for each financial year, as patterns of use are likely to fluctuate over two or more years. Employees must keep each of these diaries for five years after lodgment of the return for that year or the due date for that lodgment, whichever is later, in accordance with section 900-25 of the *Income Tax Assessment Act 1997*.
11. A small number of taxpayers incurring home office expenses may not have a regular pattern of home office use upon which a representative pattern may be based. Such taxpayers will need to keep records of the duration and purpose of each use of their home office during the year.

### Calculation of Home Office Running Expenses

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

### Example

15. Betty is an employee accountant working for a city-based firm that expects her to complete a specified amount of work each day. In order to achieve this, Betty has elected to take some of her work home at night so that she can spend more time with her family. Betty spends an average of two hours per night Monday to Friday working in her home office.
16. Betty has two options for calculating her running expenses, both of which require her to keep a log to apportion between income producing activities and private/domestic use.. She decides to use the standard rate of 34 cents per hour instead of using electricity authority hourly costs per appliance and calculating decline in value for items of plant. This is a simpler and quicker calculation for her expenses.

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

### Amendment history

Date of amendment	Part	Comment
16 May 2014	Paragraphs 8 and 13 Paragraph 14 Examples 1 & 2	Paragraphs updated for clarification regarding apportionment. Deleted heading. Updated to a single example presenting the simpler calculation method.
18 April 2013	Paragraph 8	Deleted reference to TaxPack.
28 April 2011	Paragraphs 2, 11 and 14; Examples 1 and 2 and Option 2 Contact details	Hourly rate for home office expenses updated from 26c to 34c per hour, effective 1 July 2010. Updated.
18 September 2009	Contact details	Updated.
16 September 2008	Amendment history	Updated.
11 May 2005	Various Contact details	Hourly rate for home office expenses updated from 20c to 26c per hour, effective 1 July 2004. Updated.
1 June 2004	Various Contact details	Change 'depreciation' to 'decline in value'. Update legislative references. Updated.

Subject references	diaries home office record-keeping
Legislative references	ITAA 1997 8-1 ITAA 1997 Div 900 ITAA 1997 900-25
Related public rulings	TR 93/30 TR 95/12 TR 98/14
File references	99/117-1
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