If you do work relating to your business at home you may be entitled to claim a deduction for some of the expenses relating to the area you use for business purposes. The tax deduction that you can claim depends on how you work at home.

**Your home is the principal place of business**

When the business is run from home and a room is set aside exclusively for business activities a tax deduction may be claimed for the following expenses.

- **Rent, mortgage interest, insurance, council rates** – These expenses need to be apportioned. A common method of apportionment is to measure the floor area used by the workshop or office as a proportion of the total floor area of your home.
- **Utilities such as gas and electricity** – These must also be apportioned. You need to clearly document the basis of apportionment.
- **Telephone** – Where the telephone is used for business only, you can claim for rental and calls, but not the installation costs. If the telephone is used for both business and private calls you can claim a deduction for business calls only.
- **Office plant and equipment** – You may be able to claim depreciation on chairs, desks, computers, printers, and so on. Again, these expenses need to be apportioned between business and private use if they are also used for non-business purposes. Curtains, carpets, light fittings and the like can also be depreciated.

**A home work area**

In this instance a room is set aside primarily or exclusively for business activities but the home is not the principal place of business. You can claim deductions for utilities (gas and electricity), telephone, and office plant and equipment depreciation in the same way as in ‘Your home is the principal place of business’. However, you cannot claim a portion of rent, mortgage interest or insurance.

**No specific work area**

In this instance work is done at home but there is no specific work area. The work is done in a living area or garage but the home is not the principal place of business and there is no room set aside primarily or exclusively for business activities. You can claim telephone deductions and office plant and equipment depreciation in the same way as ‘Your home is the principal place of business’. However, you will generally not be able to claim depreciation for curtains, carpets, light fittings and the like, nor can you claim a portion of rent, mortgage interest or insurance.
Small Business Management Toolbox

Manage finances

Home office expenses

You may be able to claim a portion of utilities but you need to show how you arrived at these amounts. The floor space area is not an option, as the area is used for non-business purposes as well. A method presently accepted by the Tax Office is to claim utilities at ‘twenty cents per hour’ of business use of the area.