

A simple guide to WFH tax deductions for your workforce

FY 2021/2022



Maxxia

Working from home is here to stay



Thanks to COVID-19 and the widespread social distancing measures introduced in 2020, working from home (WFH) became the norm for employees throughout the world. As Australians continued to move in and out of lockdowns around the country in 2021, new turned into normal. Two in five working Australians (41%) were regularly working from home in 2021, rising to almost two thirds (64%) for employees working as managers and professionals.¹

With restrictions having eased once more, some employees are returning to spending time in the office on a regular basis. But research shows that more hours spent WFH is likely to become a permanent arrangement for many employees.

This widespread increase in employees WFH has introduced a whole new set of issues and priorities for leaders, HR teams and employees to navigate.

By now many organisations have embedded practices and tools to better support their remote employees such as virtual onboarding, changes to team structure and enhanced communication and collaboration tools.

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Nearly one in five Australian workers may continue working from home even as COVID restrictions ease - a major increase from one in twenty prior to the pandemic.²

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1. Australian Bureau of Statistics, Working Arrangements, August 2021 Release

2. Staying Connected: Working, and socialising, from home during the COVID-19 pandemic, CSIRO & NBN Co, November 2021

Working from home and tax deductions

With WFH being a constant for some people, they will need ongoing guidance to help them make the best of their arrangements. This includes keeping employees up-to-date with opportunities to offset costs incurred by working from home against their income tax liability.

This guide is designed to help you easily share important information about WFH tax deductions with employees. As experts in benefits and salary packaging, Maxxia is here to support organisations with a best-practice approach to tax efficiency for their workforce across different industries, roles and workplace locations.

In this guide you'll find:

- Information on COVID-19 changes to WFH tax deductions
- What employees can and can't claim for a deduction
- What they'll need to make a claim in their personal tax return



An easier way to claim WFH tax deductions

For their 2021/22 tax return, employees can use a temporary shortcut for claiming tax deductions for the cost of WFH.

Employees being able to claim a tax deduction for certain costs that come with WFH is nothing new. But with WFH due to COVID-19, the ATO has introduced a **temporary shortcut method** for making tax deductions based on an hourly rate and simplified reporting requirements.

For every hour they WFH, employees can claim an \$0.80 tax deduction. This applies for hours worked from home on the following dates:

1 March 2020 to 30 June 2020
in the 2019/20 tax year

1 July 2020 to 30 June 2021
in the 2020/21 tax year

1 July 2021 to 30 June 2022
in the 2021/22 tax year

Under this shortcut method, employees can claim the \$0.80 per hour deduction regardless of how much they have actually spent on the extra costs of WFH. The amount they can claim is calculated based on hours WFH, not their out-of-pocket costs.

The shortcut method



What employees can claim for

The shortcut method covers additional costs incurred as a result of WFH, such as:

- Phone and internet expenses
- The decline in value (depreciation) of equipment and furniture for certain items under the value of \$300
- Electricity and gas for heating, cooling and lighting

Employees using the shortcut method do not need to have a dedicated home office or workspace.



What employees can't claim for

- Occupancy expenses such as mortgage interest, rent, insurance and rates
- Coffee, tea, milk, and other general household items
- Costs related to children and their education
- Time spent not working

Is your organisation covering WFH expenses for employees?

If you pay for items an employee is using to WFH, such as a laptop and screen, or are covering the cost of their expenses, it's important that they understand how this could affect their eligibility to claim a WFH tax deduction.

- Employees can't claim a deduction for items you're providing as an employer or if they are being reimbursed for these costs
- If you pay an allowance to employees to cover their WFH expenses they can still claim a deduction but they must include the allowance as income on their tax return



How can employees claim their WFH tax deductions?

Keep a record of hours worked from home

Claiming WFH expenses under the temporary \$0.80 shortcut method is simple. Employees need to keep a record of hours WFH in order to claim a tax deduction.

$$\begin{aligned} &\text{Total hours WFH in the financial year} \\ &\quad \times \$0.80 \\ &= \text{working from home tax deduction} \end{aligned}$$

When an employee is lodging their 2019/20, 2020/21 or 2021/22 tax return through myGov or a tax agent, they should include the reference 'COVID-hourly rate' for their WFH deduction claim.

Under the shortcut method there is no need for employees to calculate and record the specific costs of items/services or keep receipts.

Using the actual cost method to claim WFH tax deductions

Employees can choose to use the actual cost method instead of the temporary \$0.80 shortcut method to calculate and claim a tax deduction for WFH expenses.

With this method employees can calculate their WFH tax deduction based on the actual costs they incur.

In addition to recording their hours working from home, they will need to keep a detailed record of these expenses. If they are working in a shared area, this will include calculations for the work-related portion of costs such as cleaning, heating and lighting.

WFH tax deductions at a glance

A checklist for employees

If you're WFH and have incurred extra costs as a result, you may be eligible to claim a tax deduction in the 2019/20, 2020/21 and 2021/22 financial year using the shortcut method.

With this method you can claim a tax deduction of \$0.80 for each hour worked from home.



Total hours WFH in the financial year
x \$0.80
= working from home tax deduction



You can claim for:

- Electricity and gas expenses associated with heating, cooling and lighting
- Cleaning expenses, phone costs and internet
- Decline in value (depreciation) of home office furniture, stationery, computer consumables, laptops, printers and tablets under the value of \$300



You can't claim for:

- Occupancy expenses such as mortgage interest, rent, insurance and rates
- Coffee, tea, milk, and other general household items
- Costs related to children and their education
- Time spent not working

For the shortcut method you'll need to keep a record of hours worked from home but don't need to record or keep receipts for your actual costs.

In addition to the shortcut method, you can use the **actual cost method** to claim a WFH tax deduction. The actual cost method allows you to calculate your WFH tax deduction based on your actual costs.

For more information on working from home tax deductions visit the ATO website:

<https://www.ato.gov.au/General/COVID-19/Support-for-individuals-and-employees/Employees-working-from-home/>

<https://www.ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/Home-office-expenses/>

About us

Maxxia

At Maxxia we're on a mission to enhance the impact of employee benefits for Australian organisations.

Using proven methods to find the performance gaps in your program, Maxxia helps your organisation deliver more value to your people, through competitive and measurable employee benefits programs. Our goal is to ensure that you are measuring up to the best-in-class programs available.

Employee benefits are an easy way to strengthen your employee value proposition and engage with financial wellbeing for your workforce.

When you partner with Maxxia, our team of specialists are with you every step of the way, to help maximise engagement with your employees, and provide guidance on complex issues.

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