



# IMPORTANT INFORMATION ON RECORD KEEPING AND DEDUCTIONS

**The ATO has advised that they are placing an increased focus on record keeping, particularly in relation to work-related deductions.**

**I recommend downloading the 'Australian Taxation Office' app, which incorporates their 'MyDeductions' program.** This allows you to photograph receipts on the go, as well as adding other deductions (eg union fees). In addition, you can use the app to track work related driving/km, and even to track business income.

You can use the MyDeductions section of the app without logging in. **The app only stores information on your device until you actively back it up.** When you first set up the app, you can connect it to cloud storage eg Google Drive.

Once you have set up MyDeductions, you need to actively tap 'Back up' regularly to ensure the files are safely stored outside of your device (in the cloud), or tap 'Settings – Share via e-mail' to e-mail the data to yourself for safekeeping.

Once your records are complete for a financial year (eg when you are completing this checklist), choose the correct financial year, and **tap 'Settings – Share via e-mail' to send the deductions to me.** If you do this I will be able to review your line-by-line deduction detail and the supporting receipts. **Note that if you 'upload to tax return' I cannot access these records.**

Even if you decide not to use the MyDeductions app, I will be completing strict review of your record keeping prior to including specific deductions in your return.

## GENERAL

Note that many types of deductions may require apportionment between work and private use when deducting – eg Dropbox storage may be mixed between personal (photographs etc) and work (files and documents). Please advise the work related percentage where applicable.

## VEHICLE

You can claim work-related driving based on the number of kilometres you travelled. This can include driving between workplaces (even for different employers) or driving from home to an unusual place of work (eg being called in to work at a different location, or driving directly to different client work sites from day to day).

**This does not include standard home to work travel,** even where you work regularly at multiple sites (eg Monday to Wednesday at one location, and Thursday to Friday at another location).

Record keeping for this claim requires you to substantiate the kilometres travelled. This can be simple (eg 'once every week, I drive from one campus to another campus for a staff meeting') or more complicated (eg if you are visiting different client sites that are at varying distances).

The MyDeductions app allows you to add trips in various ways:

- Adding start and finish addresses (app will calculate distance)
- Tracking your phone's GPS while driving (you must track this in real time)
- Adding odometer start and end readings
- Recording a complete logbook by adding odometer trips

(**Note** a valid logbook requires the tracking of **all trips** for a 12 week consecutive period. Other apps may track this more easily for you using GPS data)

**Please consider your record keeping options, and ensure you have some sort of record or accurate calculation of your work related driving that you can produce if requested.**

## TRAVEL

Your claims for tolls and parking should be supported by your kilometre claims (eg parking or tolls on the same day as a recorded trip). You may need to review your toll account transaction statements to highlight applicable trips, or if your work related driving is regular (eg a weekly trip over a toll bridge from one office to another) you may be able to calculate the deductible percentage of a single month's toll statement, and apply this percentage to your total toll costs for the year.

Work related travel includes any trip where you are required to stay away from home overnight. You will generally need receipts for all costs, except where you have received a travel allowance, and can prove that you have spent the funds up to the value of the allowance.



# IMPORTANT INFORMATION ON RECORD KEEPING AND DEDUCTIONS

## UNIFORM

You can only claim buying and washing costs for uniforms that are:

- Marked with the logo of your employer or other identifying information
- Protective in nature (and the need for protection can be proven) – eg high vis, steel cap boots
- Occupation specific (eg scrubs, chef pants etc)

Even if your employer requires you to wear a certain type of shoe, or a certain colour of clothing, you cannot claim these costs unless the items meet one of the above definitions.

Laundry claims are based on whether you wash your claimable items in a separate load, or mixed in with your other clothing. The number of laundry loads each week is used to calculate your claim.

The ATO record keeping 'gold standard' would be to keep a 'laundry diary' for a minimum of 4 weeks, noting all loads of washing and whether they include, or are made up solely of, work related items.

## EDUCATION

You can only claim education costs where the course leads to a formal qualification, and the study relates to your current employment activities.

Specifically the course must either maintain or improve the specific skills or knowledge required in your current employment activities, or result in (or be likely to result in) an increase in your income from your current employment activities.

There must be a direct connection between your current duties, and the study (eg working for a fashion retailer while studying fashion photography is not necessarily an adequate connection). In addition, the education is not deductible if it only enables you to get new employment, or change your employment duties (eg moving from being a nurse to being a doctor).

Your course fees **may** be deductible, even if you add them to a loan. The deductibility is based on your specific course offer and the fee structure you are studying under. HECS-HELP fees are **not deductible**. FEE-HELP, VET Student Loan and OS-HELP fees can be deductible.

## HOME OFFICE AND MOBILE

### IMPORTANT UPDATE

**The ATO has completely overhauled its approach to claiming home office and mobile phone related expenses.**

**Please read the below carefully and provide the required information, as well as updating your current year and future record keeping as required.**

There is an option to choose a 'simple calculation' (revised fixed-rate method) or a 'complex calculation' (actual costs only) to claiming home office from 2023 onwards, however **both methods require records to be kept throughout the financial year.**

**You can keep records for both calculation methods, and if you do so we can choose the method which gives you the higher deduction.**



# IMPORTANT INFORMATION ON RECORD KEEPING AND DEDUCTIONS

## REVISED FIXED RATE METHOD

The **revised fixed rate method** (the simple calculation) uses a cents per hour rate to cover electricity and gas, **mobile and internet**, computer consumables (eg cables) and stationery. You can still claim separately for depreciation on assets (eg computer equipment, office furniture etc).

Use of the revised fixed rate method means you cannot claim any separate deductions **including for your mobile phone usage** (even if you use it for work at home, and also away from home). However the record keeping for this method is much simpler than the actual costs method.

**You cannot use this method if you do not incur additional costs by working from home** (eg if your phone, internet and electricity are paid for by a parent, or reimbursed by your employer).

To use this method, you will need the following records:

- **From 1 July 2022 to 28 Feb 2023** - a representative record of your work from home hours (eg a work roster, 4 week diary or similar)
- **From 1 March 2023 onwards**, including in future financial years, **you must record all hours spent working from home**. The ATO expects you to keep these records 'contemporaneously' (that means 'in real time, as you go; not at the end of the financial year'). These records can be in the form of a timesheet, roster or diary - but for my purposes, having it in a **spreadsheet format** so that I can easily add up the hours would be amazing.
- Invoices/receipts for the **purchase of any new assets** for your home office (eg a new computer, new desk/chair, monitors etc)
- **If you are paying off your mobile phone handset on a plan** (eg \$49 plan plus a \$38 handset repayment every month) rather than buying it outright, **we can depreciate the cost of the phone**. If this applies, please send a copy of the plan information that makes the total cost of the phone clear (eg the information/documents you received when signing up for the plan, or a phone bill that shows the total cost of the phone and start date of the plan). We must be able to see the start date of the phone plan to claim depreciation.
- Evidence that you incur additional costs from working from home. This can be in the form of a mobile bill, internet bill and electricity bill - or if these bills are not in your name, but you contribute to the cost, a copy of the bill plus evidence of your contribution (eg payments towards housemates for the bills etc). **You do not need a full year of bills** - simply one bill and/or bank statement evidencing that you personally contribute to these costs in your household.

## ACTUAL COST METHOD

The **actual cost method** (the complex calculation) does not give any cents per hour deduction - instead you must **record all actual costs of working from home, and apportion these accurately for private use**. Record keeping is more complex, however this method allows you to claim a proportion of your mobile phone costs, internet costs and other costs such as stationery and consumables.

**You cannot use the actual cost method if you work from a room where other household members are not working** (eg working in the lounge room while your family watch TV).

To use this method, you will need the following records:

- A full year or indicative 4 week diary evidencing your work from home patterns.
- **Full year expense totals** for:
  - Electricity and gas
  - Internet
  - Mobile phone (and home phone if applicable)
  - Stationery and consumables
  - Cleaning
  - Any purchases of computer equipment or office furniture
- Estimates of **work related use percentages** of the above expenses:
  - Electricity estimates must be based on the additional use of power above standard household usage, across the proportion of time you work from home. This can be difficult to quantify and it is best to be conservative.
  - Cleaning estimates must be based on floor area %.
  - Internet and mobile phone should be based on a 4 week indicative itemised bill where available (eg marking work calls and texts vs personal calls and texts on a phone bill).
  - Otherwise, work use % should be calculated based on a 4 week 'usage diary' of work and personal use (including usage by other household members in the case of home internet). The usage diary can take into account usage of other aspects of the device such as apps and data, or the total time spent using the device for work vs personal usage.

Please refer to the notes in the Revised Fixed Rate method regarding **depreciation of mobile phones on a plan**, and **evidence requirements to prove you 'incurred' a cost**.



# IMPORTANT INFORMATION ON RECORD KEEPING AND DEDUCTIONS

## SUPERANNUATION

If you have not provided your fund with a Notice of Intent, please search your Super Fund name with the phrase 'Notice of Intent' and you will find information from your fund on how to provide them with the required information. Some funds require a form to be posted in, while others allow you to complete the claim information online through your Member login.

Note we cannot claim any super deduction without sighting a confirmation from your fund.

## RENTAL PROPERTY

**The ATO has advised they will be placing particular scrutiny on rental properties this year and in future.**

In particular, they will be ensuring that you declare all applicable income (including not just rental income, but insurance refunds and bond withheld), and that you are correctly allocating and claiming your expenses. Repairs vs improvements or new assets has long been a focus of the ATO, and we will need to discuss most larger repairs or purchases.

As with work related expenses, you can use the MyDeductions section of the Australian Taxation Office app to track your rental property expenses, by setting them up as 'other deductions'.

## SMALL BUSINESS/SOLE TRADER DEDUCTIONS

You should endeavour to keep your business records as thoroughly as you would with work related expenses. The MyDeductions section of the Australian Taxation Office app can be set up to record small business expenses in the same way as it records work related expenses.

If you wish to claim vehicle, travel, mobile phone, internet or home office expenses, please refer to the relevant sections above to make note of your record keeping requirements and the ATO's 'gold standards' for these items.

Generally you can claim any expense necessarily incurred in carrying on your business, provided that you have records to substantiate the expense.

## SMALL BUSINESS HOME OFFICE OCCUPANCY COSTS

The ATO allows that you can claim part of your occupancy costs if you run a 'home based business' rather than just a home office type arrangement. The rules around this are complex, but generally require you to set aside part of your home specifically for business purposes, and for this space to not easily be convertible to other uses (eg cannot easily be turned into a guest bedroom or used for other purposes).

Applicable uses may include the storage or set-up of bulky equipment (dress-maker's sewing room, or tool storage for a tradesperson), or a part of your home that is set up to see or serve clients (eg a home massage studio or photography studio). Generally a standard 'home office' set-up for a service based business is a grey area, and would require some proof of client visits/meetings, or a large amount of specific computer equipment that makes the room not readily usable for other private purposes.

The occupancy costs (rent, or the total of your mortgage interest, rates, water and other costs) are then claimed based on the floor area % of your business portion of the home, compared to the total floor area of the house.

If you believe you are eligible to claim occupancy costs, please describe your home based business situation below, including the space used and the purpose/s it is used for.

Note that if you own the property (claiming interest and costs, not rent), part of your property will become subject to capital gains tax on the eventual sale of the home. To ensure we have the required records upon eventual sale, **please obtain a market valuation from a valuer or real estate agent, as at the date that you first started claiming your home as a home based business.** Please contact me if you want any further information on capital gains tax on home based businesses.