

# Newsletter

## New work from home record keeping requirements.

Are you one of the five million Australians who claim work from home deductions? If so, stricter record-keeping rules may now apply.

For this financial year and moving forward, there are now only two methods to calculate your work from home claim:

1. Revised fixed rate method (with new rules applying)
2. Actual costs method (unchanged).

### Actual Method

The actual costs method has never been all that popular because you need to keep records of every expense incurred and depreciating asset purchased, as well as evidence to show the work-related use of the expenses and depreciating assets. By way of example, to claim electricity expenses, the ATO suggests that you need to find out the cost per unit of power used, the average amount of units used per hour (power consumption per kilowatt hour for each appliance) and the number of hours the appliance was used for work-related purposes.

For this reason, the fixed rate method has been preferred (or in recent years the COVID shortcut method where you could simply claim 80 cents for each hour worked from home. Note, however, that the COVID-method is no longer available).



### The Fixed Rate Method

The fixed rate method has now been revised. The revised fixed-rate method increases your claim from 52 cents to 67 cents per-hour. However, this rate now includes internet, phone, stationery and computer consumables.

Therefore, you can't claim these expenses separately in addition to your home office fixed-rate deduction. Cleaning expenses and depreciation on office furniture are no longer included in the fixed rate. Therefore, you can now claim these expenses separately.



## Record Keeping – Fixed rate method

This new, strict record-keeping requirement applies from 1 March 2023. For the period before it (1 July 2022 to 28 February 2023) the ATO will accept a four-week representative diary.

Further, under the revised fixed rate method, you will now also need to provide at least one document for each type of expense to demonstrate that you actually incurred that expense. For example, if you receive electricity bills quarterly, you will need to keep one of those quarterly bills as a record to represent that year's electricity expenses.

The record-keeping requirements under the revised fix rate method are now more onerous, also. You now need to keep a record of actual hours worked from home. The ATO will accept a record in any form, but it suggests either: timesheets, rosters, logs of time spent accessing systems, time-tracking apps, or a diary. The ATO will no longer accept estimates, or a four-week representative diary.

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## Contact Us

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## FBT and car logbooks.

With the end of the FBT year approaching, are your car logbooks in order?



### Operating Cost Method

The operating cost method is used by many employers to calculate their car FBT liability. This method is particularly effective where the business use of the vehicle is high. Keeping a logbook is essential to use the operating cost method.

Employees need to prepare a logbook for any vehicle that you provide them with where there is an element of private use. The logbook period is for 12-weeks, which must be representative of typical usage. For example, a period where an employee is taking a block of annual leave is not representative.

Where employees share a vehicle during a year, each employee will need to prepare a logbook to substantiate their respective business use percentage.

Logbooks are valid for five FBT years (including the year the logbook is prepared), provided there is no significant change in the vehicle's business use. Once the five-year period expires, a new logbook will need to be kept if you wish to continue using the operating cost method. Therefore, if a logbook was last prepared in 2017/18, a new logbook is required for this FBT year (2022/23).



As noted, a new logbook will need to be prepared where there is a significant change in the business use of a vehicle. Indeed, it is in an employer's interests for a new logbook to be prepared where the business use of the vehicle increases, as this will result in a decreased FBT liability.

With just weeks to go in the FBT year, if a new logbook is required to be kept, but has not yet been...don't panic! The 12-week period can overlap two FBT years provided it includes at least part of the relevant year.

The logbook must contain:

- when the logbook period begins and ends
- the odometer readings at the start and end of the logbook period
- the total number of kilometres travelled during the logbook period
- the number of kilometres travelled for each journey. If you make two or more journeys in a row on the same day, you can record them as a single journey
- the business-use percentage for the logbook period
- the make, model, engine capacity and registration number of the car.

For each journey, record the:

- reason for the journey (such as a description of the business reason or whether it was for private use). Note that a generic description of a journey, such as 'business use', is not adequate
- start and end date of the journey
- odometer readings at the start and end of the journey, and
- kilometres travelled.

These entries should be made contemporaneously, as soon as possible after each trip. It's a common misconception among employers with commercial vehicles, such as dual-cab utes, that they are automatically exempt from FBT and therefore there is no requirement to maintain a logbook. This is generally only the case where the private use is negligible.