

# Running a home-based business

## Key concepts summary

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### Home-based business categories

If you are running your business in full or in part from your home, you may be able to claim tax deductions for your expenses such as electricity, gas, computer, rent and furniture.

The way you work from your home determines which expenses you can claim for deductions. 3 categories of home-based businesses:

- no office
  - a home office
  - a place of business
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### Deduction rules

When claiming allowable deductions for business related expenses, there are 3 general rules.

- The expense must have been for your business, not for private use.
  - If the expense is for a mix of business and private use, you can only claim the portion that is used for your business.
  - You must have a record to prove it: eg diary, logbook, tax invoice, receipts.
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### Occupancy and running expenses

- If you are a sole trader or a partnership, you may be able to claim for:
    - running expenses: electricity, gas, landline phone, computer, etc
    - occupancy expenses: rent, mortgage interest, insurance, rates, etc
    - The way you work from your home determines which expenses you can claim for deductions.
  - If you are a company or a trust, you can claim for expense items written in your rental agreement.
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## Calculate how much you can claim

Once you know what expenses you can claim for your home-based business, you need to work out how much you can claim for the business use of your home facilities.

- Claim for business use only (don't claim for private use)
- How to calculate the amounts:
  - occupancy expenses: floor area method
  - running expenses: pattern of use, floor area, or hourly rate method

You can use the ATO home office calculator to work out your claims.

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## Motor vehicle deductions

You may be able to claim for the use of motor vehicles for your business. The deductions you can claim depend on your business structure, the type of vehicle you use, and whether you also use the vehicle for private purposes.

- Company or trust: actual costs
  - Sole trader or partnership:
    - vehicle's carrying capacity  $\geq$  1 tonne: actual costs, otherwise: proportion of business use
    - more than 5,000kms: logbook, otherwise: logbook or cents per kilometre
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## Depreciation

You may be able to claim for depreciation of your business-use assets. Some examples of depreciating assets are computers, electrical tools, photocopiers, furniture, carpets, curtains, and motor vehicles.

You can use:

- general depreciation rules
  - simplified depreciation rules: immediate write-off
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## More information

- [ato.gov.au](http://ato.gov.au)
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## Action plan

Task	Complete
Company or trust: review the rental agreement to find out claimable expenses	<input type="checkbox"/>
Sole trader or partnership: work out the category of my home-based business <ul style="list-style-type: none"><li>▪ no office</li><li>▪ a home office</li><li>▪ a place of business (if pass the interest deductibility test)</li></ul>	<input type="checkbox"/>
List up expenses I can claim <ul style="list-style-type: none"><li>▪ running expenses: <i>eg electricity, gas</i></li><li>▪ occupancy expenses:</li><li>▪ motor vehicle expenses:</li><li>▪ depreciation of assets:</li></ul>	<input type="checkbox"/>
Throughout the year, keep records of my business-use expenses: eg diary, logbook, receipts	<input type="checkbox"/>
For my tax return <ul style="list-style-type: none"><li>▪ calculate the amounts of expenses I can claim (business use only)</li><li>▪ use the ATO home office calculator</li></ul>	<input type="checkbox"/>
	<input type="checkbox"/>

## Notes