



WHAT IS A HOME OFFICE OR PLACE OF BUSINESS

A Home Office is where you carry on part or all of your employment activities at home eg a barrister who reads client briefs at home, a teacher who prepares lessons or marks assignments at home.

You can claim additional running expenses of the home if you use a room for work related purposes. Expenses include heating, cooling, lighting, home office repairs. You cannot claim occupancy expenses such as mortgage interest, rent, rates, insurance, and repairs.

To claim home office expenses, keep a diary of all your Home Office running costs. Alternatively, you can use a fixed rate as determined by the Tax Office.

A Place of Business is where you actually carry on a business or profession from home, or if you are an employee, you do far more than just bring work home for personal convenience eg a tradesperson who has a workshop at home, an employee architect who conducts a small private practice from home, a sales representative who is required by their employer to maintain an office in their own home.

When determining that an area is a Place of Business, consider these factors: the area is clearly identifiable as a place of business; the area is not readily suitable for use for private purposes; the area is used almost exclusively for business purposes; and the area is used regularly for visits by clients or customers.

Deductions for a Place of Business include mortgage interest, rent, house insurance, council and water rates, land taxes, heating and lighting, depreciation, etc.

Place of Business deductions are usually calculated as follows:-

Floor area used x Relevant Expenditure / Total Floor area

It should also be noted that if claiming Place of Business, there are CGT implications to be considered.

Please contact this office for more information.