

8 November 2022

Kim Hall
Australian Taxation Office
By email: Kim.Hall@ato.gov.au

PCG 2022/D4 “Claiming a deduction for additional running expenses incurred while working from home – ATO compliance approach

Dear Kim,

Tax and Super Australia (TSA) welcomes the opportunity to make a submission to the Australian Taxation Office (ATO) in relation to the draft Practical Compliance Guideline PCG 2022/D4 “Claiming a deduction for additional running expenses incurred while working from home – ATO compliance approach”.

TSA is a not-for-profit member organisation that has assisted tax and superannuation professionals for over 100 years. With a subscriber base of approximately 13,000, including 4,000 members, the organisation has evolved to meet the challenges of Australia’s modern tax and superannuation system and remains at the forefront of educating and empowering today’s tax and superannuation professionals.

52c v 67c

With regard to the revised fixed rate of 67c in PCG 2022/D4, as compared to the fixed rate of 52c in PS LA 2001/6, we make the following comment:

1. While we note that “the rate of 67 cents per hour was based on the Australian Bureau of Statistics (ABS) household expenditure survey with consideration of annual Consumer Price Index (CPI) weightings”, given that the Federal Budget handed down on 25 October 2022 forecast a 50% increase in electricity bills alone over the next two years (Budget Paper No. 1 page 57), we would question the adequacy of 67 cents.
2. As noted in footnote 3 of PCG 2022/D4, the fixed-rate method in PS LA 2001/6:

*The fixed-rate method allowed 52c per hour for each hour a taxpayer worked from their home office to calculate their electricity and gas expenses, home office cleaning expenses and the decline in value of furniture and furnishings. In addition, a **separate deduction** for the taxpayer’s work-related internet expenses, mobile and home telephone expenses, stationery and computer consumables and the decline in value of a computer, laptop or similar device could be claimed.*

However, PCG 2022/D4 at paragraph 23 proposes that the revised fixed rate is inclusive of:

- internet expenses
- mobile and/or home telephone expenses, and
- stationery and computer consumables.

The inclusion of internet expenses, mobile and/or home telephone expenses and stationery and computer consumables within the revised fixed rate, when coupled with the current high inflation environment, means that taxpayers may be worse off when moving from 52c to 67c.

Shared expenses

PS LA 2001/6 at paragraph 3 addresses the situation where an expense may be invoiced in the name of one member of the household, but is actually incurred by more than one member of the household:

An expense in the name of one person can be apportioned to others where the circumstances are relevant. For example, this can include family circumstances such as a husband and wife, or where two unrelated parties share accommodation and both contribute to the cost of expenses jointly.

While alluded to in paragraphs 18 – 22, such an overt acknowledgement of these common situations has been omitted from PCG 2022/D4.

Keeping and retaining relevant records

PS LA 2001/6 para. 5:

Taxpayers who use the rate per hour method to claim a deduction for home office running expenses only need to keep a record to show how many hours they work from home. They can do this over the course of the year, or if their work from home hours are regular and constant, by keeping a record for a representative four-week period.

Draft PCG para 58:

For the 2023-24 and later income years, you must keep a record for the entire income year of the number of hours you worked from home during that income year. An estimate for the entire income year, or an estimate based on the number of hours you work from home during a particular period and applied to the rest of the income year, will not be accepted.

Noting the transitional relief provided by paragraph 59 for the 2022-23 income year, the “365 day” requirement is very onerous and, in many cases, not practicable. Whilst it is comparable to the requirements to satisfy the short-cut method, it diverges greatly from the current requirements in PS LA 2001/6, the requirements taxpayers have relied on for the past 18 years.

Our recommendations

We would recommend that the proposed PCG 2022/D4 be abandoned and PS LA 2001/6 be retained with an uplift of the fixed rate to 67c.

Additionally, there should be an uplift in the fixed rate in line with inflation annually thereafter.

If you would like to discuss anything contained in this submission, please contact Neville Birthisel or myself on 03 8851 4555.

Yours Faithfully,



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Senior Tax Counsel