



NEWSLETTER

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NEWSLETTER



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This newsletter is written to assist in recognising issues and developing strategies so as to maximise profits and minimise and / or defer taxes payable in the current and future years. Estate planning must be an integral part of that strategy.

Taxes, superannuation, dividends, equities and properties all need to be considered, because they are all (including taxes) an integral part of your Family's wealth creation and can be designed to provide substantial tax savings if correctly structured and managed.

If a strategy is to work, all the elements must be considered and kept in balance.

The strategy should be understood by the owners, operators and their advisers. For additional copies of this newsletter please refer to www.goodco.com.au.

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No responsibility is accepted for any action taken by readers on the material contained herein without first obtaining specific advice from this Firm.

In writing this newsletter we give full credit to the:

- *Australian Taxation Office “Home office expenses” publication and “Working from home during Covid-19” publication; and*
- *The NSW Government publication “Working from home guidance for employers”.*

FROM THE EMPLOYEE’S POINT OF VIEW

CAPITAL GAINS TAX IMPLICATIONS

In most cases, if you are **working from home as an employee**, regardless of whether or not you have separate work area, there will be no capital gains tax (CGT) implications for your home. This is the case even if you claim home office expenses.

CGT may apply if you are running a business from home or you claim occupancy expenses (like mortgage interest repayments or rates). If you do claim occupancy expenses, you do not get the full main residence CGT exemption, although you may be entitled to a partial exemption.

THE EXCLUSIONS

If you are working from home, you can't claim:

- the cost of coffee, tea, milk and other general household items your employer may otherwise have provided for you at work;
- costs related to children and their education, including setting them up for online learning, teaching them at home or buying equipment such as iPads and desks;
- items that you're reimbursed for, paid directly by your employer or the decline in value of items provided by your employer – for example, a laptop or a phone; and
- time spent not working, such as time spent home schooling your children or your lunch break.

Employees generally can't claim occupancy expenses such as rent, mortgage interest, water and rates.

As you are “not in business” (and as an employee it is not your business) then you do not get an immediate deduction for plant and equipment in the current year of a value of up to \$150,000. You can only depreciate the assets required, as part of your work employment, and which are required to carry out your job.

THE RULES

There are two sets of rules at this point that apply from a taxation point of view:

- rules that apply between 1 March 2020 and 30 June 2020; and
- rules that generally apply to home office expenses

To claim a deduction for working from home, **ALL OF THE FOLLOWING** must apply

- you **must have spent the money**;
- the expense must be **directly related to earning YOUR income**; and
- you **must have the documentation** to prove it.

This means that you can only claim expenses that are **not reimbursed** by your employer.

You must maintain a record of the hours you have worked at home such as timesheets and / or rosters and / or a diary and or similar documents that set out the hours you work.

EXPENSES YOU CAN CLAIM

If you work from home, you will be able to claim a deduction for the additional expenses you incur. These include:

- electricity expenses associated with heating, cooling and lighting the area from which you are working and running items you are using for work;
- cleaning costs for a dedicated work area;
- phone and internet expenses;
- computer consumables (for example, printer paper and ink) and stationery; and
- home office equipment, including computers, printers, phones, furniture and furnishings – you can claim either the:
 - full cost of items up to \$300;
 - decline in value for items over \$300.

Employees generally can't claim occupancy expenses such as rent, mortgage interest, water and rates.

CALCULATING YOUR EXPENSES

There are three ways of calculating home office expenses depending on your circumstances. The methods are the:

1. **Shortcut method** (80 cents) – only available 1 March to 30 June 2020;
2. **Fixed rate method** (52 cents); and
3. **Actual cost method.**

You don't have to use the shortcut method.

You can choose to use one of the existing methods to calculate your deduction. You can use the method or methods that will give you the best outcome, as long as you meet the criteria and record keeping requirements for each method.

SHORTCUT METHOD

You can claim a deduction of 80 cents for each hour you work from home from 1 March to 30 June 2020 as long as you:

- are working from home to fulfil your employment duties and not just carrying out minimal tasks such as occasionally checking emails or taking calls;
- have incurred additional running expenses as a result of working from home.

The shortcut method doesn't require you to have a dedicated work area, such as a private study.

The shortcut method covers all additional deductible running expenses, including:

- electricity for lighting, cooling or heating and running electronic items used for work (for example your computer), and gas heating expenses;
- the decline in value and repair of capital items, such as home office furniture and furnishings including capital items that cost less than \$300;
- cleaning expenses;
- your phone costs, including the decline in value of the handset;
- your internet costs;
- computer consumables, such as printer ink and stationery; and
- the decline in value of a computer, laptop or similar device.

You don't have to incur all of these expenses to use the shortcut method, but you must have incurred additional running expenses in some of these categories when working from home.

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If you use this method, you can't claim any other expenses for working from home for that period. When you are calculating the number of hours you worked from home, you need to exclude any time you took a break from working, for example the time you spent to stop and eat your lunch or to assist your children with home schooling.

You can calculate your deduction for additional running expenses using the shortcut method, with the following formula:

Total number of hours worked from home between 1 March and 30 June 2020 × 80 cents.

If you use the shortcut method to claim a deduction in your 2019–20 tax return, include the amount at the 'other work-related expenses' question in your tax return and include 'COVID-hourly rate' as the description. Remember, you can only use this method from **1 March to 30 June 2020**.

FIXED RATE METHOD

You can claim a deduction of 52 cents for each hour you work from home for the work-related expenses you incur for additional running expenses. The fixed rate covers all expenses you incur for:

- the decline in value of home office furniture and furnishings – for example, a desk;
- electricity and gas for heating, cooling and lighting; and
- the cost of repairs to your home office equipment, furniture and furnishings.

To claim using this method, you must keep records of either:

- your actual hours spent working at home for the year; and
- a diary for a representative four-week period to show your usual pattern of working at home.

You can apply the four-week representative period across the remainder of the year to determine your full deduction amount. However, if your work pattern changes you will need to create a new record.

To use this method, you need to have a dedicated work area, such as a home office when you work from home.

This method doesn't include the following, so you will need to separately calculate your work-related use for:

- phone expenses;
- internet expenses;
- computer consumables and stationery – such as ink;
- decline in value of equipment – such as phones, computers and laptops.

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To claim the work-related portion of these expenses you must have records such as:

- receipts or other written evidence that shows the amount spent on expenses and depreciating assets you purchased;
- phone accounts identifying your work-related calls and private calls to work out your percentage of work-related use for a representative period;
- a diary that shows a representative four-week period of your usual pattern of working at home;
- any small expenses (\$10 or less) that you can't get a receipt for totalling no more than \$200;
- your work-related internet use;
- the percentage of the year you used depreciating assets exclusively for work.

ACTUAL COST METHOD

Under the actual expenses method, you can claim the additional running costs you directly incur as a result of working from home. This may include the following expenses:

- electricity and gas for cooling, heating and lighting;
- the decline in value of home office furniture (desk, chair) and furnishings;
- the decline in value of phones, computers, laptops or similar devices;
- phone expenses;
- internet expenses;
- cleaning (if you use a dedicated area for working); and
- computer consumables and stationery – such as ink.

If you don't have a dedicated work area, such as a home office, you will generally only incur minimal additional running expenses. For example, if the area you use for work is a common area of the home such as a lounge room and that area is being used by other members of your household for another purpose (such as, family members watching television) at the same time you're working, you won't be incurring any additional costs for lighting, heating or cooling as a result of working in that room.

To calculate the work-related portion of your actual expenses you must have records. You can:

- keep a record of the number of actual hours you work from home during the income year;

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- keep a diary for a representative four-week period to show your usual pattern of working at home;
- work out the decline in value of depreciating assets; and
- keep receipts showing the amount you spent on the assets;
- show the percentage of the year you used those depreciating assets exclusively for work – you can claim for the portion of the decline in value that reflects your work-related use of the depreciating assets;
- work out the cost of your cleaning expenses (if you have a dedicated work area) – for example, a room set up as a home office, by adding together your receipts and multiplying it by the floor area of your dedicated work area (floor area of the dedicated work area divided by the whole area of the house as a percentage) – your claim should be apportioned for any private use of your home office by other family members;
- work out the cost of your heating, cooling and lighting by working out the following: the cost per unit of power used - refer to your utility bill for this information and the average units used per hour – this is the power consumption per kilowatt hour for each appliance, equipment or light used and the total annual hours they're used for work-related purposes (refer to your record of hours worked or your diary for this information);
- work out the cost of your phone or internet plan expenses – where you receive an itemised bill, you need to determine your percentage of work use over a four-week representative period; and
- work out the cost of computer consumables and stationery by keeping receipts for the items purchased.

You must take into account other members of your household when you work out your expenses. If a member of your household is using the same area of the house or the same service when you're working, you must apportion your expenses accordingly.

To claim a deduction for an asset that cost \$300 or more, you need to calculate the decline in value for both the period you:

- owned the assets during the income year; and
- used the assets for work-related purposes.

You can use the depreciation and capital allowances tool to calculate your deduction for the decline in value of equipment, furniture and furnishings that cost more than \$300, use the depreciation and capital allowances tool to work this out.

You can use the *myDeductions* tool in the **Australian Taxation Office app** to keep track of your expenses and receipts throughout the year. It's a fast, easy way to capture information on the go by taking and uploading photos of receipts.

FROM THE EMPLOYER'S POINT OF VIEW

It is all very attractive, particularly for the employee, to work in the main from home and it will particularly appeal to single parents who have to get children up, fed, to school and incur the costs of nannies or childcare, clothing appropriate to being in an office, the cost of travel and the time spent in commuting to and from work.

Equally, many people have seized on the opportunity not to work in an office and have found that they can live a fair distance from the city in what they would deem to be a weekender and downsize or free up capital from their city domestic residence.

By way of example, places such as Bowral/the Blue Mountains/Gosford may have been too far to travel from to work each day but, with the upgrading of technology and the obvious benefits being presented to employers, employees have been able to negotiate to work out of the office without downgrading their salary or position.

This means employers have an obligation to make sure the health and safety of their workers is maintained when they work at home and the following issues need to be considered:

1. **Mental health risks** and working from home
2. **Eligibility to work from home** during the COVID-19 pandemic
3. **Your organisation's working from home policy**
4. **Manage working from home risks**
5. **Ensure employees have suitable breaks** and **work reasonable hours** while working from home
6. **Work-life balance** for parents of school-aged children and carers
7. **If an employee tests positive for COVID-19 while working from home**
8. When employees can be asked to **return to the workplace**

1. **MENTAL HEALTH RISKS** and working from home

The COVID-19 pandemic is a stressful and uncertain time for all Australians. Working from home, particularly for the first time, can create additional risks to mental health.

The WHS duties apply to both physical health and mental health. This means that employers must, so far as is reasonably practicable, ensure the mental health of their employees and protect their employees from psychological risks.

Working from home can have psychological risks that are different to the risks in an office or your regular workplace.

A psychosocial hazard is anything in the design or management of work that causes stress. Some psychosocial hazards that may impact an employee's mental health while working from home include:

- changed family demands (for example, looking after school-aged children who are learning from home, relationship strain or family and domestic violence);
- being isolated from managers, colleagues and support networks;
- less support (for example, employees may feel they don't have the normal support they receive from their supervisor or manager);
- changes to work demand (for example, the impacts of the COVID-19 pandemic and a move to working at home may create higher workloads for some employees and reduced workloads for others);
- low job control;
- fatigue;
- poor environmental conditions, for example an ergonomically unsound workstation or high noise levels; and
- poor organisational change management (for example, employees may feel they haven't been consulted about the changes to their work).

To manage risks to your employees' mental health, where reasonably practicable, you must:

- eliminate or minimise the risk to psychological health and safety arising from work as far as is reasonably practicable, including when your employees are working from home;
- consult with employees on psychosocial hazards they may face and how to manage them (note that employees often know what the issues are and have ideas about how to manage them);
- review how you're managing the risks to check that your policies and processes are effective;
- provide information about mental health and other support services available to your employees, including employee assistance programs;
- have regular and clear communication with your employees to:
 - set realistic and clear instructions on workloads, roles and tasks;
 - monitor work levels;
 - check that work can be successfully completed from home without creating any additional safety risks; and
 - adjust any work tasks and ways of working, as appropriate;
- encourage employees to stay in contact with each other;
- stay informed with information from official sources and share relevant information with your employees as it becomes available;
- offer your employees flexibility, such as with their work hours, where possible;
- make sure employees are effectively disengaging from their work and logging off at the end of the day;
- respond appropriately to signs an employee may be struggling (for example, changed behaviour);
- inform employees about their entitlements if they become unfit for work or have caring responsibilities;
- eliminate or minimising physical risks; and
- provide employees with a point of contact to discuss their concerns and to find workplace information in a central place.

2. ELIGIBILITY TO WORK FROM HOME during the COVID-19 pandemic

NSW public health orders state that employers must allow employees to work from home where it is reasonably practicable to do so.

Work related expenses (including home office expenses) in a pandemic environment



Whether working from home is reasonably practicable will depend on the specifics of the workplace, the facilities available for employees to work remotely and the ability for employees to do their work safely from home.

In deciding whether working from home is appropriate for their employees, the employer should consider:

- the individual employee's role;
- whether the employee is in a vulnerable person category for contracting the virus;
- the suitability of work activities;
- workflows and expectations;
- workstation set up;
- the surrounding environment such as ventilation, lighting and noise;
- the home environment, such as partners, children, vulnerable persons and pets;
- the communication requirements such as frequency and type;
- the mental health and emotional wellbeing of the employee; and
- safe working procedures and training requirements.

Under the model WHS laws, each employer has a duty of care for the health and safety of their employees and others at the workplace. This includes managing the risk of exposure to the COVID-19 virus and putting appropriate controls in place in every workplace where the employer engages employees to carry out work or directs or influences employees in carrying out work.

If work can be completed at home, and the risks that arise from working remotely can be effectively managed, encouraging or directing employees to work from home may be the best way to minimise the risk of exposure to COVID-19.

Any existing workplace policies on working from home would apply to arrangements implemented as part of the COVID-19 response. As with all work health and safety matters, employers must consult with their employees and any elected Health and Safety Representatives (HSRs) on working from home arrangements.

An employee has the right to stop or refuse unsafe work when there is a reasonable concern of exposure to a serious risk to health and safety from an immediate or imminent hazard. If an employee decides to stop work as it is unsafe, they must notify their employer as soon as possible and be available to carry out alternative work arrangements.

3. YOUR ORGANISATION'S WORKING FROM HOME POLICY

When **making decisions about whether employees should work from home**, employers should:

- consult with employees and other relevant persons about whether working from home is an appropriate arrangement, including at an individual worker level;
- keep up to date with information about COVID-19 risks and appropriate control measures; and
- seek advice specific to their circumstances, including official advice issued by the NSW Health.

During consultation, employers should consider a range of factors including communication requirements, managing workflow, use of equipment, and employees' compensation requirements.

4. MANAGE WORKING FROM HOME RISKS

As noted above, **an employer's duty of care for their employees includes working from home arrangements.** Employees also have a duty of care for their own health and safety and must follow any reasonable policies or directions their employer gives them. This means employers and employees both share responsibility for ensuring a safe workstation set up.

Employers must consult with employees before you implement control measures to address these risks. It is also important to review and monitor whatever arrangements are put in place to ensure that these arrangements do not create any additional risks.

You must identify and manage any risks to employees working from home. Undertaking a risk assessment will assist you to determine what is reasonably required to keep employees safe. It may not be reasonably practicable to conduct a physical inspection of your employees' home, but there are other ways you can assess the risks by requiring staff to complete a self-audit that you may discuss with them.

You may determine that it is appropriate to allow employees to borrow equipment from the office or reimburse reasonable costs. Employers and employees must discuss what equipment may be required for the employee to safely carry out their work as early as possible during the workstation set up and continue to monitor their ongoing equipment needs throughout the time they are working from home.

If you are not satisfied that a safe workstation can be created, it may not be reasonably practicable for the employee in question to be allowed to work from home. In these circumstances, alternative arrangements may need to be made. This could include setting up a safe office space for the employee in the office and flexible work hours to minimise contact between employees.

While you have less control over an employee's home, reasonable steps should be taken to ensure the employee's home workstation meets workplace health and safety requirements. An assessment of the work area should be carried out, where possible, before the employee starts working from home. Consider:

- risks associated with slips, trips and falls;
- workstation ergonomics;
- manual tasks;
- electrical safety;
- psychosocial risks, such as personal security and isolation; and
- environmental hazards, such as noise.

Employers should:

- provide guidance on what is a safe home office environment, including what a good workstation set up looks like, why employees should not be sedentary all day and how to avoid this;
- require employees to familiarise themselves and comply with good ergonomic practices, for example requiring employees to complete a self-assessment checklist and provide their responses to you;
- consider organising a workstation assessment;
- create a checklist for employees to follow;
- provide employees with information on setting up an ergonomic workstation; and

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- allow staff to borrow equipment (such as chairs, monitors, keyboards and mice) from the office where appropriate OR reimburse them reasonable costs for purchasing any required equipment.

Working from home may change, increase or create work health or safety risks.

Other key considerations that may affect the WHS risks of employees working from home or remotely include:

- pre-existing injuries the employee may have;
- communication frequency and type between the employer and employee;
- management of the work program, workload and activities;
- surrounding work environment;
- work practices and physical activity; and
- the mental health and wellbeing of the employee.

In undertaking safety checks employers should ensure employees have access to first aid and that a plan is in place for emergencies. Employers may also need to update their emergency plans to accommodate for employees working from home.

What employees should do

Employees also have health and safety obligations to minimise risks when working from home including:

- following procedures about how work is performed;
- keeping work equipment in good working order;
- using equipment provided by the workplace as per the instructions given;
- maintaining a safe work environment (such as, designated work area, moving furniture to ensure comfortable access, providing adequate lighting and ventilation, repairing any uneven surfaces or removing trip hazards);
- managing their own in-house safety, such as maintaining electrical equipment and installing and maintaining smoke alarms;
- notifying the employer about risks or potential risks and hazards; and
- reporting any changes that may affect their health and safety when working from home.

5. ENSURE EMPLOYEES HAVE SUITABLE BREAKS and WORK REASONABLE HOURS while working from home

You must ensure employees continue to access their workplace entitlements, including breaks, standard hours and any agreed upon flexible work arrangements.

Employers should also review any existing workplace policies and procedures that may need to be re-examined in light of the COVID pandemic and increased working from home arrangements.

6. WORK-LIFE BALANCE for parents of school-aged children and carers

Good communication between you and your employees is especially important when employees are working from home.

You should ensure your employees are aware of any working from home and carer policies that apply to your workplace.

Employees may also wish to discuss their entitlements to carers leave and other relevant forms of leave.

Employees may wish to share tips on balancing work and caring responsibilities with others. Toolbox discussions and team meetings can be a great place to share this information in a friendly environment.

This might include tips on how employees have managed to balance their caring arrangements with their partner, where available.

7. IF AN EMPLOYEE TESTS POSITIVE FOR COVID-19 WHILE WORKING FROM HOME

If your **employee** tests positive for COVID-19, they **must follow the health advice provided by the local public health authority and notify you** (the employer) as soon as practicable (even if they have been working from home).

You should discuss leave arrangements with your employee and will need to determine if the employee has had contact with any other employees while they were infectious.

You must ensure that the employee does not return to the workplace until they provide evidence that they are no longer contagious and are fit for work.

It is possible that an employee with COVID-19 could potentially work from home, if for example, they have no or minor symptoms. Your employee should seek advice from their treating clinician about whether to continue to work from home.

If your employee has not been confirmed as having contracted COVID-19 (for example, because they are in quarantine for 14 days due to contact with a confirmed case or returning from overseas travel), they should not need to provide evidence that they have tested negative for COVID-19 in order to return to work.

8. When employees can be asked to RETURN TO THE WORKPLACE

Whether or not you can reasonably direct employees back to the workplace will depend on a number of factors, including public health requirements and the individual circumstances of the employee working from home.

What employers should do

You must ensure return to work arrangements adhere to relevant commonwealth, state or territory government advice (for example, physical distancing requirements).

Before directing employees to return to the workplace, you will need to undertake a risk assessment and consult with employees.

This risk assessment will need to include consideration of the government's advice on physical distancing and whether your workplace can support all your employees returning at the same time while meeting those requirements.

You may consider options for staging a return to the workplace, to ensure that physical distancing requirements are met in accordance with government advice.

As part of your risk assessment you must consider **possible vulnerable employees** and ensure that they **are not put at risk by a direction to return to the workplace**.

Pending your risk assessment, it may be that vulnerable employees should remain in a working from home arrangement for a longer duration than those employees who are not vulnerable.

You are also required under the WHS laws to consult with your employees and any elected Health and Safety Representatives (HSRs) about any direction to return employees to the workplace.

VERY IMPORTANT IN A POST-COVID-19 ENVIRONMENT

Where circumstances change, you may be able to direct employees to return to the workplace. For example, where it is no longer safe for an employee to continue working from home due to a change in the employee's home situation or the ability of the employee to continue working from home effectively.