

Let taxman help pay for home office

SA homeowners will be paying higher taxes of all sorts this year, from VAT and fuel levies to the new municipal property rates just announced in many cities and metros, but self-employed individuals and employees who often work from home may be able to claw some of that back from the taxman.

"These days," says Gerhard Kotze MD at RealNet Properties, "many employees prefer to work from home as much as possible to avoid the stress, risks, time and loss of productivity that comes from a daily commute to an office. And fortunately, SARS does allow for them to claim certain home office expenses and reduce their tax liability."

However, there are some conditions that must be met in order to qualify for home office deductions. Firstly, if more than 50% of your income comes from a salary, you can only qualify if your employer allows or requires you to work from home and you spend more than half your working hours in your home office.

On the other hand, you should qualify if most of your income (more than 50%) comes from commission and your employers do not provide you with an office at their expense, thus making it necessary for you to have a home office. And you will definitely qualify if you are a small business owner or a freelancer who always works from home.

Secondly, he says, you must have a specific part of your home which is used exclusively as your office. "You can't just work off your dining room table, or hold meetings in your TV room. You need to have a separate space that is permanently set up for work and properly equipped with whatever you need to do your job, such as computers and office furniture. This could, however, be a spare bedroom or garage that you have converted into an office.

"Thirdly, to work out how much you can deduct, you need to calculate the square meterage of your home office as a percentage of the total area of your home. Salaried employees who qualify are allowed to deduct this percentage of the total cost of anything relating to the whole property, including rent or interest on a bond; any repairs to the premises; cleaning and maintenance costs; rates and taxes and wear and tear.

"Commission-earners can then also deduct the same percentage of all their related business expenses, including telephone charges, stationery purchases, repairs to office equipment and courier services, for example, while sole proprietors and freelancers can deduct all their business expenses."

Kotze says it is important to note that you cannot deduct any expenses of a capital nature, such as the cost of building a separate office structure on your property, or the cost of purchasing the office equipment and furniture.

"Nevertheless, if you do spend a lot of time working from home, it is definitely worth asking your accountant or tax practitioner to claim all the home office deductions you are allowed. It could make all the difference to a tight household budget this year."

Realnet Press Release