



DID YOU KNOW...

*Tax Deductions
Mobile & Internet Costs*



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MOBILE & INTERNET COSTS

Substantiation for mobile, home phone and internet costs.

The ATO has issued guidance on making claims for mobile phone use as well as home phone and internet expenses, and says that if you use any of these for work purposes you should be able to claim a deduction if there are records to support claims.

But the ATO points out that use for both work and private matters will require you to work out the percentage that "reasonably relates" to work use.

SUBSTANTIATING CLAIMS

In this area of deductions, it is a general ATO requirement that records are kept for a four-week representative period in each income year to claim a deduction of more than \$50. These records can include diary entries, including electronic records, and bills.

"Evidence that your employer expects you to work at home or make some work-related calls will also help you demonstrate that you are entitled to a deduction," its guidance says.

WHEN YOU CAN'T CLAIM A DEDUCTION FOR YOUR PHONE

Of course if your employer provides you with a phone for work use and also pays for usage (phone calls, text messages, data) then plainly you will not be able to claim a deduction. It would be the same if you pay for usage but are subsequently reimbursed by your employer.

HOW TO APPORTION WORK USE OF A MOBILE PHONE

As there are many different types of plans available, you will need to determine the work use using a reasonable basis.

INCIDENTAL USE

If your work use is incidental and you are not claiming a deduction of more than \$50 in total, you can make a claim based on the following (without having to analyse the relevant invoices):

- \$0.25 for work calls made from a landline
- \$0.75 for work calls made from a mobile
- \$0.10 for text messages sent from a mobile.

USAGE IS ITEMISED ON BILLS

If you have a phone plan where you receive an itemised bill, you need to determine the percentage of work use over a four-week representative period, which can then be applied to the full year.

This percentage needs to be worked out using a reasonable basis.

This could include:

- the number of work calls made as a percentage of total calls
- the amount of time spent on work calls as a percentage of total calls
- the amount of data downloaded for work purposes as a percentage of total downloads.

USAGE IS NOT ITEMISED ON BILLS

If however you have a phone plan where you don't receive an itemised bill, you can determine work use by keeping a record of all calls over a four-week representative period and then calculate the claim using a reasonable basis.

THE ATO USES AN EXAMPLE TO FURTHER EXPLAIN THIS

Ahmed has a prepaid mobile phone plan that costs him \$50 a month. He does not receive a monthly bill so he keeps a record of his calls for a four-week representative period.



During this four-week period Ahmed makes 25 work calls and 75 private calls. He worked for 11 months during the income year, having had one month of leave. He therefore calculates his work use as 25% (25 work calls out of 100 total calls). He claims a deduction of \$138 in his tax return (25% x \$50 x 11 months).

BUNDLED PHONE AND INTERNET PLANS

Nowadays phone and internet services are often bundled together. The ATO says that when you are claiming deductions for work-related use of one or more services, you will need to apportion costs based on your work use for each service. "If other members in your household also use the services, you need to take into account their use in your calculation," it says.

If you have a bundled plan, you need to identify work use for each service over a four-week representative period during the income year.

This will allow you to determine your pattern of work use, which can then be applied to the full year. A reasonable basis to work out work-related use could include:

INTERNET:

- the amount of data downloaded for work as a percentage of the total data downloaded by all members of the household
- any additional costs incurred as a result of work-related use – for example, if work-related use results in you exceeding your monthly cap.

PHONE:

- the number of work calls made as a percentage of total calls
- the amount of time spent on work calls as a percentage of total calls
- any additional costs incurred as a result of work-related calls – for example, if work-related use results in exceeding the monthly cap.

AGAIN, THE ATO USES A WORKED EXAMPLE TO ILLUSTRATE

Des has a \$90 per month home phone and internet bundle, and unlimited internet use as part of his plan. There is no clear breakdown for the cost of each service. By keeping a record of the calls he makes over a four-week representative period, Des determines that 25% of his calls are for work purposes. Des also keeps a record for four weeks of the data downloaded and determines that 30% of the total amount used was for work.

STEP 1 – WORK OUT THE VALUE OF EACH BUNDLED COMPONENT.

Internet: \$45 per month (\$90/2 services).

Home phone: \$45 per month (\$90/2 services).

STEP 2 – APPORTION WORK RELATED USE.

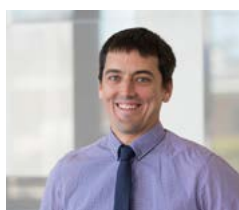
Home phone: 25% work related use x \$45 per month x 11 months = \$124.

Internet: 30% work related use x \$45 per month x 11 months = \$149.

In his tax return Des claims a deduction of \$273 (\$124 + \$149) for the year.

Please ask for our help and guidance should you wish to make a claim for mobile and home phone and internet costs.

FOR MORE INFORMATION CONTACT



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