

# Working from home: What you can claim from tax

The tax season is about to open and, because you've probably spent a big chunk of the last year working from home, there may be potential deductions you could claim when filing your personal return.



Lana Visser, financial planner, Fiscal Private Client Service

"There are a number of factors that determine whether you can claim a tax deduction for working from home. Let us start with the legalities. There are three sections (section 11, section 23(m), and section 23(b)) of the Income Tax Act which deal with deductions of home office expenses, each has its own requirement, but it is important to note that all three sections must be met in order to qualify for a deduction," says financial planner, Lana Visser from Fiscal Private Client Services.

## Do I qualify?

If you are a full-time salaried employee and have been working from home for more than six months of the tax year (1 March 2020 to 28 February 2021), you may qualify. Employees who mainly earn commission, or work as an independent contractor may also qualify to claim home office expenses. "Note that 'mainly' refers to more than 50% of your overall income from employment," she says.

## What qualifies as a home office?

There are specific requirements according to the South African Revenue Service (Sars).

- It needs to be a dedicated space in your home specifically used for work purposes only. It cannot be your dining room table where every evening you pack up your laptop for your family to have dinner. It needs to be a space set up in your home and dedicated to work purposes only and nothing else.
- It needs to be equipped specifically for work.
- Your work is primarily carried out in that space – so if you have meetings for most of your day and you meet these clients in your lounge or at a coffee shop, then that office space does not qualify.

Visser adds that the onus of proof lies with the taxpayer. "You will be required to prove to Sars that your home office meets all of the requirements, and that the expenses being claimed are in fact allowable deductions."

## What expenses can I claim?

Sars states that expenses related to the production of income, provided it is not of a capital nature, can be claimed. "So, if you build on an additional room which will be used as an office, this capital expense will not qualify. However, there is a list of home office expenses that do qualify as deductible," she says.

- Rent
- Levies
- Electricity
- Rates and taxes
- Interest on bond repayments
- Cleaning expenses
- Wear and tear on assets

"When it comes to rent, levies, rates and taxes or interest on bond repayments, you will need to determine the size of your office floor space as a portion of your entire home. This will provide the portion of your expense which is related to the production of income or trade," says Visser. As an example, if your home office is 12m<sup>2</sup> and your entire home is 200m<sup>2</sup>, then 6% (12/200) of the above expenses relating to your home will be allowed as deductible expenses.

In addition to the abovementioned home office expenses additional costs incurred to earn income are available to commission earners and sole proprietors. Examples of such costs are stationary, internet, telecommunication, and travel costs.

## Capital gains tax

When you own your home and use a dedicated space for work purposes, this will impact the capital gains tax when selling your home. The portion used as an office space will be considered separately and the primary residence exclusion will not be applicable to that portion. "What this means is that this could have massive implications on your tax situation when you do sell. Using the above example, when you sell your home, the capital gain will need to be split into the business portion (6%) and the private use portion (94%). The primary residence exclusion can therefore only be applied to 94% of the capital gain (selling price less base cost) and the remaining 6% will be fully subject to capital gains tax. If you do decide to sell your home, it is important to consult a tax advisor in this regard.

"It stands to reason that many employees still find themselves working from home and will be paying for higher costs for internet and electricity, etc. However, it is clear that there are many factors contributing to what you can and cannot claim," she says.