



Claiming phone and internet deductions

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Phone, data and internet expenses

1. Before you start reading... You may have already claimed these

Draft Practical Compliance Guideline PCG 2022/D4 (titled "Claiming a deduction for additional running expenses incurred while working from home - ATO compliance approach") is where the Commissioner gives the 67 cents per hour working from home rate. In it he states:

14. The practical compliance approach outlined in this Guideline overcomes difficulties associated with apportioning and calculating the additional expense you actually incur as a result of working from home in respect of:

- *energy expenses (electricity and/or gas) for lighting, heating/cooling and to run electronic items used for work*
- *internet expenses*

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

So if all the phone and internet use you want to claim a deduction for is while you are working from home, and you are claiming the 67 cents per hour work from home deduction, then there is no other deduction on top of the 67 cents per hour and you can stop reading now.

If you are claiming the 67 cents per hour for your working from home, but you have work phone and internet use other than when you are working from home, remember that everything below now only applies to the phone and internet use outside your working from home hours

If you are not claiming the 67 cents per hour then read on...

2. This is not going to be easy... or it is going to be very easy

Most employees now use their phone, data or internet for work purposes and so are able to claim a deduction for this use. This is especially relevant to people who are working from home.

Unfortunately, the Commissioner has decided to ignore that these days everyone pays one amount per month for all their calls and data, and often do not get information from their phone or internet provider that can assist them in identifying private and business use.

As a result the Commissioner has decided you either can claim a ridiculously small deduction (\$50) or you need to keep records that in many cases are simply impossible to keep.

2.1 Two quick reminders on what is not deductible

1. **If you get a phone for use from your employer...** Please tell your clients that they can't claim a deduction for phone use if their employer provides them with a phone and pays the phone bill, or if their employer reimburses the cost they incur on their phone. In a series of audits, the Commissioner has allowed no deductions for phone and internet costs where the employee has been provided with a phone but claims they also used their personal phone for business use.

Spencer and Commissioner of Taxation (Taxation) [2021] AATA 1106

In this case, throughout the audit of his work related expenses, where he claimed 100% of the costs on his phone, the taxpayer "forgot" to mention the work phone given to him by his employer - the ATO only found out about the existence of this work phone when talking to his employer. I imagine the taxpayer felt that claiming 100% of his personal phone was business would be hard to justify if he told them he had a work phone paid for by his employer for him to make business calls on...

2. **Costs you incur before you start work...** also remind your clients that they can't claim a deduction as you are not yet generating income from the use of the phone. This includes a casual employee who has an employer phone them to ask them to work.

4. Phone and data apportioning

If you use your phone, data or internet for both work and private use, you will need to work out the amount that relates to your work use.

4.1 The easy way - \$50

On his website (see <https://www.ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/Other-work-related-deductions/phone,-data-and-internet-expenses/>) the Commissioner offers the easiest way to claim deductions for your phone and data where there needs to be an apportionment between business and private use. He states:

If your phone, data and internet use for work is incidental and you're claiming \$50 or less in total, you don't need to keep records.

So just claim \$50 and you will never have a problem.

4.2 Usage is itemised on your bills

Through most phone apps you will find you can download an itemised bill, showing the numbers called and the amount of data used each day. While this does not help us at all establish whether the data has been for work or private use, we can identify work numbers and private numbers.

So with the phone number information we can work out a percentage of work use over a four-week representative period, which we can then apply to the full year. The Commissioner's own example shows you can use this "phone" percentage to work out the work use of the data use on the phone.

Julie has an \$65 per month mobile phone plan, which includes \$500 worth of phone calls and 1.5GB of data. She receives a bill that itemises her phone calls and provides her with her monthly data use.

Over a 4 week representative period, Julie identifies that 20% of her phone calls are work-related. She worked for 11 months during the income year, having had one month of leave. Julie can claim a deduction of \$143 in her tax return ($20\% \times \65×11 months).

But note the 11 months in this example – most of us take 4 weeks leave a year so we need to only claim a deduction for 11 months.

There is a second option, BUT ONLY IF OUR BUSINESS USE IS INCIDENTAL, something less than 20% of all the calls. In this case the Commissioner states:

If the work use of your phone, data and internet is incidental, you can claim:

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

But you would only use these rates if it gets you over \$50 given the “easy way” covered above.

4.3 Usage is not itemised on your bills

If your client has a phone plan where they cannot get an itemised bill (more likely they can't be bothered to ask for one or download one from their provider as all the main providers can give itemised call lists), the Commissioner required them to keep a record of all their phone calls over a 4 week representative period. This is the case with some prepaid mobile phone plans as there are no invoices provided (but often you can still ask for the call listing). The record can just be the number of work calls and the number of private calls... From an example the Commissioner uses...

During this four-week period, Ahmed makes 25 work phone calls and 75 private phone calls. Ahmed worked for 11 months during the income year, having had one month of leave.

4.4 Can't I just make a reasonable guess

No. If you get audited and you have just made a guess you will be denied the deduction (and just get the \$50 a year we discuss below).

Spencer and Commissioner of Taxation [2021] AATA 1106

In this case, the taxpayer claimed all his home internet and all his phone costs (including buying the phone). His employer had given him a work phone and a tablet with a SIM card so he could access the internet on both these devices. During an audit the Commissioner only gave him a \$50 deduction for the phone and calls for the entire year, and the AAT agreed saying...

There is simply insufficient evidence before the Tribunal to be satisfied that Mr Spencer is entitled to the deductions he has claimed, particularly as Mr Spencer did not keep contemporaneous records of usage. It follows that the Tribunal does not accept that Mr Spencer has satisfied the onus on him with regards to his mobile telephone expenses. [para 57]

If you cannot PROVE, not GUESS but PROVE, a business percentage of your phone and internet, all you will get is \$50 for each if the tax return is audited.

4.6 Internet expenses apportioning

This is where it all gets crazy. Take this line from an example the Commissioner loves to use:

Des also keeps a record for 4 weeks of the data downloaded. He works out that 30% of the total amount used was for work.

Commissioner, exactly how does Des “work out” that 30% of the data he downloads was for work? Of course the Commissioner offers no way of doing this... most likely because it is in almost all but the most specific cases (I only have one specific work application never used privately that tracks its own data use).

In all of his examples, the Commissioner just assumes you can work this out so none are helpful. He also suggests you could do it based on time but what if you have multiple applications running at the same time.

Put simply, the Commissioner has never offered a reasonable basis to work out work-related internet use.

So what do we do? Claim \$50 (in the Spencer case above the Commissioner gave the taxpayer \$50 for phone plus \$50 for internet), or use the same rate that we used for our phone calls, even though the phone and the internet connection are not linked in any way (I have seen this accepted in an audit).

5. Buying a smartphone, tablet or other electronic device

Finally, if you bought a smartphone, tablet or other electronic device and you use it for work you can claim a deduction for:

- assets costing \$300 or less, its full cost in the income year it was purchased
- assets costing more than \$300, its decline in value over its effective life

But remember, if you use the asset for work purposes and private purposes, you need to apportion your deduction and only claim the work-related portion.