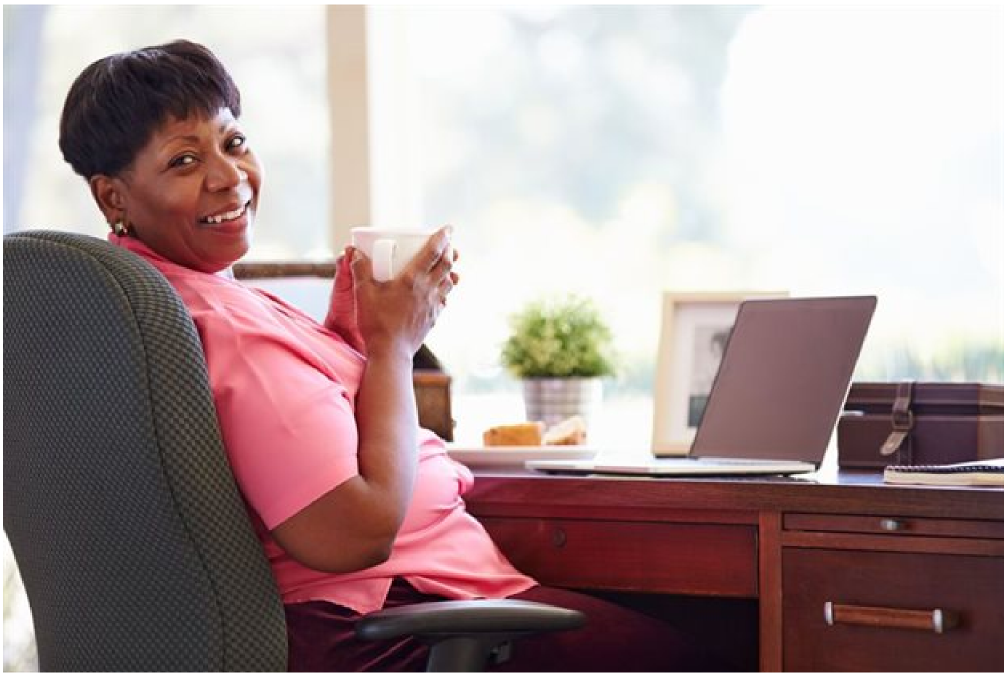
Tax savings and productivity: How to make the most of a home office

The trend towards working from home and at home is expected to gain massive ground in the wake of the Covid-19 crisis and will make the "home office" a feature of many more homes big and small.



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Increasing urbanisation and traffic congestion has already been driving the so-called fourth industrial revolution, with rising numbers of consumers and employees using the internet to work and buy online and so avoid the stress, risks and loss of time and productivity involved in travelling to offices and shopping centres

But now we believe remote working will very rapidly become the norm for huge numbers of salaried as well as self-employed individuals, who have perforce learnt just how much it is possible to achieve with a smartphone, laptop and high-speed internet connection.

However, if you do have a home office it needs to be set up correctly to get the most out of it in terms of both productivity and tax savings, he says.

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Thomas Roulet 26 Mar 2020

Storage and workspace

It could be the study, a spare bedroom or a converted garage, but as many have found, you should be able to close the door when working so that you don't get distracted by other people in your household watching TV, doing chores or cooking, for example. You should also discourage your children from using it as a homework or play space during your working hours.

In addition, you should make sure it has enough storage and workspace and contains everything you need for work, from pens and paperclips to your computer, printer, drawing board and wall planner. You will be more productive if these are all in one place.

A reliable, high-speed internet connection is also essential for home-based employees or entrepreneurs, including those who are making and selling hand-crafted or artisanal goods. Being able to attract customers and handle orders online is a really big plus for a small business these days, so you need to make sure your home office will have good connectivity, wherever you choose to live.

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Tax deduction claims

Meanwhile on the tax front, having a dedicated home office may allow you to claim a tax deduction from SARS if you are a full-time employee who spends more than half your working hours in your home office, a commission-earner whose employer does not provide you with an office, or a small business owner or freelancer who always works from home.

To claim a deduction, you will need to have a specific part of your home which is used exclusively as your office and then calculate the square meterage of that space as a percentage of the total area of your home.

You need to check with your accountant or tax practitioner for specifics, but generally, salaried employees are allowed to deduct from their income 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 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.

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Cost of maintenance

If you have a home-based business that is registered for VAT, you can also claim VAT input credits on the costs of maintaining the premises in which that business is housed.

But you should be careful not to claim a VAT input credit on the cost of any additions or alterations you make to your property to accommodate a home office or home business, the reason being that if you claim a credit for building work done to add an office, for example, or to convert the outbuildings, the receiver will expect you to include VAT in the price of the whole property when the time comes to sell it.

And that means that unless you could then sell your property for considerably more than the market average in your area, you would probably lose out on 15% of your sale proceeds which would be going straight to SARS – and would no doubt be a much bigger amount than your original VAT credit.