



Tax and Legal News

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Tax deduction for home office expenses

The South African Revenue Service (“SARS”) has recently released a revised draft Interpretation Note 28 (“IN28”), for public comment, to provide clarity on the deductibility of home office expenses incurred by persons in employment or persons holding an office. This revision and greater clarity were eagerly awaited by the large number of South African taxpayers who have been working from home since the end of March 2020 due to the COVID-19 pandemic.

While the current version of IN28 states the requirements for a home office to be specifically equipped for the purposes of trade and regularly and exclusively used for trade purposes, the proposed revisions in the new draft IN28 provide more detail on interpretation and a number of specific examples of what these requirements entail.

The examples as set out make it clear that SARS intends to follow a very strict approach in interpretation, thereby greatly limiting the extent to which individuals will be able to claim the deduction. For example, a home office which is shared by two members of the same household, or which might be accessed by other members of the household (the example used is children being permitted to play in the room on a weekend as it is the only sunny room in the house), would fail the exclusivity test.

This is somewhat disconcerting, since many taxpayers had hoped that they would be able to claim a deduction for at least some of the additional costs they had to incur in order to continue working through the pandemic.

It will be interesting to see how the draft IN28 is received and whether SARS will be swayed by the public commentary it is bound to receive. Another aspect raising curiosity, is how SARS anticipates determining whether a workspace was used regularly and exclusively for purposes of the taxpayer's work, given this new, stricter interpretation. The likelihood is that there will be far more claims than have ever been received before, as a result of the many work-from-home arrangements made as a result of the pandemic. SARS will need to manage the volume of claims, while ensuring the criteria for claiming these expenses are met.

The proposed strict interpretation seems to take the wording of "regularly and exclusively" just one step too far to be practical...

Links to:

[KPMG Tax and Legal News: Tax deductions in relation to home office expenses](#)

Draft IN 28 - [LPrep-Draft-2021-22-Draft-IN-28-Issue-3-Deductions-of-home-office-expenses-incurred-by-persons-in-employment-or-persons-holding-an-office-14-May-2021.pdf \(sars.gov.za\)](#)

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Regards

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