

ezytax  
BLUE

chapter 3  
deductions



# CHAPTER 3 – DEDUCTIONS

## WORK RELATED EXPENSES

Taxpayers can claim deductions for work related expenses incurred while performing their job. Generally, a work related expense is **incurred** when the taxpayer has spent the money.

### Meaning of 'incurred' from TR94/26

***'In most cases, a presently existing pecuniary liability at the end of the relevant income year will be a necessary prerequisite to an expense being "incurred" for the purposes of sec 8-1 (1) ITAA 1997. It is not sufficient that the liability to pay is pending, threatened or expected no matter how certain it is in the year of income that the loss or outgoing will occur in a future year. This does not mean that there must be an actual disbursement of money; it is sufficient if the presently existing liability is due though payable in a future year.'***

***'A presently existing liability is not necessary where the taxpayer makes a purely voluntary payment or pre-payment. For example, where an employer voluntarily pays a Christmas bonus to employees. Such a payment may be deductible even though there is no legal obligation to make the payment. However, not all voluntary payments are deductible.'***

If the taxpayer's work related expense includes an amount for goods and services tax (GST) the GST is the part of the total expense and is therefore part of any allowable deduction (where the taxpayer is not registered for GST).

The basic rules to consider before deciding to make a claim:

1. The Taxpayer must have incurred the expenses in the tax year.
2. The Taxpayer cannot claim an expense that has been or will be reimbursed to the Taxpayer by their employer or any other person.
3. The Taxpayer must have incurred the expense in the course of earning their assessable income and it must not be Private, Domestic or Capital in nature or incurred in gaining Exempt income.
4. The Taxpayer must be able to substantiate their claims with written evidence if the total claimed is over \$300.
5. The taxpayer needs to be able to show how the claim is worked out if the total claimed is \$300 or less – they do not need written evidence.

### TIMING OF DEDUCTION

It is important to note the timing of the expenditure. The phrase "occurs at a point too soon" is often used when disallowing a claim for expenses. The expenditure has to be incurred at exactly the same time the taxpayer is gaining assessable income not just within the income year.

**Example.....**

- ***Alan is a carpenter and buys a hammer in August but is not employed at the time. He gains employment in November. He will not be allowed the cost of the hammer as the expenditure “occurred at a point too soon”.***
- ***Paul is unemployed and completes a security course in order to be employed as a security officer. The course is a capital expense and “occurred at the point too soon”.***

It is important to know the distinction between the various types of expenditure, especially “Capital” and “Private” expenditure.

**CAPITAL**

A capital outlay can be defined as the “initial” or basic investment, which makes all future income earning possible.

- Example.....**
- 1. Purchase of initial toolkit (except apprentice's toolkit).***
  - 2. Purchase of shares, stocks and bonds.***

**PRIVATE NATURE**

Private nature is all expenditure incurred by a taxpayer as an individual member of society.

- Example.....**
- 1. All day to day expenses (food, clothing)***
  - 2. Travel to and from employment (commuting)***

**DOMESTIC NATURE**

Domestic nature is all expenditure incurred by a taxpayer as a member of a family unit.

- Example.....**
- 1. Household expenses (electricity etc)***
  - 2. Education of children***

**ALLOWANCES**

Receiving an allowance from an employer does not automatically entitle the taxpayer to a deduction – they still must meet the rules above to make a claim.

The claim can only total the amount of expense incurred by the taxpayer, regardless if the allowance is more or less.

**Example.....**

***The taxpayer received a tool allowance of \$600 and his/her tool expense were \$350, the whole amount of the allowance is included at Item 2 on the tax return and the \$350 deductions is claimed at Item D5.***

## **SUBSTANTIATION**

Under the substantiation requirements, if the taxpayer is claiming more than \$300 for work expenses, written evidence must be kept to prove the total claim, not just the amount over \$300.

## **EXCEPTIONS TO SUBSTANTIATION**

The \$300 limit does not include claims for car allowance, overtime meal allowance, award transport payments and travel allowance expenses. These have their own special rules for claiming, and the taxpayer must have kept records to prove these claims.

## **WRITTEN EVIDENCE**

Briefly, the records the taxpayer must have kept are: - receipts, invoices or similar documents, except where a diary is sufficient.

The document must show:

- Date of purchase
- Item purchased
- Name of supplier
- Value of item

Where the document has not shown what the goods or services were, the taxpayer can write in the missing details. If the date is not shown, independent evidence e.g. a bank statement or credit card statement is acceptable.

**Documentary evidence must be kept for 5 years after the return has been lodged.**

Examples of other written evidence are:

- PAYG PAYMENT SUMMARY for example may show union fees.
- Evidence the taxpayer has recorded details of the expenses i.e. diary entries.

### **Diary**

The requirement to obtain documentary evidence does not apply where the taxpayer claims expenses which individually do not exceed \$10 and which in total do not exceed \$200 for the income year; in such cases it will be sufficient to keep a diary of the expenses.

The taxpayer records must show the same details as a receipt from a supplier described above.

### **Diary entries for undocumented expenses**

Where the Commissioner considers that it would be unreasonable to expect the taxpayer to have obtained documentary evidence of the expense because the nature of the expense means it would be too hard e.g. parking meters.

**NOTE** – Where the claim does not exceed \$300, receipts do not have to be kept. However, a deduction cannot be claimed unless the taxpayer has actually incurred an expense. The ATO may still ask to explain how the claim was calculated.

### **Lost or destroyed documents**

Generally if the taxpayer's records are lost or destroyed, the ATO will disallow the claim. However, there are exceptions to this. The rules will be waived in circumstances where the taxpayer can show the original documents were lost or destroyed in circumstances beyond their control. A fire or police report would normally be required as evidence of the incident. The taxpayer could be expected to show that they took reasonable precautions to prevent any such loss.

### **In looking at whether an expense would be claimable or not:**

The answer to the following must be YES

- a. Has the expense been incurred?
- b. Was it incidental to, and has a direct relationship to occupation?

The answers to the following must be NO

- a. Was it capital?
- b. Was it private or domestic?
- c. Did it produce exempt income? (see Chapter 2)

## **ITEM D1- MOTOR VEHICLE EXPENSES**

A taxpayer can claim vehicle expenses incurred that directly relate to their work as an **employee**. The taxpayer will need to be able to prove all claims.

**It applies to – Motorcars, station wagons, panel vans, utilities or similar vehicles and other road vehicles designed to carry less than 1 tonne or fewer than 9 passengers.** A motorcycle is not included in the term “motor vehicle”.

**Exceptions:** Even if a vehicle fits one of the categories above, the other rules do not apply completely if it is-

- A taxi, panel van, utility or other non-passenger commercial vehicle used **only** for business purposes and for travelling between home and work for private travel that is minor, infrequent and irregular.
- A car that is used for trading stock in a business.
- A car that is used only for lease or hiring.
- A car that is unregistered throughout the year of income and is used principally for business purposes (e.g. A farm vehicle).

## **WORK RELATED TRAVEL – WHEN TO CLAIM**

The cost of normal trips between home and work **cannot** be claimed as the expense is private. The travel is private and cannot be claimed even if:

- minor tasks are completed, for example, picking up the mail on the way to work or home
- travelling between home and work
- the taxpayer is 'on call', for example, they are on stand-by duty and their employer contacts them at home to come into work
- there is no public transport near the taxpayer's place of work
- the taxpayer works outside normal business hours, for example, shift work or overtime
- the taxpayer's home is a place of business and travel is directly to a place of employment.

The cost of trips between home and work can be claimed where:

- use of car is because bulky tools or equipment used for work are carried, for example, an extension ladder or cello and they cannot be left at work
- the taxpayer's home is a base of employment, work is started at home and then travel to a workplace to continue the work is necessary, or
- the taxpayer has shifting places of employment, they regularly work at more than one site each day before returning home. Taxation Ruling TR 95/34 – Employees carrying out itinerant work has more information on travel expenses for employees who have shifting places of employment.

### **Travel between home and work-**

A deduction is not allowed as it is regarded as commuting and is a private expense. The fact that a second or subsequent trip is necessary does not change nature of the first trip, nor does the fact that it is out of normal hours. Performing incidental tasks on the way to work, e.g. Collecting mail also makes no difference.

Where an employee is contacted by phone after regular hours to attend to a work problem (eg. a security alarm) they cannot claim the travel.

**BUT:** if an employee commences their duties before leaving home they can claim the cost of travel from home but not home again.

#### **Example.....**

***Leon is a bookkeeper for a company and normally works at home on his computer, which is connected by modem to his employer's computer. If a problem arises which can't be fixed from home he can claim the cost of travel to the work site. It is effectively travel between two places of work.***

### **Travel as an Itinerant Worker -**

Travel between home and work will be allowed provided the nature of the taxpayer's work

is itinerant (TR 95/34). A claim is also allowed for any other travel for work purposes during the day.

The following will indicate the taxpayer's work is itinerant:-

- Travel is a fundamental part of the employee's work.
- The existence of a “web of work places” in the employee's regular employment (i.e. the employee has no fixed place of work).
- The employee continually travels from one work site to another.

Other relevant, but less important factors include:-

- The employee has a degree of uncertainty of location in his or her employment.
- The employee's home constitutes a base of operations.
- The employee has to carry bulk equipment from home to different work sites.
- The employer provides an allowance in recognition of the employee's need to continually travel between different work sites.

#### **Examples.....**

**1) Graham works for an accountancy firm and attends head office three days a week. He works the remaining two days at a suburban office. Graham's work does not display a “web” of work places and is not considered to be itinerant because: Upon commencement he is not required to travel in the course of his duties and Graham has two regular places of works**

**2) Adeline has supervisory responsibilities for a chain of fashion stores. Her work requires her to travel to several stores each day to assess each store's performance and to attend head office weekly to file reports. Adeline does not visit the stores in a regular pattern. Travel is a fundamental part of Adeline's employment because the nature of the job itself makes travelling a necessary element of her duties. She is considered to be engaged in itinerant employment.**

**3) Shari is an agency nurse who travels to several hospitals to relieve staff shortages. She is engaged by a hospital for which she performs the duties. Shari remains at the one hospital until completion of her shift. Travel is not a fundamental part of Shari's employment, as she is not required to travel in the performance of her work once she commences duty. Shari's employment is not considered to be itinerant.**

**4) Cathy is a bank employee attached to a central branch. Apart from regular duties, she also performs relief work at nominated branches within a given area. Cathy is normally aware of the branches she must attend for relief duties well in advance, although she may occasionally be called at short notice. Cathy is not engaged in itinerant employment because-**

- **Travel is not a fundamental part of her employment.**
- **There is no continual travel from one work site to another. Upon commencement of her duties at a branch she is not required to travel.**
- **The uncertainty in her employment is minimal. She is generally aware in advance of the branch she must attend.**
- **She has regular places of employment.**

**5) Gerard is a bank employee who works at the same branch each day. In addition to his normal duties, Gerard is rostered on stand-by duty after hours to attend automatic teller machines (ATMs) within given area when breakdowns occur. If Gerard is called to attend an ATM his employer pays him an allowance from the time he leaves home until his return.**

**Gerard has two distinct parts of his employment, the first requiring daily travel between his home and his usual branch and the second requiring travel between his home and the ATMs within his**

area. Gerard's usual pattern of travel involves attendance at several ATMs before returning home. A deduction is not allowed for the cost of transport between his home and his usual branch (for formal duties). It is a private expense.

A deduction is allowed for the cost of transport between Gerard's home and the ATMs because this part of his employment is inherently itinerant for the following reasons-

- Travel is a fundamental part of Gerard's stand-by duties.
- The various ATMs within Gerard's given area are a web of work places.
- There is usually continual travel from one ATM to another.
- Gerard's stand-by duties have a degree of uncertainty.
- An allowance is paid by his employer in recognition of the need to travel.

6) Vincent, a labourer in the building industry, who, as part of his duties, travelled in his own car to a wide range of building sites, was allowed his car travelling expenses on the basis that he was an itinerant worker. Whether the taxpayer was an employee or independent contractor or whether he received a travel allowance or not was irrelevant.

7) Pamela is a night shift telephonist who could not use public transport and was forced to drive to and from work. Pamela was not entitled to a deduction for the additional costs thereby incurred.

- Maurice an oil rig worker who received a travel allowance and who travelled 400 km each Sunday from his family home to his remote work site, returning home the following Sunday, was not entitled to a deduction for the cost.

### **Travel between home and work carrying bulky equipment -**

A deduction is allowed unless a secure area is available for storage of equipment at the work site.

### **Travel between two employers – second job travel**

A taxpayer who has two or more jobs can claim a deduction for travelling expenses between the first job and directly to each additional job, regardless for how many jobs are involved. The distance between each job forms part of the basis for the claim.

If the travel is in a car the claim will go at Item **D1**. If the travel is by bus, taxi, etc then the claim will be made at Item **D2**.

#### **Example.....**

*Melinda is clerk at a large department store who travels in her own car from her normal place of work to her second job as a waitress. After finishing work as a waitress she travels directly home. The cost of travel from her normal workplace to her second job is an allowable deduction. However, Melinda cannot claim the cost of travelling from her second job to her home.*

### **Travel between the normal workplace and alternatives -**

A taxpayer who has to travel to an alternative work site while on duty can claim the cost of travel as illustrated below:-

Normal place of employment >> Alternative site >> back to normal site.

Normal place of employment >> Alternative site >> home.  
Home >> Alternative site >> normal site or home.

**Example.....**

***John is a clerk at a large department store. He is required to attend meetings at other stores. He uses his own car to travel to these meetings. As the meetings finish late John goes directly home after them.***

***John can claim the cost of each journey, including the travel to home.***

## **METHODS OF DEDUCTION**

There are two different methods to use to make a claim for car expenses:-

- 1) **Cents per kilometer limited to 5000 kms per car**
- 2) **Log book method**

If a taxpayer commences to use a car part way through the year he may choose any of the above methods. He must however be able to show that the car would have traveled in excess of 5000 kilometers if choosing the log book method.

Only one method per vehicle may be claimed in the year of income irrespective of whether it is used for business or salary/wages income; however the method may be changed each year. A taxpayer may have two cars and claim for each under the same or different methods.

NO LOGBOOK = C/KM ONLY

NO RECEIPTS : C/KM ONLY

### **1) CENTS PER KILOMETRE METHOD (CODE S)**

The cents per kilometer method allows you to calculate a claim for deductible car expenses based on a standard rate of 0.78c per kilometer for the 2022-23 year. The rate changes year on year so be sure to check the ATO website for the relevant rate. This rate is calculated to take into account all expenses of running a car including petrol, decline in value, servicing, repairs, etc.

**You can use this method to claim a MAXIMUM of 5000 business kilometers per car even if you have traveled more than 5000 business kilometers**

**Example.....**

***Ross is a real estate salesman and from his diary notes calculates that he has traveled 5300 kilometers for work related duties. Ross decides that he will use the cents per kilometer method.***

***Ross can only claim 5000 kilometers He cannot claim for the extra 300 kilometers***

## Substantiation requirements-

No documentary evidence is necessary as the ATO accepts a reasonable estimate of the kilometers traveled. The taxpayer **MUST** be able to show how the reasonable estimate was calculated.

Taxpayers should be encouraged to keep diary entries or similar records.

## Estimate business kilometers

A reasonable estimate of business kilometers must be calculated. This needs to satisfy the Tax Office that the travel was undertaken for income producing purposes and that the claim is calculated on a reasonable basis.

### Example.....

1) **Libby** is secretary in an accounting firm. As part of her duties she uses her car to travel daily from work to the bank, which is situated about 1.5 kilometers from her office, and then returns to work.

Libby estimates her travel during the financial year as 3 kilometers per day for 5 days a week for 48 weeks for the year (48 weeks considering 4 weeks of annual leave). She uses his method to estimate that she traveled 720 business kilometers during the financial year for work purposes. Libby is considered to have made a reasonable estimate of her business kilometers

2) **Sampson** is a mechanic who is required to regularly pick up spare parts from a supplier 6 kilometers from his workplace, that is, a 12 kilometer round trip. Sampson bases his claim for a deduction on 3120 kilometers based on 5 trips per week for 52 weeks of the year.

A check with Sampson's employer reveals that the trip to the supplier is in fact only 8 kilometres per round trip, that Sampson made the trip no more than 3 days per week and that Sampson also had 4 weeks holidays.

Sampson has not made a reasonable estimate and the claim should have been based on 1152 kilometers, that is, 3 days multiplied by 8 kilometers multiplied by 48 weeks.

3) **Delila** is a nurse who uses her car to make home help visits. Delila guesses that she traveled approximately 350 business kilometers

Delila has not made a reasonable estimate, and cannot claim a deduction for her car expenses. If Delila had kept a diary record of her work related travel, she could use this to make a reasonable estimate.

Deductions	Amount
D1 Work-related car expenses	7443
D2 Work-related travel expenses	270
D3 Work-related clothing, laundry and dry cleaning expenses	814
D4 Work-related self-education expenses	

Goto (F2)

**Motor Vehicle Expenses Worksheet**

**Vehicle details**

Make and model  ← **1**

Date purchased  Registration number

Year purchased  DCL

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**01 Cents per kilometre method (up to 5000 business km) - S**

Cents per kilometre

**Details**

<input type="text" value="Conference 25km/day x 5days"/> ← <b>2</b>	Kilometres travelled	<input type="text" value="125"/> ← <b>3</b>
Total (claim limited to 5000 km)		<input type="text" value="125"/>

- Make and Model – Enter Make and Model on vehicle
- Details – Enter as much information regarding the travel as you can. Mostly your calculations.
- Kilometers Travelled – Total kilometers based on your calculation.

## 2) LOG BOOK METHOD (CODE B)

To use the log book method, the business use percentage of the car must be calculated. To determine the business use percentage, use the details from the taxpayer's log book and odometer records to calculate the total kilometers traveled. Ascertain how many business kilometers were traveled Divide business kilometers by total kilometers, multiply by 100 and this is the percentage of each expense that can be claimed as a deduction.

### Example.....

**At the end of the logbook period, Jordan's logbook shows that he traveled a total of 11,000 kilometers of which 6,600 were for business.**

**He divides 6,600 by 11,000 and multiplies by 100. Jordan's business use percentage is 60%.**

The taxpayer must keep:

- a logbook
- odometer records, and
- written evidence for all car expenses, except for fuel costs.

The business use percentage of all car expenses can be claimed.

**Substantiation requirements-**

A logbook for a minimum of 12 consecutive weeks (being 84 consecutive days), in the first year, and every 5 years thereafter, or earlier if the pattern of usage changes. A logbook is to be kept for every additional car except if it is a replacement vehicle.

A record of total kilometers traveled each year, based on odometer readings at the beginning and the end of every financial year should be kept. Where a car is replaced, odometer readings of both cars at the changeover date must be recorded. This establishes total kilometers traveled

Written evidence for all car expenses, except for fuel costs must be kept as substantiation.

Car make:		Model:		Engine type:	Registration no:
Date trip began	Date trip ended	Odometer start	Odometer finish	Kilometres travelled	Purpose of journey

When the business use percentage has been calculated, this percentage is applied against the total motor vehicle running costs. This is the amount to be claimed.

Total motor vehicle expenses – may include:

- fuel\*
- registration
- insurance
- interest
- repairs and maintenance
- the decline in value (covered in Chapter 3A)
- lease payments
- membership fee paid to a motoring association for roadside assistance, and
- any other costs of running your car.

\*If petrol receipts are not kept then the following method is used to calculate petrol consumption.

**Method of calculating fuel consumption-**

The total kilometers are calculated by subtracting the closing odometer reading from the opening odometer reading.

The total kilometers are then divided by the consumption of the vehicle (which can be

obtained from 'Australian Fuel Consumption Guide' or from relevant motor associations which have access to this information) – This then gives the number of liters a car would have used over the period.

The number of liters is then multiplied by the average cost of petrol (available from the Bureau of Statistics).

### **TAX TIP FOR YOUR CLIENT – Always keep every receipt, including fuel receipts!**

#### **Example.....**

*Scott's odometer records show he used his car to travel 7000 kilometers during 2022. Based on the Australian Fuel Consumption Guide, his car used 10 liters of fuel per 100 kilometers traveled and the average fuel price for the period was \$1.55 cents per liter*

*Scott's fuel claim would be worked out like this:-*

*7000 multiplied by 10 and then divide by 100 = 700 liters used for the year.  
700 liters multiplied by \$1.55 = \$1085*

*Therefore, Scott would include \$1085 for fuel in his expenses.*

**NOTE:** You should read the CCH Master Tax Guide section concerning how to correctly complete a logbook. It should also be noted that commercial vehicles e.g. Panel Van or Ute used 100% business will not require a logbook but all other expense records should be kept.

### **CAR EXPENDITURE INCURRED**

A motor vehicle statement should be completed for each motor vehicle if claiming under logbook method.

### **INTEREST**

Car loan interest and costs associated with the loan.

The most accurate way to determine interest is directly from the lending institution.

**Ruling TR93/16** states that if the exact amount is known then that figure must be used. If the interest is not known reasonable steps must be taken to ascertain the exact amount.

**If it not possible to get the information from the financiers, either of the methods below could be used**, unless the transaction is a hire purchase agreement or other sale of property combined with a loan, was new credit laws require such information to be available (see 1997 ITAA Section 240-1).

### **LEASE PAYMENTS**

Lease payments are claimable as a tax deduction on a motor vehicle statement. The full monthly lease payment is claimed; no adjustment is made for the interest component of

the monthly lease payment.

**NOTE:** The difference between claiming lease payments and payments under hire purchase.

**Lease** => The full monthly lease payment can be claimed

**Hire purchase** => The interest component of the monthly payment and decline in value (Depreciation - Chapter 3A) can be claimed.

### **Novated lease arrangements**

A novated lease refers to an arrangement whereby, all or part of lessee's rights or obligations under the vehicle lease are taken by the employer. The lessee is usually the employee.

The employer is now the owner of the vehicle until the lease is finished or the employee leaves the employer. This is a reportable fringe benefit or salary sacrifice and is reported on the PAYG summary at the appropriate box.

**NOTE – AS THIS IS A REPORTABLE FRINGE BENEFIT THE TAXPAYER CANNOT CLAIM A DEDUCTION ON A NOVATED LEASE.**

## 02 Log book business use percentage method - B

### Motor vehicle operating expenses

	Total km Travelled	Average fuel cost (cents)	Litres per 100 km	Amount
Estimated fuel cost	10000		7.70	
				Actual fuel cost 924.00


Fuel election A ... Actual fuel cost 924.00

Depreciation	
Insurance	500.00
Interest or leasing charges	
Oil or other fuels	120.00
Registration	600.00
Repair expenses	200.00
Other	700.00
<b>Total operating costs</b>	<b>3044.00</b>

Log book start date	01/07/2019
Log book end date	01/10/2019
Business % shown in log book	25

Total km travelled	10000
Business km travelled	2500
Business % claimed	25.00

If they do not have a logbook for the current year but have claimed in previous years, ask if any changes. If none, then claim the same percentage.

- Box in **BLUE** can be left blank or you can enter what is shown in the logbook.
- If you enter both c/km method and logbook MYOB will default to using whichever of the two methods that provides the largest deduction.
- Press  to close MV schedule.

### REMEMBER:

NO LOGBOOK = C/KM ONLY

NO RECEIPTS = C/KM ONLY

It does NOT matter if the client does more than 5000km, bought the vehicle for only business use, has receipts, wants to claim repairs. If in doubt refer to the red text above.

## **CHOOSING A METHOD**

The method, which gives a taxpayer the best deduction, should be claimed provided the correct records have been kept.

### **Example...**

*Jillian has traveled using a 1.5 liter car. She traveled 7100kms for business out of a total of the year of 21,000kms. Expenses total \$6500.*

*Logbook Method - \$6500 x 34% = \$2210*

*Cents Per Kilometer Method – 5000 x 78.0c = \$3900*

*Therefore she would choose the cents per kilometer method as it is the better claim.*

Motor Vehicle Expenses - required codes on the tax return-

**S** – Set rate (cents per kilometer)

**B** – Log Book

If claiming for more than one car using different methods use the code representing the largest amount.

**Motor vehicle expenses must be reduced by any reimbursement not shown on the PAYG Payment Summary.**

**NOTE:** – Work Related Motor Vehicle Expenses:-

- Which include cars, utility trucks or panel vans with a carrying capacity of less than 1 tonne or any other vehicle with a carrying of less than 9 passengers. These are claimed at **Item D1**.
- Which include utility trucks or panel vans with a carrying capacity of more than 1 tonne or any other vehicle with a carrying capacity of more than 9 passengers and motor cycles (Actual business expenses incurred are claimed). These are claimed at **Item D2**.

## **SUMMARY:**

### **Method 1 – Cents per kilometer method**

- The claim is based on a set rate for each business kilometer
- A maximum of 5000 business kilometers can be claimed.
- No written evidence needed.

### **Method 2 – Logbook method**

- The claim is based on the business use percentage of each car expense.
- Logbook records to calculate the business use percentage are required.
- Odometer readings for the start and end of the period the car is owned or leased are required.
- Fuel costs based on the odometer records can be claimed.
- Written evidence for all other car expenses is required.
- Log book must be current and identify the specific vehicle.

## **ITEM D2 – OTHER WORK RELATED TRAVEL**

If a payment paid as an allowance under an industrial award, a claim can be made against it if the taxpayer is:-

- Traveling between different job sites.
- Required to carry bulky tools and equipments to work sites.

If claiming up to the award amount as at 29/10/86 no receipts are necessary and it is NOT included in the substantiation requirements.

### **Example....**

***Brett is paid \$10.20 per day. The award rate on 29 October 86 was \$7.60. Brett travels between job sites. His allowance totals \$2822.***

***Brett's claim is  $\frac{(\$2822 \times \$7.60)}{\$10.20} = \$2086$***

**NOTE:** Where a taxpayer has received an award travel allowance he can choose between claiming under the award travel method, or by using one of the other 2 motor vehicle methods.

### **Example**

**Stewart** received an award travel payment of \$2856 paid @ \$10.20 per day (October 1986 award \$7.60). His records show that he traveled 4672 kms traveling to various sites carrying his tools.

Claiming under the award =  $\frac{(\$2856 \times \$7.60)}{\$10.20} = \$2128$

Claiming cents per kilometer = 4672 km x 78c = \$3644.16

Therefore he would claim \$3644

**HE CANNOT CLAIM BOTH WAYS AND IS BOUND BY THE RELEVANT SUBSTANTIATION REQUIREMENTS IF USING THE OTHER METHOD.**

### **REMEMBER:**

If claiming up to the award amount as at 29/10/86, no receipts are necessary and it is NOT included in the substantiation requirements.

If claiming **above** the award then the TOTAL claim must be substantiated.

### **CAR PARKING**

Self-employed persons (non-employees) can claim car parking provided the expense was incurred in the course of producing assessable income.

Employees who use their car for work related purposes are allowed to claim the cost of travel and car parking. **A deduction for car parking is denied when the car is parked for more than 4 hours between 7am and 7pm at or near the employee's principal place of employment.** This rule does not apply to employees using a disabled car sticker. If the taxpayer is provided with a company car, parking can also be claimed provided the above rules are satisfied.

### **REIMBURSEMENT V's ALLOWANCES**

If a taxpayer receives a payment from his employer for actual expenses incurred, the payment is a reimbursement. Generally, if a taxpayer receives a reimbursement, the amount is not required to be included in his assessable income and a deduction is not allowable.

If, however, the motor vehicle expenses are reimbursed by the employer on a cents per kilometer basis, the amount is included as assessable income of the employee. A deduction may be allowable in relation to motor vehicle expense incurred.

If a payment is received from an employer for an estimated expense, the amount received by the employee is considered to be allowance (not reimbursement) and is fully assessable to the employee but deductions may be allowed.

### **ITEM D2 – OTHER TRAVEL EXPENSES** (This is NOT motor vehicle expenses)

These expenses may include meals, accommodation, taxi and airfares attending an interstate or overseas conference, sabbaticals, etc. A travel diary needs to be kept detailing:-

- reason for travel
- where it was, day and approximate time it began
- how long activity lasted and length of stay.

If the travel was part business and part private, only the work-related portion can be claimed.

### **Examples of Travel Claims**

**University study leave** – incurred by university staff on study leave. A deduction will be allowed for travel, accommodation, meals, conference fees, clerical expenses (photocopying) etc

**Teachers** – There have been numerous successful and unsuccessful claims- each case must be noted on its merits. A successful claim was made by a master teacher of art who was allowed all of his expenses. The commissioner took the view that the taxpayer was a master teacher and was expected to be a source center for other teachers and the travel was to widen her knowledge.

An unsuccessful claim was made by a teacher of Italian who attended an advanced Italian course and was disallowed his overseas travel but allowed the actual costs of attending the course. The studies were considered a part of the taxpayer's work – the overseas travel was not.

**Long distance truck drivers** who are required to stay away from home overnight can claim for meals at the Commissioner's rate provided they have spent the money.

### **LONG DISTANCE TRUCK DRIVERS**

#### **Reasonable travel allowance expense claims for employee truck drivers who receive a travel allowance**

Amounts claimed up to the food and drink component **only** of the reasonable domestic daily travel allowance amounts for "other country centers" are considered to be reasonable for meal expenses of **employee** truck drivers who have received **a travel allowance** and who are required to **sleep away from home**. For the 2022-2023 income year the relevant amounts are:

Table 5a: Reasonable amounts for domestic travel expenses – employee truck driver's meals (food and drink)

<b>Breakfast</b>	<b>Lunch</b>	<b>Dinner</b>
\$26.80	\$30.60	\$52.75

Long distance truck drivers in receipt of an allowance may claim for food and drink up to **the reasonable daily travel allowance**. A travel diary is needed to show the number of nights away from home if more than five.

**Example.....**

*Phil is a truck driver who is based in Brisbane. He regularly drives his truck from Brisbane to Maryborough. After unloading the truck he sleeps in the cabin for 5 or 6 hours before returning home. If Phil leaves Brisbane at 3.00 pm and returns home at 9.00 am the next day, it is reasonable for Phil to incur expenses on 2 meals while away- dinner and breakfast. The amount of Phil's allowances is intended to cover at least those meals.*

**No allowance received**

If the employee long distance truck driver does not receive an allowance then full substantiation applies. Owner- drivers must also substantiate all claims.

If away from home for more than 5 nights then a travel diary must be kept as well as written evidence. If away for less than 6 nights then only written evidence of claims need to be kept.

**DOMESTIC TRAVEL**

**Reasonable domestic travel allowance amounts**

**Daily travel allowance expense claims**

A claim for travel expenses by an employee is receipt of a **daily travel allowance** (i.e. where an **employee** sleeps away from home) is considered reasonable if it does not exceed the relevant amounts for the 2022-2023 income year showing in Ruling TD 2022/10. If a deduction is claimed for more than the reasonable amount, the whole claim must be substantiated with **written evidence**, e.g. a diary not just the excess over the reasonable amount. A **travel record** must also be kept if the domestic travel involves being away from the taxpayer's ordinary residence for 6 or more nights in a row.

**Reasonable daily travel allowance amounts**

The reasonable daily travel allowance amounts, according to salary levels and destinations, for the 2022-2023 income year are included in the appendix.

**Example.....**

*Janet travels from her normal work place in Sydney to attend a meeting in Canberra. She leaves Sydney at 5.00 pm on Monday and stays 1 night in Canberra, returning to Sydney at 4.30 pm on Tuesday. It is reasonable to expect Janet to incur the following meal expenses while traveling for work: Monday - dinner, Tuesday - breakfast and lunch. The amount of Janet's allowance covers these meals.*

**NOTE –** If Janet does not receive a travel allowance, all expenses for meals must be substantiated.

Daily travel allowances (DTA) of airline crew members are claimed out at this item. They are not subject to substantiation rules unless claiming over the allowance. Any DTA

amounts that are not deductible will be shown separately.

## **OVERSEAS TRAVEL**

The cost of overseas travel will be allowed for professional persons and academics to attend conferences/conventions and to keep up to date with new developments as opposed to acquiring a new asset such as a degree in a new field.

It seems that for the employee to succeed with their claims it must be an expressed or implied condition of their employment. There must also be a close connection between the trip and an increase of income. It cannot just be a matter of choice; on the chance it may lead to increased prospects of promotion or enhance her ability to earn income.

### **Reasonable overseas travel allowance expense claims**

For overseas travel covered by an allowance, reasonable amounts are determined for food or drink or incidental expenses only. Taxpayers must still obtain **written evidence** for accommodation expenses. A **travel record** must also be kept if the overseas travel involves being away from the taxpayer's ordinary residence for 6 or more nights in a row.

A **travel record** is a record of activities undertaken during the travel. It is not a record of expenses incurred during the travel. The purpose of a **travel record** is to show what activities were undertaken in the course of producing assessable income, so that expenses or portions of those expenses can be attributed to those income-earning activities.

Crew members of international flights need to keep **travel records** (i.e. a record of activities undertaken during the travel). The exception is from keeping **travel records** only. It is not an exception from keeping **written evidence** for travel expenses if required.

The exception from keeping travel records applies if:

- the allowance covers travel by the taxpayer as a crew member of an aircraft; and
- the travel is principally outside Australia; and
- the total of the losses or outgoings claimed for the travel that are covered by the allowance, does not exceed the allowance received.

If an employee, who receives an overseas travel allowance and incurs work-related travel expenses, claims a deduction in excess of the reasonable meal and incidentals amount that are covered by the allowance, the whole claim must be substantiated, not just the excess over the reasonable amount. Written evidence must be obtained for overseas accommodation expenses regardless of whether an overseas travel allowance is received.

## **REASONABLE OVERSEAS TRAVEL ALLOWANCE AMOUNTS**

### **Meal and incidental allowances**

A comprehensive alphabetical list of countries and cities is shown in Table 1 along with a Cost Group for that country or city. The amount for meals and incidentals for each six

cost groups for three different salary levels is show at table 2. If a country does not appear in Table 1 of this schedule then Cost Group 1 should be used.

**NOTE:** These amounts are determined by the Commissioner solely as the amounts that will be accepted for the exception from the requirement to obtain written evidence.

**Examples.....**

***Allowance includes meals and incidentals component***

***An employee travels to Brazil on business for two weeks and is paid a travel allowance of \$300 per day (\$100 for meals and incidentals and \$200 for accommodation). The employee's annual salary is \$82,000. The reasonable daily overseas travel allowance expenses claim is calculated as follows:***

***Table 9 lists Brazil as cost group 3. Using table 6 at a salary of \$82,000 per annum, the reasonable overseas travel allowance amount for three meals and incidental expenses for cost group 3 (i.e. Brazil) is AU \$165 (\$130 for 3 meals and \$35 for incidentals)***

***The employee claims a deduction for meals and incidentals expenses actually incurred of \$125 per day. As the employee is claiming a deduction that is less than the reasonable amount of AU \$215 per day, the employee does not need to keep written evidence to substantiate expenditure on meals and incidental expenses. The employee is required however, to maintain a travel record and to keep receipts or other documentary evidence to substantiate accommodation expenses.***

**Allowances without an identified component for meals and incidentals**

An employee travels overseas on business for 4 days and is paid a travel allowance of \$300 per day for meals, incidentals and accommodation. The employee's annual salary is \$33,000. The employee travels to a country in Europe that is not listed in Table 9. Cost group 1 is used for the reasonable overseas travel allowance amount for a country not listed in Table 9 and the reasonable amount is a follows:

At a salary of \$33,000 per annum the reasonable overseas travel allowance amount for Cost group 1 is \$60 for 3 meals and \$25 for incidental expenses (See Table 6).

The travel allowance paid to the employee does not specify an amount for each of the components of the allowance, but covers meals and incidental expenses. The employee is entitled to claim up to \$85 per day for expenses incurred on three meals and incidentals with out substantiation provided he has incurred deductible meals and incidental expenses at least equal to \$85. Written Evidence Is Required to substantiate any accommodation costs claimed.

**TRAVEL EXPENSE SUBSTANTIATION**

**Allowance received**

Provided some allowance is received the level of expenditure able to be claimed is determined by the reasonable limits and not the amount of allowance provided expenses have been incurred. A travel diary is needed for substantiation where travel exceeds 6 nights away from home. Accommodation, however, needs to be substantiated by written evidence. Please note claims must be converted back to AU\$.

The rates are based on Taxation Determination TD 2009/15.

### **Allowance not received**

As well as keeping receipts for all expenses, a travel diary detailing activities must also be kept. The diary must show dates, places, times and duration of activities and travel.

For a self-employed person it seems that, in practice, claims may be more likely to be allowed. Expenses incurred prior to the commencement of business activities will not be deductible.

### **Apportionment of travel**

The Commissioner takes the view that if the private purpose of the trip is incidental then there is no apportionment of the trip. For example, if a lecturer attends a conference for 5 days and does some sight seeing at night then the private purpose is incidental and no apportionment is necessary.

However, if there are two distinct purposes of the travel then the claims will have to be apportioned. The apportionment varies depending on each case.

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### **TRAVEL EXPENSE RECORDS**

<b>TRAVEL</b>	<b>DOMESTIC WRITTEN evidence</b>	<b>Travel diary</b>	<b>OVERSEAS WRITTEN evidence</b>	<b>Travel diary</b>
Where a travel allowance is not received:				
- travel less than 6 nights	YES	NO	YES	NO
- travel 6 or more nights in a row	YES	YES	YES	YES
Where a travel allowance is received and the claim does not exceed the reasonable allowance amount:				
- travel less than 6 nights in a row	NO	NO	NO*	NO
- travel 6 or more night in a row	NO	YES	NO*	YES**
Where a travel allowance is received and				

the claim exceeds the reasonable allowance amount:

- travel less than 6 nights in a row	YES	NO	YES	NO
- travel 6 or more night in a row	YES	YES	YES	YES**

A travel dairy is a document that shows details of the taxpayer's activities. It must show the dates, places, times and duration of their activities and travel.

\* Written evidence is required for overseas accommodation expenses – regardless of the length of the trip.

\*\* Members of international air crews do not need to keep a travel diary if they limit their claim to the amount of the allowance received.

**NOTE** – The taxpayer must have written evidence for the whole of their claim, not just the excess over the reasonable amount.

**REMEMBER:**

Expenses for motor vehicles (with a capacity of under 1 tonne or less than 9 passengers) are claimed at Item D1 and must be coded.

Expenses to be claimed at Item D2 include – Motor Vehicles over 1 tonne, or with a carrying capacity of 9 or more passengers, motor cycles, taxi fares, award travel, overseas and domestic travel, DTA, parking and tolls.

**The receipt of any allowance does not automatically entitle the taxpayer to a deduction.**

**Deductions**

**D1 Work-related car expenses** **A**  **S**

**D2 Work-related travel expenses** **B**

**D3 Work-related clothing, laundry and dry cleaning expenses** **C**  **C**

**D4 Work-related self-education expenses** **D**

**D5 Other work-related expenses** **E**

**D6 Low value pool deduction** **K**

**D7 Interest deductions** **I**

**D8 Dividend deductions** **H**

**D9 Gifts or donations** **J**

**D10 Cost of managing tax affairs** **N**

Interest charged by the ATO **L**

Litigation costs **M**

Other expenses incurred in managing your tax affairs

Goto (F2)

## Deductions Schedule 2020

01/07/2019 to 30/06/2020

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**D1 Work-related car expenses**

**Cents per km method**

Make and model  Business kms travelled

**Logbook method**

Make and model	Business %	Gross Depreciation	Gross amount excl. depreciation
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

D1 total (includes c/km amount & business % for logbook method)

---

**D2 Work-related travel expenses**

Description	Amount
<input type="text" value="Parking at conference"/>	<input type="text" value="52.98"/>
<input type="text" value="Air ticket to conference"/>	<input type="text" value="398.00"/>
<input type="text" value="Hotel 2nights for conference"/>	<input type="text" value="220.00"/>
Deductions from depreciation worksheets	<input type="text"/>
Deductions from motor vehicle worksheets (mve)	<input type="text"/>

## **ITEM D3 – WORK RELATED UNIFORM, CLOTHING, LAUNDRY**

Work Related Clothing requires the following codes:-

- P Protective Clothing
- C Compulsory Clothing
- N Non-compulsory Clothing
- S Occupation Specific

A deduction is not allowable for clothing unless it is one of the following:-

### **PROTECTIVE CLOTHING**

Protective clothing, as defined in the Act and highlighted in recent rulings, means clothing of a kind that protects the wearer from the risk of personal injury, death or disease and damage to other clothing in performing their duties. These must be in addition to conventional work clothes.

#### **Clothing that protects a person from injury includes:**

- safety or steel cap boots
- safety helmets
- protective gloves
- fire resistant clothing
- sun protective clothing including sun hats

#### **Clothing that protects conventional clothes includes:**

- overalls
- dust jackets
- aprons
- white coats of the kind worn by dentists and laboratory technicians.

#### **Protective clothing allowed under harsh conditions (cases V79 & Morris)**

- thermal underwear
- harsh conditions wet weather gear and high visibility clothing (HIVIZ)

### **What is not protective clothing?**

Protective clothing does not include:

- jeans, drill trousers, drill shirts and other heavy duty conventional clothing
- commonly worn wet weather gear

### **Protective equipment/products**

The cost of protective equipment/products is deductible if their use is directly linked to the particular conditions of the taxpayer's work – but not if they merely provide protection

from the natural environment.

The taxpayer can claim a deduction for protective equipment such as:

- safety glasses
- goggles
- breathing masks

### **OCCUPATION SPECIFIC (and not conventional)**

Occupation specific clothing:

- is specific to the taxpayer's occupation
- is not conventional in nature, and
- allows members of the public to easily recognize the taxpayer's occupation.

Examples of occupation specific clothing are:

- a chef's checked pants
- security guards uniform
- a nurse's uniform (including cardigans and vests)
- cleric's robes
- a judge's robe, and
- a barrister's silk robe and wig.

### **What is not occupation specific clothing?**

Clothing that could be worn in a number of occupations is not occupation specific clothing. It does not include stockings, socks or underwear.

#### **Example.....**

*A person who wears a white coat and white trousers may be identified as a health worker but it is generally not possible to determine whether the person is (for example) a dentist or a laboratory technician. Therefore, it is not possible to say that the clothing is specific to their particular occupation. However, a deduction for the cost of some of these items, such as white coat, may be allowable to a dentist or a laboratory technician as protective clothing.*

Occupation specific clothing distinctly identifies the employee as belonging to a particular profession, trade, vocation, occupation or calling.

### **COMPULSORY WORK UNIFORM / CORPORATE WARDROBE**

A work uniform/corporate wardrobe is compulsory when the employer strictly enforces a policy that requires the taxpayer to wear a set, or single item, of clothing that identifies them as an employee of a particular organization.

Sets of clothing, eg Defence Force Members and Police Officers, single items of clothing, shoes, socks, belts and stockings may be included in a compulsory work uniform/corporate wardrobe.

## **Claiming sets and single items of clothing**

A deduction can only be claimed for the cost of a set, or a single item, of clothing as a compulsory work uniform/corporate wardrobe if it is:

- distinctive
- not available to be worn by the general public, and
- an employer strictly enforces a policy that the employee wear it at work.

A deduction can be claimed for a set of distinctive clothing, such as trousers (or skirt), shirt (or blouse) and jacket if, when worn together, they identify the taxpayer as an employee of a particular organization.

A deduction can be claimed for a single item or clothing, such as a jumper, that has the employer's logo embroidered on it.

## **Claiming shoes, socks, belts and stockings**

A deduction can only be claimed for the cost of shoes, socks, belts and stockings if they:

- are an essential part of a distinctive compulsory uniform/corporate wardrobe, and
- have the characteristics such as color, style and type specified in the employer's uniform/corporate wardrobe policy.
- are part of an enforceable dress code.

## **NON-COMPULSORY WORK RELATED UNIFORM/CORPORATE WARDROBE**

A work uniform/corporate wardrobe is non-compulsory where an employer does not strictly enforce the wearing of this clothing at work. This usually means that the taxpayer (not the employer) decides whether or not to wear particular types of clothing.

### **Important requirement**

A deduction can be claimed for a non-compulsory work uniform/corporate wardrobe if the employer has registered the design with:

Aus Industry  
Corporate Wear Section  
Department of Industry, Science and Resources

The employer will supply a letter to their employees advising them about the registration of the work uniform.

**Shoes, socks and stockings can never form a part of non-compulsory uniform.**

## **FOOTWEAR**

The ATO takes the view that no current manufacturing company makes footwear SPECIFICALLY for any occupation. For a claim to be allowed the taxpayer MUST show that the footwear either:-

- a) forms part of a compulsory uniform (as discussed above) or
- b) fulfills a protective role (reducing the serious risk of injury that is likely to be experienced whilst performing normal duties eg nurse's non slip shoes).

Conventional clothing is 'everyday' clothing that would ordinarily be worn, or could reasonably be worn, irrespective of whether the wearer is working or not. For example, a pair of jeans and a shirt could be worn at the workplace or as ordinary casual wear.

A deduction cannot be claimed for conventional clothing simply because it is not important to the taxpayer's occupation or profession. For example, a manager's suit is conventional clothing even if the manager is the only person in the workplace who wears a suit.

### **Claiming conventional clothing as a uniform -**

A deduction cannot be claimed for conventional clothing that forms part of a uniform even if an employer requires it to be worn.

Examples of this type of clothing are:

- Sports teachers for the cost of tracksuits and sports clothes
- Senior public servants for a dinner suit to attend formal black tie functions as expected by his department.
- Solicitor denied the cost of a suit bought solely for the purpose of appearing in court.
- The cost of dinner suit for members of the orchestra are conventional clothing and not deductible.
- A waiter's black trousers (or skirt) and white shirt.
- An employer's brand name conventional clothing, such as a T-shirt, that a sales assistant has to wear as a condition of employment.

### **Conventional heavy duty clothing worn for protection**

The cost of heavy duty clothing, such as jeans, drill trousers and drill shirts, is private expenditure that is not deductible, unless the clothing is worn to help prevent injury at work eg woolen outer garments worn by blast furnace operators.

Clothing of this kind is widely worn in the community. It does not have a distinct or direct link with any particular occupation. Clothing of this kind retains its conventional nature even if it is not worn outside the workplace.

#### **Example.....**

***A station hand has a range of duties that includes mustering on horseback and motorbike, cattle dipping and fencing. She purchases heavy-duty jeans from a country store to wear as protection from chafing, burns, chemicals and barbed wire. The jeans are only worn at work. The cost of the jeans is not deductible. Although they provide some protection, they are not considered to be protective clothing as such.***

### **Conventional clothing – special circumstances**

A deduction for conventional clothing can be claimed where there is a significant

connection between the expenditure on the clothes and the taxpayer's income producing activities.

Examples of situations where conventional clothing can be claimed are:

- A professional actor buys clothing to wear on stage as a costume in a particular production.
- A police officer is required to wear clothing of a kind he does not normally wear. For example, where he poses as a criminal as part of undercover law enforcement activities
- A television game show host buys evening and formal wear to complement the sets and prizes when the show is taped in the studio once a week.

**The fact that conventional clothing is damaged at work does not necessarily make the repair or replacement of the garment a deduction.**

**Example.....**

*Rachel stains her floral dress with hair dye while coloring a client's hair. A deduction is not allowed for the replacement dress. She should have worn a protective apron.*

**MAINTENANCE OF PROTECTIVE CLOTHING AND UNIFORMS**

Cost of maintaining, cleaning and hiring these items are deductible if the clothing itself is allowable. This would include dry cleaning, repairs and alterations.

**LAUNDRY**

**Claiming laundry and dry cleaning expenses**

A deduction can be claimed for the cost of washing (cleaning), drying or ironing uniforms, corporate wardrobes, protective clothing, occupation specific clothing etc (eligible work clothes) as laundry expenses.

**Calculating laundry expenses**

The method used to calculate laundry expense will depend on how the eligible work clothes are laundered (cleaned).

The following table lists some possible means of laundering (cleaning) and appropriate methods of calculating expenses.

<b>Means of laundering (cleaning)</b>	<b>Method of calculating expenses</b>
At home	Commissioner's estimate
Laundromat	Commissioner's estimate or Total of actual expenses incurred
Dry cleaning	Total of actual expenses incurred

If a different method is chosen to calculate the claim, an explanation of the basis of the calculation may be required.

**Commissioner's estimate**

The Commissioner's estimate of laundry expenses provides the following basis for working out a laundry claim.

<b>If the load is made up of...</b>	<b>Then the claim can be...</b>
Eligible work clothes only	\$1 per load
Eligible work clothes and other laundry items	50 cents per load

**Note:** The amount per load includes the cost of washing, drying and ironing.

If the Commissioner's estimate is used as the basis of the claim, the following details should be kept:

- number of times the clothes were washed during the year, and
- the type of clothes (work related, private or both) that were included in each load.

**Substantiating laundry expenses**

**Laundry expenses less than \$150**

There is no need for written evidence of laundry expenses where:

- the total amount of laundry expenses is \$150 or less, and
- the Commissioner's estimate of laundry expenses is used to calculate the claim.

**DO NOT CLAIM \$150 FOR LAUNDRY. MAXIMUM OF \$140.**

**Example.....**

*Joe works as a mechanic. He purchased protective overalls that cost \$90 and incurred a total cost of \$96 for laundry expenses.*

*evidence to verify his claim. However, he should keep appropriate records to show how he worked out his claim.*

**Laundry expenses more than \$150**

When laundry expenses are more than \$150, written evidence of all laundry expenses may be required. The following table shows when written evidence of laundry expenses is required.

<b>If laundry expenses are over \$150 and total work expenses are .....</b>	<b>Then written evidence of...</b>
Less than \$300	Laundry expenses is not required
More than \$300	All expenses, including laundry expenses, must be kept.

**Examples.....**

*Melinda works as a plumber. She purchased protective overalls for \$40. Her laundry expenses totaled \$240 (care should be taken to ensure that the ATO formula is not used when exceeding \$150). Although Melinda's laundry expenses are more than \$150, she will not need to provide written evidence because her total work expenses of \$280, including laundry expenses, do not exceed \$300.*

*Lisa works as a nurse. She wants to claim a deduction for the cost of laundering her nurse's uniform \$170 and other work expenses of \$250. Lisa's total work expenses (\$420) are more than \$300, therefore, she must keep evidence of all the work expenses, (including laundry expenses) she incurred.*

**Dry cleaning expenses**

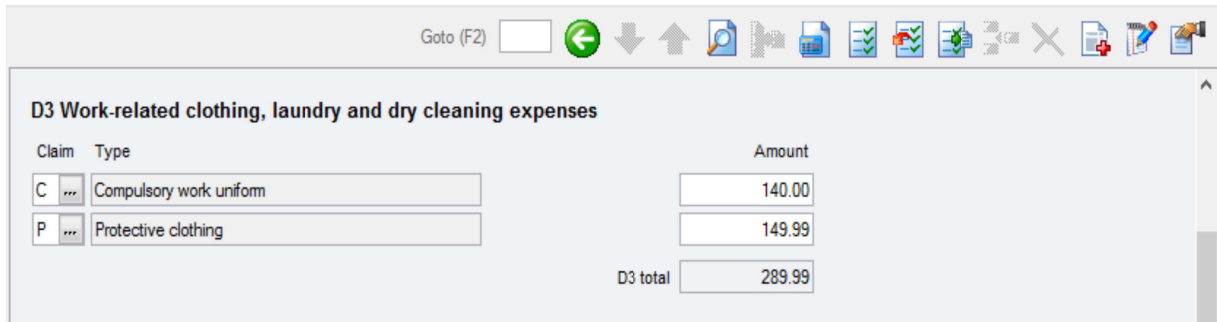
A deduction can be claimed for the amount of dry cleaning expenses that are incurred.

**Remember** – If the total work expenses are more than \$300, and the laundry expenses are more than \$150, written evidence is required to show how the total claim is calculated.

**Acceptable written evidence**

The following forms of written evidence are acceptable for record keeping purposes:

- diary entries - (but only in circumstances where each expense is \$10 or less and the total of all such expenses is \$200 or less)
- undocumentable expenses e.g. coin operated Laundromat and cash shortages.
- Receipts that show what was purchased, when it was purchased, how much it cost, where the goods or services came from and the date the relevant document was created.



The screenshot shows a software interface with a toolbar at the top containing icons for navigation and editing. Below the toolbar is a table titled "D3 Work-related clothing, laundry and dry cleaning expenses". The table has three columns: "Claim", "Type", and "Amount".

Claim	Type	Amount
C	Compulsory work uniform	140.00
P	Protective clothing	149.99
D3 total		289.99

## **ITEM D4 – WORK RELATED SELF EDUCATION**

Self-education expenses are expenses that relate to a course of education provided by a:

- school
- college
- university, or
- other place of education.

The course must be undertaken to gain a formal qualification for use in carrying on a profession, business or trade in the course of employment.

If the taxpayer is a part-time or full time student, the cost of self-education may be able to be claimed if one of the following best describes their self-education:

- At the time the expense was incurred, there was a direct connection (nexus) between the self-education and their current work activities that enabled them to maintain or improve the skill(s) or specific knowledge upon which their income earning activities are based.
- There is a direct connection between the self-education and their current work activities because they can show that the study leads to, or is likely to lead to, increased income from their current work activities.
- Other circumstances exist where there is a direct connection between their self-education and current work activities.

A deduction will **not** be allowed for self-education where the study undertaken is to obtain a new job or to open up a new business or income earning activity. This includes studies relating to a particular profession, occupation or field of employment which the taxpayer is not currently working in.

These expenses are incurred at a point that is too soon to be regarded as being incurred in gaining or producing assessable income.

### **Examples.....**

***Sharon is a clerk in the public services who is currently studying gourmet cooking part-time in order to become a chef. Sharon cannot claim any self-education expenses, as there is no direct connection between the expense and her current income source.***

### **Expenses relating to self-education (not exhaustive)**

- Student union
- Course fees (e.g. TAFE)
- Text books
- Stationery/photocopying
- Home office expenses for a room set aside for work related study purposes, running costs expenses such as heating/cooling and lighting expenses e.g. Electricity.
- Interest on borrowing to purchase a computer or pay for fees.
- Depreciation e.g. Computers, filing cabinets, desks, chairs, lights, etc

- Ink cartridges for printers
- Secretarial expenses e.g. Typing of assignments
- Travel – see flow chart on the following page
- Software relating to study
- Accommodation and meals expenses if they are away from home overnight in connection with work related study activities
- Internet access

### **Establishing a new home**

The cost of all accommodation and meals may be claimed if the taxpayer still maintains a home.

#### **Examples.....**

*Stephanie lives with her parents in the country and attended the police academy in the city. Stephanie returned home each weekend for the 6months duration of the course. She pays for accommodation and meals at the academy. The relatively short stay in the city and frequency of her return visits to her parental home indicate that Stephanie has not established a new home in the city. Therefore the claims are allowed.*

*Pete moves to the city to undertake a course of study for 2 years in connection to his occupation. He rents a unit in the city, returning to his parental home occasionally. The length of stay and the infrequency to the visits indicate that Pete has established a new home. Therefore the claims are not allowed.*

Trade Apprentices – may make claims under self-education including the cost of traveling to the technical places of education.

### **Apportioning claims**

If the taxpayer did not use their computer solely for self-education purposes, the claim will need to be apportioned. This means they divide the amount between private use and work related self-education related use.

#### **Example.....**

*If Gemma uses her computer 40% of the time for deductible self-education and 60% of the time for private purposes, she can only claim 40% of the total amount.*

## Travel Expenses

HOME	<b>YES</b> >>>>>	PLACE OF EDUCATION	<b>YES</b> >>>>>	HOME
HOME	<b>YES</b> >>>>>	PLACE OF EDUCATION	<b>NO</b> >>>>>	WORK
WORK	<b>YES</b> >>>>>	PLACE OF EDUCATION	<b>NO</b> >>>>>	HOME
WORK	<b>YES</b> >>>>>	PLACE OF EDUCATION	<b>YES</b> >>>>>	WORK

## Overseas Travel

A deduction can be claimed for airfares incurred as part of self-education expenses when attending:

- overseas study tours
- sabbaticals
- work related conferences or seminars, or
- an educational institution.

## The following self-education expenses CANNOT be claimed:

- HELP – Higher Education Loan Program (formerly HECS) payments
- Financial Supplement Loan repayments
- Open Learning Agency of Australia basic charges.

If the course is a unit of study as a fee-paying (non-Commonwealth supported) student.....

- the student must pay full tuition fees for their studies
- the Commonwealth does **not** contribute towards the cost of their education

(the student may be eligible for a FEE-HELP loan to help pay their tuition fees.)

If a loan is taken out under FEE-HELP (formerly (PELS) or (BOTPLS)) for part or all of the course fees, a deduction cannot be claimed for the loan repayments.

However, a deduction may be claimed for **course fees** if there is a direct connection between their self-education and work activities at the time that the expense was incurred.

A deduction **cannot** be claimed for occupancy expenses such as mortgage interest, rent,

house insurance, council and water rates, or repairs.

### **Meals**

The cost of meals is generally a private and non-claimable expense. However, the cost of meals may be claimed during an absence if:

- the taxpayer participates in self-education directly connected to their current work, **and .....**
- that self-education requires them to be temporarily absent from home for one or more nights.

If they change employment, the connection may no longer exist.

### **Example.....**

*Tim is working as a solicitor and undertaking a Master of Law degree part-time. He borrowed \$10,000, repayable over 3 years to pay his tuition fees. He incurs \$1,000 interest in each year.*

*At the end of the second year, Tim ceases employment as a solicitor and starts working as a graphic artist. Tim will no longer be able to claim a deduction for the interest on his self-education loan, as the connection between his job and the study he undertook no longer exists.*

### **Reducing self-education expenses for previous years tax returns**

**Please note** this self-education expense threshold is removed and no longer applies to the 2022-2023 financial year but it is still applicable for past tax returns.

Self-education expenses incurred in connection with a course of education provided by an educational institution to gain qualifications for use in a profession, business, trade or employment may need to be reduced by up to \$250 in some circumstances.

Whether or not the claim is to be reduced by \$250 depends on the category of the expenses.

To calculate the claim the expenses need to be classified into the categories listed in the following table.

### **There are 5 categories of expenses that relate to self-education**

- Category A – consists of general deductible expenses e.g. Student union, textbooks, stationery, car expenses (logbooks or 1/3 methods) etc.
- Category B – consists of depreciation
- Category C – consists of repairs to equipment
- Category D – consists of car expenses (cents/km and 12% method)
- Category E – consists of non-deductible travel (that leg of the travel, which is not deductible under normal rules), childcare (to the extent that they relate to the education), capital costs of equipment (computers, filing cabinets, etc).

## Calculating claim reductions

If the taxpayer..	Then....
Does not have any category A expenses	The claim is not reduced. Add together any category B, C and D amounts to determine the claim for self-education expenses.
Has only category A expenses of \$250 or more	Reduce the category A amount by \$250 and claim the excess amount as a self-education expense on their tax return.
Has only category A expenses under \$250	No self-education expenses are able to be claimed.
Has category A expenses and category C, D and E expenses of \$250 or more	Then claim is not reduced. Add together any category A, B, C and D amounts to determine what can be claimed as self-education expense.
Has category A expenses and category C, D and E expenses under \$250	Subtract the total C, D, and E amount from \$250 (the amended claim reduction amount). Subtract the amended claim reduction amount from the category A amount (reduced category A amount). Add the total B, C and D amount to the reduced category A amount.

### Example.....

*Debra studies part-time at a university and the course was directly related to her current employment. She traveled by bus from her work to university.*

*Debra has:*

- *Category A expenses of \$750, and*
- *Category C expenses of \$70.*

*Debra used the following procedure to calculate the amount she could claim.*

*Subtract the total C, D and E amount from \$250*  
*= \$250- \$70*  
*= \$180 (amended claim reduction amount)*

*Subtract the amended claim reduction amount from the category A amount*  
*= \$750- \$180*  
*= \$570 (reduced category A amount)*

*Add, the total B, C and D amount to the reduced category A amount*  
*= \$70 + \$570*  
*= \$640*



Goto (F2)

Total:

**Ancilliary expenses not deductible** 4

**E - Non-deductible expenses**

Description	Amount
<input type="text" value="Laptop Purchase"/>	<input type="text" value="1500.00"/>
<b>Total:</b>	<input type="text" value="1500.00"/>

Total of all expenses	<input type="text" value="2225.95"/>
Less s82A reduction	<input type="text" value="250"/>
Maximum claim allowed for s8(1) deductions	<input type="text" value="1975.95"/>
<hr/>	
s8(1) deductions allowed	<input type="text" value="700.95"/>
Deductions allowed under other provisions of the act	<input type="text" value="25.00"/>
<hr/>	
<b>B - Decline in value</b>	
Deductions from depreciation worksheet	
Description	Amount
<input type="text"/>	<input type="text"/>
Deductions from motor vehicle worksheet (mve)	
<input type="text"/>	<input type="text"/>
Total Self-education expenses	<input type="text" value="725.95"/>

- Self-education Reason – Choose the most relevant code
- A - Other – Enter per client receipts
- C - Repairs – Enter per client receipts
- E - Non-deductible expenses – Enter per client receipts
- Motor Vehicle – Enter at D1 and link schedule to D3

## **PRACTICE 3.6**

Calculate the following self-education claims -

### **Case 1**

- Student union \$200.00
- Text books \$250.00
- Stationery/photocopying \$50.00
- Bus fares \$150.00
- HECS-HELP \$1,500.00

### **Case 2**

- Student union \$200.00
- Text books \$380.00
- Stationery \$25.00
- Travel (cents per KM) \$155.00

### **Case 3 – expenses total \$1585**

- Text books \$600.00
- Travel (log book) \$250.00
- Stationery/photocopying \$100.00
- Depreciation claim 2020 \$575.00 (computer bought during the year)
- Internet (access time) \$60.00
- Capital cost of computer \$2,500.00

## **ITEM D5 – OTHER WORK RELATED EXPENSES**

### **TRADE UNION ASSOCIATIONS**

Deductions claimed for periodical subscriptions to trade union, business or professional associations are allowable in full if related to employment. Where the subscriptions to an organization are not work related, e.g. where the taxpayer is in retirement, then the claim falls for consideration under a separate Section of the Act.

Under this section, non-work related union dues and other periodical subscriptions to any trade, business or professional associations are deductible up to a limit of \$42 per association per annum.

### **REPLACEMENT TOOLS**

Expenditure in replacing, repairing, sharpening and insuring tools of trade are deductible. Where the replacement tool costs over \$300 the item will be depreciated. The initial purchase of a tool kit will usually be seen as a capital cost but may be depreciated. (Depreciation discussed in Chapter 3A).

### **SUN PROTECTION**

The purchase and use of these items of work -

- sunscreen lotion
- sunhat (Claimed at D3)
- sunglasses, including prescription sunglasses

Some examples of where people work in the sun for sustained periods for all or part of the day:

- building and construction
- delivery and courier services
- farming, agriculture and horticulture
- fishing
- forestry and logging
- landscaping and gardening services
- open-air minerals, oil and gas exploration and extraction
- outdoor sports
- other outdoor services
- traveling sales persons, truck drivers and taxi drivers

### **CASH SHORTAGES**

A taxpayer who is in a position of handling money and is required to make up a shortfall or deficiency will be allowed a deduction for the full amount of the cash shortage (a diary entry in support of the claim must be held).

## **FITNESS EXPENSES**

Where a very high level fitness is necessary to gain assessable income then the cost may be allowable. A professional dancer was allowed the cost of massage treatment to keep her in good shape and injury free. A professional footballer was allowed cost of squash fees, as it was part of his training program set by his coach.

A police officer in the Tactical Response Group is required by regulations to remain in a fit physical condition. He will be denied a deduction unless strenuous physical activity is an essential element in the performance of his duties – e.g. he is a physical training officer at the academy or a member of the tactical response unit. The cost of gym fees would be allowable and cost of gym shoes and tracksuits is also allowable to certain Police and Defence Force Personnel.

## **INTEREST**

Interest on a loan taken out to purchase work equipment may be claimed to the extent of business usage. This is common for the purchase of computers, motor vehicles and tools.

## **HOME OFFICE**

There are three ways of calculating home office expenses depending on your circumstances. The methods are the:

- [Shortcut method](#) – (80 cents) – only available from 1 March 2020 to 30 June 2022
- [Fixed rate method](#) – (52 cents) – only available for 2022 and previous year
- [Revised fixed rate method](#) - (67 cents) – available 2023 onward
- [Actual cost method](#)

## **SHORTCUT METHOD (COVID RATE):**

The shortcut method simplifies how you calculate your deduction for working from home. Using this method, you can claim 80 cents per hour for each hour you work from home.

This method is temporary and can only be used to work out your work from home deduction:

- between 1 March to 30 June 2020 in the 2019–20 income year
- for the 2020–21 income year.

All employees who work from home during these dates can use this method if you:

- are working from home to fulfil your employment duties, not just carrying out minimal tasks such as occasionally checking emails or taking calls
- have incurred additional running expenses as a result of working from home.

The shortcut method covers all your working from home expenses, such as:

- phone expenses

- internet expenses
- the decline in value of equipment and furniture
- electricity and gas for heating, cooling and lighting.

If you use this method, **you can't claim any other expenses for working from home.**

You don't need to have a dedicated work area to use this method. However, you must keep a record of the number of hours you have worked from home. This could be a timesheet, roster, a diary or documents that set out the hours you worked from home.

### **FIXED RATE METHOD (2019 – 2022 TAX RETURNS):**

You can claim a deduction for additional running expenses you incur when you work from home. The fixed rate is 52 cents for each hour you work from home. The rate covers the additional running expenses you incur for:

- the decline in value of home office furniture and furnishings – for example, a desk
- electricity and gas for heating, cooling and lighting
- the cost of repairs to your home office equipment, furniture and furnishings.

To claim using this method, you must keep records of either:

- your actual hours spent working at home for the year
- a diary for a representative four-week period to show your usual pattern of working at home.

You can apply the four-week representative period across the remainder of the year to determine your full deduction amount. However, if your work pattern changes you will need to create a new record.

**To use this method:** you need to have a dedicated work area, such as a home office when you work from home.

This method doesn't include the following, so you will need to separately calculate your work-related use for:

- phone expenses
- internet expenses
- computer consumables and stationery – such as ink
- decline in value of equipment – such as phones, computers and laptops.

To claim the work-related portion of these expenses you must have records such as:

- receipts or other written evidence that shows the amount spent on expenses and depreciating assets you purchased
- phone accounts identifying your work-related calls and private calls to work out your percentage of work-related use for a representative period
- a diary that shows
  - a representative four-week period of your usual pattern of working at home
  - any small expenses (\$10 or less) that you can't get a receipt for totaling no more than \$200

- your work-related internet use
- the percentage of the year you used depreciating assets exclusively for work.

### **REVISED FIXED RATE METHOD:**

Similar to the fixed rate method the revised fixed rate is an updated method that takes effect from 1 July 2022. The revised rate is 67 cents for each hour you work from home. The revised rate covers different running expenses for working from home. They include:

- Home & mobile phone expenses
- Internet & data expenses
- computer consumables and stationery – such as ink
- Electricity and gas for heating, cooling and lighting

To claim using this method, you must keep records of the following:

- a representative record or actual hours worked from home during the period from 1 July 2022 to 28 February 2023.
- a record of the actual hours worked from home for the period 1 March 2023 to 30 June 2023.

**To use this method:** you *don't* need to have a dedicated work area, such as a home office when you work from home.

This method doesn't include the following, so you will need to separately calculate your work-related use for:

- Decline in value of furniture & equipment – such as computers, desk and bookshelves.
- Occupancy & cleaning expenses – (only in circumstances where you have a dedicated home office) – such as mortgage interest or rent

### **ACTUAL COST METHOD:**

You can claim a deduction for additional running expenses you incur when you work from home. Using the actual expenses method, you work out your deduction from actual costs you incur as a result of working from home. This may include the following expenses:

- electricity and gas for cooling, heating and lighting
- the decline in value of home office furniture (desk, chair) and furnishings,
- the decline in value of phones, computers, laptops or similar devices
- phone expenses
- internet expenses
- cleaning (if you use a dedicated area for working)
- computer consumables and stationery – such as ink

If you don't have a dedicated work area, such as a home office, you will generally only incur minimal additional running expenses. For example, if the area you use for work is a

common area of the home such as a lounge room and that area is being used by other members of your household for another purpose (such as, family members watching television) at the same time you're working, you won't be incurring any additional costs for lighting, heating or cooling as a result of working in that room.

To work out the work-related portion of your actual expenses you must have records. You can either keep:

- a record of the number of actual hours you work from home during the income year
- a diary for a representative four-week period to show your usual pattern of working at home
- work out the decline in value of depreciating assets and
  - keep receipts showing the amount you spent on the assets
  - show the percentage of the year you used those depreciating assets exclusively for work – you can claim for the portion of the decline in value that reflects your work-related use of the depreciating assets
- work out the cost of your cleaning expenses (if you have a dedicated work area) – for example, a room set up as a home office, by adding together your receipts and multiplying it by the floor area of your dedicated work area (floor area of the dedicated work area divided by the whole area of the house as a percentage) – your claim should be apportioned for any
  - private use of your home office
  - use of the home office by other family members
- work out the cost of your heating, cooling and lighting by working out the following
  - the cost per unit of power used – refer to your utility bill for this information
  - the average units used per hour – this is the power consumption per kilowatt hour for each appliance, equipment or light used
  - the total annual hours used for work-related purposes – refer to your record of hours worked or your diary for this information
- work out the cost of your phone or internet plan expenses – where you receive an itemised bill, you need to determine your percentage of work use over a four-week representative period. See [Claiming mobile phone, internet and home phone expenses](#).
- work out the cost of computer consumables and stationery by keeping receipts for the items purchased.

You must take into account other members of your household when you work out your expenses. If a member of your household is using the same area of the house or the same service when you're working, you must apportion your expenses accordingly.

To claim a deduction for an asset that cost \$300 or more, you need to calculate the decline in value for both the period you:

- owned the assets during the income year
- used the assets for work-related purposes.

You can use the depreciation and capital allowances tool to calculate your deduction for the decline in value of equipment, furniture and furnishings that cost more than \$300, use the depreciation and capital allowances tool to work this out.

### **A) STUDY**

A taxpayer maintains a room in his house, and he engages in income-productive work. He is able to claim for a reasonable amount of running expenses. These included heating, cooling, lighting and wear and tear of office furniture. A diary must be kept for a month to establish pattern of usage.

This type of expense is often claimed by teachers who do marking at home. Office equipment may also be claimed or depreciated e.g. computers, filing cabinets, bookcases, etc. However a claim for rent, rates or house insurance is not allowed.

If this claim is work related it is entered at item D5 and if it is related to self-education it is entered at item D4.

### **B) PLACE OF BUSINESS (but not for Personal Services Income)**

Where a taxpayer carries on part or all of his business at home, he may be entitled to deductions for some portion of his outgoings on his home. A wider range of deductions can be claimed where the home is used as a place of business in the sense that the taxpayer actually carries on a business or profession from home.

#### **Examples**

- An architect who has his private practice at his home.
- A music teacher who conducts lessons at home.
- A full-time scriptwriter who conducts writing activities from home.
- A clergyman who has set aside a room in his home as an administration center and used for discussing problems with parishioners.
- A sales representative who is required to maintain an office in his own home to carry out his work duties.
- A computer consultant who works from home with his modem, fax and phone.
- A tradesman with his workshop at his home.

In such cases, the office, workshop, etc is simple treated as the taxpayer's place of business and he can therefore claim deductions for the following items:

- Interest (on home loan)
- Rent
- House Insurance
- Rates

### **THESE DEDUCTIONS ARE CALCULATED ON A FLOOR AREA BASIS.**

**NOTE:** The cost of electricity, cooling and heating will also be allowed as well as the cost of repairs to and cleaning the business area. Office furniture may also be claimed.

**Running a business from home for the purpose of producing assessable income will adversely affect a claim for total exemption from capital gains tax on the sale of the home.**

## **TELEPHONE**

The cost of installing a telephone at home, which is used for business, is generally treated as a non-deductible capital expense. A proportion of the cost of telephone rental will be allowable to employees who....

- (1) are required as part of their employment to be on 24 hour call OR
- (2) are required to phone their employer on a regular basis. Employees category (2) may also claim the cost of outward calls. The deductible percentage would depend on the degree of business usage. This can be substantiated by either an itemized account or diary entries (kept for one month every five years).

A deduction is **not** allowable for the cost of obtaining a silent number.

## **ANSWER MACHINES, PAGERS, MOBILE PHONES, FAXES**

Cost of renting, purchasing and leasing these items can be claimed as a deduction if relevant to earning assessable income. The claim should be pro-rated for private use and substantiate by either account or diary (If purchased and the price is over \$300, the item must be depreciated – discussed in Chapter 3A).

## **COMPUTERS**

The cost of buying and using a computer is often an integral part of self-education or work deductions. The original cost of the computer will be depreciated (this will be discussed in later chapter). The cost of computer disks, paper, repairs, etc can also be claimed. Computer software is either written off if less than \$300 or depreciated at 40% Prime Cost if more than \$300 (Prime Cost discussed in Chapter 3A).

**Where a computer is used part business/part private a log-book should be kept for a month to establish business percentage. Interest on money borrowed to purchase a computer is also claimable (relevant percentage only.)**

## **INTERNET**

The same rules apply to the Internet as they do to computers – a record of business usage must be kept.

If this claim is work related it is entered at item D5 and if it is related to self-education it is entered at item D4.

## **SEMINARS & CONFERENCES**

Seminars and conferences are normally short term and the expenses are claimed under

general provisions of Section 8-1. The cost of the conference or seminar is claimed at **Item D5**. The accommodation and travel (by plane or bus) is claimed at **Item D2**. Travel (by car) will be claimed at **Item D1**.

## **MEAL ALLOWANCES**

A deduction for overtime meal expense can only be claimed for meal expenses actually incurred when overtime is worked and where an overtime meal allowance is received under an industrial law, award or agreement. An amount for overtime meals that has been folded in as part of normal salary or wages income is not considered to be an overtime meals allowance. The meal allowances must be shown as assessable income. For the 2022–23 income year, the reasonable amount for overtime meal expenses is \$33.25. Written evidence is required for claims of more than \$33.25 per meal. **A deduction of \$33.25 per meal is not automatically allowable.**

- Deduction is allowable provided the amount of expense claimed is actually incurred to buy food or drink in connection with overtime worked. A deduction is not automatically allowable up to the reasonable amount \$33.25 per meal.

**Some typical expenses that taxpayers want to claim, depending on circumstances, may be deductible.**

Please note that for all these claims listed below – all have to be for work purposes and only the business percentage may be claimed.

- **Brief Cases** - a deduction is allowed.
- **Calculators and Electronic Organizer** - a deduction is allowed.
- **Certificate of registration** - a deduction is allowed for the cost of renewal e.g. Nurses' registration.
- **Childcare expenses** - a deduction is not allowed.
- **Club Membership Fees** - a deduction is not allowed.
- **Coaching Classes** - a deduction is allowed for performing artists in maintaining skills.
- **Computers and software** - a deduction is allowed for the decline in value as long as a diary is kept establishing business percentage.
- **Conferences & Seminars** - a deduction is allowed if related to their field of employment. All costs of attending can be claimed which may include registration fee, accommodation, travel, taxis and meals.
- **Driver's License** - a deduction is not allowed except where an additional premium is paid for a special license required for employment.
- **Dry Cleaning** - a deduction is allowed if the clothing is a work related deduction.

- **Entertainment** - generally a deduction is not allowed (for this expense- see CCH Master Tax Guide)
- **Fines** - a deduction is not allowed where imposed under Australian or Foreign Law.
- **First Aid Courses** - a deduction is allowed where paid by the taxpayer and necessary for work.
- **Fitness courses** - a deduction is allowed where a high degree of fitness is an essential aspect of employment.
- **Glasses** - a deduction is allowed for safety glasses, or sun protection specific optical glasses or where forming part of a stage costume. Prescription glasses are not deductible.
- **Grooming** - a deduction is generally not allowed but there are exceptions in the performing arts fields.
- **Haircuts** - a deduction is not allowed even if an employment requirement e.g. Members of the armed forces, police and fire brigade officers.
- **Insurance of Tools and Equipments** - a deduction is allowed if tools are used for work.
- **Interest** - a deduction is allowed on interest on money borrowed to purchase work equipment.
- **Internet** - a deduction is allowed under certain circumstances.
- **Legal expenses** - a deduction may be allowed under certain circumstances e.g. costs of defending an action of wrongful dismissal.
- **Meals** – a deduction is not allowed for the cost of meals during the normal working day. The cost of meals can be claimed where an overtime meal allowance has been received or when a component of a travel allowances e.g. Overtime truck drivers.
- **Medical Examinations for License Renewals** - deduction is allowed and cost of travel.
- **Medical Expenses** - are **NOT** a tax deduction – Common examples are – immunization, prescription glasses, contact lenses, hearing aids, stress management. These could be subject to a Medical Expense offset (discussed in later chapter).
- **Newspapers** - a deduction is allowed only if a high proportion of the expense can be shown to be related to work.

- **Parking fees** - a deduction is allowed while **traveling** in the course of employment.
- **Passport** - no deduction is allowed.
- **Police Clearance Certificates** - no deduction is allowed.
- **Protective Equipments** - items such as protective gloves, goggles, safety masks are allowed.
- **Removal & Relocation Expenses** - a deduction is not allowed either when transferring or taking up new appointments.
- **Repairs to Tools & Equipments** - a deduction is allowed if tools are a deductible expense.
- **Salary Sacrifice Fees** - setup and administration fees charged for salary sacrificing are not tax deductible.
- **Social Functions** - a deduction is not allowed.
- **Stationery, printing, postage** - a deduction is allowed when work related eg logbook, diary and business cards.
- **Stockings, Shoes and Socks** - these deductions are only allowed when they are an essential part of a distinctive uniform, the characteristics of which color, style, type, etc are specified in the employer's uniform policy. The wearing of the uniform must be strictly enforced with breaches of the policy giving rise to disciplinary actions.
- **Sunscreen, hats etc** - a deduction is allowed as long as the taxpayer can demonstrate that they work outside in the sun.
- **Technical/Professional Journals** - a deduction is allowed when work related.
- **Tolls** - a deduction is allowed for bridge and road tolls when incurred in the course of employment (not commuting). Ensure diary entries are kept.
- **Tools** - a deduction is allowed where work related.
- **Vaccination** - no deduction allowed.
- **Visa** - cost are deductible where work related travel is undertaken.
- **Watches** - a deduction is not allowed for a wristwatch. Stop watches, fob watches, divers' watches are allowed. A nurse may claim repairs and replacements on a nurse's fob watch.

- **Weight Loss Expenses** - a deduction is not allowed. Steam baths and saunas are allowed for jockeys. This does not constitute a weigh loss program.
- **Wet Weather Gear** - a deduction is not allowed if only to protect from the natural environment. A deduction would be allowed under extreme working conditions eg handling horses and or chemicals or a harsh environment such as the Snowy Mountains.

## **NEW JOB EXPENSES**

The cost to an employee of obtaining employment or changing jobs is *not deductible*. The reason is that it is expenditure of obtaining, not doing, a job – in other words, it comes too soon to properly be regarded as incurred in gaining assessable income.

Other Work Related Expenses	
Description	Amount
Phone \$30*25%*11mths	90.00
AHPRA Registration	175.00
Blue Card	92.30
CPR and First Aid	66.00
WFH 12wks*30 hrs*52c	187.20
Stationary	59.00

**Enter a description** of the expense on the LHS, and **enter the amount** of the incurred expense on the RHS.

For the purpose of review, be sure to **add detail** when appropriate i.e. Phone → \$30/month plan, apportioned at 25% work use over 11 months.

**ALSO:** do *not* claim rounded amounts (i.e. \$50, \$100, \$200) unless stated by the receipt. i.e. client says about \$50, claim \$49. This will avoid unnecessary flagging by the ATO.

### **PRACTICE 3.7**

Sam works as a carpenter and has receipts for:

2 pairs of overalls @ \$48 each, 4 drill shirts @ \$59 each, 1 pair of safety boots for \$89, 2 pairs of jeans for \$28 each, pays \$2 a week to have overalls washed (had 2 weeks holiday this year), building union dues of \$280, hammer \$70 and an electric drill \$256. What is his maximum claim and at what item numbers should they be claimed?

### **PRACTICE 3.8**

Joanne Cowley a bank officer has purchased a corporate wardrobe for \$396 (through the bank), dry cleaned her uniform costing \$145, laundry \$80, stationary/pens \$30 (all under \$10), union \$320. She has not kept her receipts but kept a diary recording all expenses. What is her maximum claim and at what item numbers should they be claimed?

### **PRACTICE 3.9**

Sue MacDonald, a teacher, has all receipts – union \$280, registration \$24, stationary \$85, teacher aids \$160. Sue is studying for a Masters in teaching. She drives home after work and gets the bus to and from uni which costs \$240. Fees for after-school care for her children have totaled \$700. Her other expenses are HECS-HELP \$1200, text books \$275, student union \$110, stationery and photocopying \$245, computer hire (one term) \$155. What is her maximum claim and at what item numbers should they be claimed?

### **COMMON OCCUPATIONS**

This is not an exhaustive list of deductions that a taxpayer **may or may not** claim for their occupation, every taxpayer is different and their deductions will vary with their particular job.

**NOTE – Just because someone is a mechanic does not mean they have to buy tools for work.**

### **RULINGS**

In 1994 and 1995 the ATO started to release a series of occupation specific rulings. For examples:-

TR95/8	employee cleaners
TR95/9	employee lawyers
TR95/10	employee shop assistants
TR95/11	hospitality industry employees
TR95/12	employee factory workers
TR95/13	employee police officers
TR95/14	employee teachers
TR95/15	employee nurses
TR95/16	employee hairdressers
TR95/17	defence force members
TR95/18	employee truck drivers
TR95/19	airline industry employees
TR95/20	employee performing artists
TR95/22	employee building workers/trades persons
TR98/6	real estate industry employee
TR98/14	journalists

The rulings go into detail listing-

- which allowances these employees are likely to receive
- allowable deductions and expenditure
- claims not considered to be deductible.

Each ruling also has categories, which may be specific only to this occupation.

### **Examples**

Nurse's ruling covers Nurses Practicing Certificate (deductible).

Police Officers' ruling covers payments to informants (deductible subject to modified substantiation).

Defence Force ruling covers Mess Fees (business related portion deductible, social functions, food and drinks not deductible).

### **AIRLINE INDUSTRY EMPLOYEES**

- Luggage
- Uniform/laundry/dry cleaning
- Tools (engineers etc)
- Telephone/mobile (business percentage)
- Cash/bar shortage
- Stockings (as stipulated by uniform policy)

**Note:** Flight Attendants may also claim moisturizers, shoes and conditioner mainly because of cabin conditions.

### **ARCHITECTS/ ENGINEERS ETC**

- Professional library
- Registration renewal
- Indemnity insurance
- Professional associations
- Professional journals
- Equipments
- Briefcases/ mobile phones/ pagers
- Stationery/ computers
- Income protection insurance

### **CLEANERS/ FACTORY WORKERS**

- Breathing masks
- Goggles
- Safety glasses
- Tools/equipments
- Protective gloves
- Technical publications e.g. "Inclean Magazine"

### **COMPUTER PERSONNEL**

- Professional library
- Telephone/ mobile (business percentage)
- Home Office
- Computer hardware/ software (business percentage)
- Professional journals
- Repairs computer equipment (businesses percentage)
- Lease expenses or Interest on loan to purchase computer (business percentage)

### **DEFENCE FORCE PERSONNEL**

- Purchase or replacement of uniforms
- Maintenance of uniforms eg laundry, dry cleaning, shoe polish, shoe repairs, etc
- Replacement of equipment that has been misplaced/worn out
- A portion of mess fees that is attributable to work related activities
- Fitness expenses eg training instructors, members of the special combat squads.
- Travel between bases- special duty
- Physical training clothing- monogrammed with name of unit
- Extra regimental duties (ERD) if forms part of their income earning activities

### **DOCTORS**

- Professional library/journals
- Registration renewal – not Admission Fees (Capital cost)
- Indemnity insurance – Medical Defence Fund
- Professional associations – AMA
- Equipment
- Briefcases
- Stationery/computers
- Income protection insurance
- Telephone/ mobile phones/ pagers/ beepers
- Seminars

### **HAIRDRESSERS**

- Compulsory uniform
- Equipment e.g. hair dryer, scissors, combs, etc
- Travel to and from industry organized competitions
- Travel to trade nights
- Cost of seminars, trade nights, etc
- Magazines specializing in developments of hair design
- Not allowed- grooming and life style magazines

### **HOSPITALITY INDUSTRY EMPLOYEES - Chefs**

- Chef's checked pants, hats, etc
- Knives/ sharpening tools
- Equipment – whisks etc
- Cook books
- Magazines e.g. Galloping Gourmet

### **WAITER/WAITRESS**

- Waiter's friend
- Cocktail books
- Pen/ Paper
- Not allowed– black and white clothing

### **LAWYERS**

- Professional library
- Registration renewal- not Admission Fees (Capital cost)

- Indemnity insurance
- Professional associations
- Professional journals
- Wigs
- Briefcases/ Mobile phones/ pagers
- Stationery/computers
- Income protection insurance
- Silk robes
- Not allowed- Suits for appearing in court

### **MARRIAGE CELEBRANTS**

- Advertising e.g. Newspapers
- Stationery/business cards
- Travel
- Telephone/ answering service
- Camera/ film and developing- business use only
- Small gifts to marrying couples
- Hiring of microphone etc
- Membership fees

### **NURSES**

- Registration fees
- Union Fees
- Uniforms/laundry/non slip protective shoes
- Conferences
- Associations e.g. Care of Critical patients
- Stationery
- Fob watches
- Mobile/ pagers – on call but not agency nurses unless employed by Agency itself.
- Self education
- Stethoscope
- Scissors, clamps, etc
- Professional journals e.g. British Medical Journal
- Reference books – professional library

### **OFFICE WORKERS**

- Picking up mail/banking – during work hours – not on the way to and from work.
- Seminars
- Stationery
- Self education- if work related e.g. updating computer skills

### **PERFORMERS**

- Stage makeup, hairdressing costs
- Hiring and buying of costumes
- Agents fees
- Updating portfolio – not the initial cost (Capital expense)

- Coaching classes e.g. Acting/dancing etc
- Research expenses for role
- Costs for discs, tapes, etc to the extent they are used for work purposes
- Theater and film tickets- must be DIRECTLY relevant to income producing activities

### **POLICE OFFICERS**

- Uniforms/laundry
- Informal fees
- Training course
- Self-education (course at the academy)
- Tape recorder/tapes/batteries
- Mobile/telephone
- Pistol club membership fees (only Australian Federal Police Pistol Club)
- Fitness expenses- training officers, special emergency squads
- Scuba watches- not conventional watches
- Gun cleaning
- Specialized guns/equipments- depending on police regulations in different states
- Not allowed- silent number and guards dogs

### **REAL ESTATE INDUSTRY**

- Real estate license- renewals
- Stationery/business cards
- Advertising
- Hammer (for erecting signs)
- Motor vehicle expenses
- Mobile/telephone
- Referral expenses

### **SEX WORKERS**

- Special clothing e.g. costumes/lingerie
- Tools of trade!!!!!!
- Consumables e.g. Lubricants, condoms, etc
- Laundry of linen etc
- Rent/electricity/telephone/answering machine
- Advertising
- Wages e.g. bodyguard

### **SHOP ASSISTANT**

- Stationery
- Laundry of supplied compulsory uniforms
- Non deductible is "black and white uniform"

### **SPORTSPERSONS**

#### **Footballers**

- Travel to training and matches
- Equipment eg knee guards/shoulder pads/strapping/liniments/etc
- Tracksuits/training shoes
- Gym bags
- Non deductible- massage fees/rule books/penalties imposed by a club/food/vitamins

### **Golfers**

- Golf bag, balls and tees
- Accommodation and travel while on tour
- Motor vehicle expenses- carry golf bags/buggies etc
- Insurance of golf equipment
- Caddy fees
- Golf shoes and gloves
- Green fees
- Associations – PGA

### **Jockeys**

- Equipment- whips, saddles, silks, goggles
- Race books
- Entrance to race courses
- License/ photographs
- Steam baths/saunas
- Insurance- sickness and accident
- Travel and accommodation expenses- different tracks
- Gratuities paid to strappers and attendants

### **Umpires**

- Equipment- cricket counters, whistles, rule books
- Umpire association
- Travel
- Specialized clothing – eg white coats

### **TEACHERS**

- Teachers registration
- Reference books/professional library
- Computer/disks/repairs/printer cartridges etc
- Teachers aids
- Stationery
- Stop watches for a P.E. Teacher
- Excursions- educational and sporting trips and camps
- Self education
- Association fees
- Travel to sporting and school activities that are NOT bases at the home school
- Home study/electricity/telephone calls

### **TRADES PERSONS (plumbers/carpenters/painters/ welders, etc)**

- Tools- replace/repairs/sharpening

- Protective work wear
- Insurance- public liability, tools, income protection
- Motor vehicle
- Telephone/mobile
- Apprenticeship courses

### **TRUCK DRIVERS (employees)**

- CB radios
- Fridges
- Sleeping bags
- Tools- to repair truck
- Premium paid on top of standard drivers' license
- Detergent and polish for truck
- Log books
- Maps/ street directory
- Meals and accommodation- overnight truck drivers
- Working dogs- carrying livestock
- Sunglasses
- Not allowed- fines for speeding or truck overweight

### **PRACTICE 3.10**

Which of the following are deductible -

- Luggage- airline pilot.
- Briefcase
- Parking for a seminar less than 4 hours.
- Wrap around sunglasses for a motor cycle policeman.
- Hearing aid- necessary for work.
- Make up- required by employer- high level of dress in solicitor's office.
- Tolls incurred whilst commuting to and from work.
- Home office electricity for teacher.
- Passport for overseas trip 2 weeks business
- Calculator for a maths teacher.
- Credit card (personal) used for work related expenses only.

**All returns should be prepared on the basis that they could be subject to an audit.**

## **ITEM D6 – LOW VALUE POOL DEDUCTIONS**

The taxpayer can allocate low-cost and low-value depreciating assets to a low-value pool. A low-cost asset is a depreciating asset costing less than \$1,000. A deduction can then be claimed for the decline in value of these assets by working out the decline in value of the pool.

This is dealt with in more detail in Chapter 3A (Depreciation)

## **ITEM D7 & ITEM D8 – DEDUCTIONS RELATING TO INVESTMENTS – Interest and Dividend Deductions**

A taxpayer can claim a deduction against assessable interest and dividend income if they are able to show that they incurred fees, taxes or other expenses in earning that income.

**A deduction cannot be claimed if the investment does not produce assessable income.**

If the taxpayer is not the sole holder of the investment, they can only claim their share of expenses relating to the investment (joint bank accounts and shares).

### **Account-keeping fees**

Account-keeping fees can be claimed as a deduction only when the account is held for investment purposes, for example, a cash management account. If an account is maintained for both private and income producing purposes, account keeping fees must be apportioned on some reasonable basis between each purpose.

### **Debits tax**

Previously most state and territory governments charge debits tax (also known as government debit tax (GDT) or BAD) for operating certain types of accounts held with financial institutions. This was abolished 1 July 2005.

The part of debits tax charged on payments from the account could be claimed if the payment was for a deductible expense.

<b>If the withdrawal relates to an expense that is...</b>	<b>For example, where the taxpayer has withdrawn from their account to pay for..</b>	<b>Then the taxpayer...</b>
Deductible	Account keeping fees for a term deposit	<b>Can</b> claim the GDT or debits tax charged on the withdrawal from their account
Not deductible	The weekly food shopping	<b>Cannot</b> claim the GDT or debits tax charged on the withdrawal from their account

### **Interest**

Deductions for interest and borrowing costs may also be claimed if incurred on money borrowed to purchase shares and other related investments from which assessable interest or dividend income was derived.

Borrowing expenses over \$ 100 are claimed over the lesser of 5 years or the length of the loan (under \$100 is claimed outright).

If money borrowed is used for both private and income producing purposes, then the deduction for interest, fees and charges must be apportioned on some reasonable basis between each purpose. Only that interest, fees and charges incurred for an income producing purpose are deductible.

### **Management fees, retainers and advice**

Deductions may also be claimed for.....



ongoing management fees



retainers



amounts paid for advice relating to

changes in the mix of investment.

Claims cannot be made for.....



a deduction for expenses incurred

in deriving exempt income



a fee charged for drawing up an

initial investment plan, **unless** the taxpayer is carrying on an investment business,  
**or**



a fee paid to an investment advisor

for an initial investment plan which includes pre-existing investments.

### **Other deductions**

If the taxpayer takes an active role in managing their investments they may also be able to claim a portion of other costs if incurred in managing their investments.

Such costs could include.....

- travel expenses
- costs of specialist investment journals or subscriptions
- decline in value of your computer (depreciation)
- specialized software
- the cost of Internet access
- Seminars
- telephone calls
- stationery/postage
- Subscriptions
- post office and safety deposit boxes
- shareholders' meetings- attendance costs

### **NOTE -**

Expenses relating to trust and partnership income are claimed at **ITEM 13**.

Expenses relating to foreign income are claimed at **ITEM 20**.

## ITEM D9 – GIFTS OR DONATIONS

Gifts of \$2 or more to an approved institution or group can be claimed as a deduction if:

- the gift is made by the taxpayer in the year of income
- the gift is either:
  - a. money or
  - b. property other than money which was purchased by the taxpayer within 12 months immediately preceding the making of the gift.

The Tax Office keeps lists of approved organizations See your CCH Master Tax Guide for a comprehensive list of approved donees.

Donations to eligible organizations through an employer's payroll system (workplace giving) are a deduction. The Payment Summary from the employer, showing the amount is sufficient evidence to support a claim for the deduction.

### **Claiming political contributions and gifts**

In some circumstances, you can claim a deduction for gifts and donations to registered political parties or independent candidates.

This includes paying a membership subscription to a registered political party.

You must have made the gift or donation as an individual (not in the course of carrying on a business) and it can't be a testamentary donation.

You need to claim your tax deduction for a political contribution or gift in the income year you made the contribution or gift. The most you can claim in an income year is:

- \$1,500 for contributions and gifts to political parties
- \$1,500 for contributions and gifts to independent candidates and members

Gifts to approved school building funds are limited to a deduction in respect of those funds specifically approved by the Commissioner.

Some churches arrange for a percentage of their member's contributions to be allocated for a specific tax-deductible purpose e.g. school building. The relevant percentage will be notified to the taxpayer in writing.

**NOTE: Purchase of an item from a charity e.g. Pens or buying a raffle ticket, do not qualify as a donation because a prize or an opportunity of a prize has been purchased, etc for money.** Pens, dairies, etc may qualify as a work related deduction at

D5.

Similarly membership subscriptions to a charitable organization are not deductible e.g. membership of Greenpeace.

To determine whether a donation has been made to an eligible deductible gift recipient (DGR) (this *means* the donation can be claimed) > **go to** the **ABN lookup** at <https://abr.business.gov.au/> and **follow the steps below**:

 ABR website > click **SEARCH**

**Search by ABN, ACN or name:**



 Find correct search result and click on 'Australian Business Number' (ABN).

### Search results - active ABNs and names

Active ABNs All ABNs 

Your search for **breast cancer** found 89 matches. Current names with active ABNs are listed below sorted by relevance. Use [All ABNs](#) tab to list can an ABN or [refine your search](#)

Matching names		
ABN	Name	Type
<a href="#">86 248 830 078</a> Active	Australian Breast Cancer	Business Name
<a href="#">27 261 443 204</a>	BOUNTING FOR BREAST CANCER INCORPORATED	Entity Name

 Scroll down page to 'DGR' and view status and date.

**- Deductible gift recipient status**

THE HOSPITAL RESEARCH FOUNDATION INCORPORATED is endorsed as a Deductible Gift Recipient (DGR) from **01 Jul 2000**. It is covered Tax Assessment Act 1997.

 If the ABN is not a DGR, the status will show as per below:

**- Deductible gift recipient status**

Not entitled to receive tax deductible gifts

In MYOB, open **D9** schedule by clicking 'J'. Enter Name or ABN as description and amount donated.

## Gifts and Donations

Description	Amount
86 248 830 078	220.00

## **ITEM D10 – COST OF MANAGING TAX AFFAIRS**

The full amount of any fees paid in the tax year to a person or firm registered by the Taxation Office as a “Registered Tax Agent” for the preparation of an income tax return including FTB tax return is deductible. Fees paid to an authorized person for tax advice or for substantiating a claim on a return or for assisting in lodging an objection to an assessment are deductible. Phone calls, faxed and postage as well as the cost of travel to and from the agent are also deductible. Travel can be calculated at the set rate, but is not added to amounts calculated at D1.

### **Other claimable expenses:**

**Appeal costs** – A deduction is allowable for the costs of appealing or objecting to an assessment notice or tax determination, including court or tribunal fees.

**Penalty Interest – claimed under this item** – A deduction is allowable for interest charged by the ATO for late lodgment of tax (in the year in which it was paid). This interest will be shown on the Assessment notice.

**General Interest Charge** – that continues to accrue on unpaid tax bills is deductible in the income year in which it is imposed, regardless of whether paid.

These amounts are to be claimed at **D10 in the relevant boxes.**

<b>D10 Cost of managing tax affairs</b>	Interest charged by the ATO <b>N</b>	<input type="text"/>
	Litigation costs <b>L</b>	<input type="text"/>
	Other expenses incurred in managing your tax affairs <b>M</b>	<input type="text"/>



## **ITEM D11 – UNDEDUCTED PURCHASE PRICE of FOREIGN PENSION OR ANNUITY**

### **UK GOVERNMENT PENSIONS**

In the case of UK age pensions there are 2 choices. Details of contributions can be obtained from UK or TR93/13 states that 8% of gross pension received can be based as UPP where that pension is based on the taxpayer's contributions. In practice the 8% will usually be the higher figure.

**The 8% will only apply to contributing pensions.**

### **ITALIAN PENSIONS**

In the case of Italian Pensions the taxpayer will receive an annual letter detailing their contributions. The letters are for a calendar year, not a financial year, and IT 2554 gives a method for calculating the figure. To calculate the 2008 UPP it will be necessary to have both 2007 and 2008 "Article 17" letters (example on next page). The best way to determine pension paid is from deposits to a bank account or the advice attached to cheques received, because the annual amount shown on the letter is a **calendar year** and the exchange rate may fluctuate.

The method to calculate UPP is simply -

$$\frac{(\text{contributions for calendar year 2007} + \text{calendar year 2008})}{2} \times 90\%$$

I.e. the UPP is 90% of the figure shown as contributive portion on the letter from Italy. It is converted to Australian dollars using the average exchange rate.

### **DUTCH PENSIONS**

The Tax Commissioner will exercise his discretion to allow a deduction (UPP) of 25% on certain Netherlands pensions.

This includes old age, widow, widowers and orphans pension paid under the Netherlands Social Insurance System. Under the Netherlands Social Insurance System, residents are required to make compulsory social security contributions during their working lives.

The Ministry of Finance of the Netherlands has advised that records are often not available from the relevant institutions, so the Commissioner will accept the calculation of the UPP as 25% of the gross pension paid.

## **OTHER COUNTRIES**

For many other overseas superannuation or pension, actual contribution details would have to be obtained from the country of origin. This information is then forwarded to the ATO who will calculate the UPP.

## **ARREARS OF FOREIGN PENSIONS**

Many taxpayers are now receiving back payments of foreign pensions

If a UPP applies to the pension it will also apply to the arrears proportionately.

# **ITEM D12 – PERSONAL SUPERANNUATION CONTRIBUTIONS**

A deduction for private superannuation contributions is available under certain conditions.

**In order to claim a deduction, a taxpayer must first notify their superannuation fund of their intention to make a claim and receive acknowledgment from the fund.**

**NO ACKNOWLEDGEMENT :: NO CLAIM**

You may be able to claim a tax deduction for personal super contributions that you made to your super fund from your after-tax income, for example, from your bank account directly to your super fund. Before you can claim a deduction for your personal super contributions, you must give your super fund a Notice of intent to claim or vary a deduction for personal contributions form (NAT 71121) and receive an *acknowledgment* from your fund. There are other eligibility criteria that you must meet.

People eligible to claim a deduction for personal contributions include people who get their income from:

- salary and wages
- a personal business (for example, people who are self-employed contractors, or freelancers)
- investments (including interest, dividends, rent and capital gains)
- government pensions or allowances
- super
- partnership or trust distributions
- a foreign source.

The personal super contributions that you claim as a deduction will count towards your concessional contributions cap. When deciding whether to claim a deduction for super contributions, you should consider the super impacts that may arise from this, including whether:


- you will exceed your contribution caps

- Division 293 tax applies to you
- you wish to split your contributions with your spouse
- it will affect your super co-contribution eligibility.

If you exceed your cap, you will have to pay extra tax and any excess concessional contributions will count towards your non-concessional contributions cap.

**Acknowledgment from Super Fund will look like this:**

## Your notice of intent to claim a tax deduction



Central Plaza Three  
70 Eagle Street Brisbane  
GPO Box 200 Brisbane Qld 4001  
P 1300 360 750  
F 1300 241 602  
W [qsuper.qld.gov.au](http://qsuper.qld.gov.au)

Ms Janice Windolf  
2 Beta Street  
STAFFORD HEIGHTS QLD 4053

14 October 2020

Dear Janice,

**Your notice of intent to claim a tax deduction**

We recently received your notice of intent to claim a tax deduction for your personal contributions made in the 2019/2020 financial year. A review of your account identified that incorrect investment units were quoted in your confirmation letter. As such, we have corrected this and now provide an updated confirmation of your account changes. Please note that your account balance has not been negatively impacted as a result of this correction.

You intend to claim a tax deduction on:
\$15,670.00

We have deducted \$2,350.50 in contributions tax from your account as follows:

Investment option	Tax deduction amount	Investment units	Unit price date
QSuper Lifetime –Sustain 1	\$2,350.50	605.17508	25/09/2020

Please disregard the letter sent to you previously and retain this letter as proof of receipt of the tax deduction. We apologise for the inconvenience.

If you have any questions about the information in this letter, please visit [qsuper.qld.gov.au](http://qsuper.qld.gov.au) or

NO ACKNOWLEDGEMENT = NO CLAIM

Personal superannuation contributions 2020

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Did you provide your fund (including a retirement savings accounts) with a notice of intent to claim a deduction for personal superannuation contributions, and receive an acknowledgment from your fund? Y ... **1**

---

Full superannuation fund name **2**

Superannuation account number

Fund Australian business number **3**

Date of last eligible contribution **4**

Fund tax file number

Superannuation deduction claimed **5**

---

1. Notice of Intent to Claim – Y or N. Yes will open the schedule while N will keep the schedule uneditable.
2. Full Superannuation Fund Name – Per Notice of Intent to Claim.
3. Fund ABN – Per Notice of Intent to Claim.
4. Date of Last Eligible Contribution - Per Notice of Intent to Claim.
5. Superannuation Deduction Claimed - Per Notice of Intent to Claim.

**Make sure you SAVE a copy of the letter from the super fund in the client's folder.**

## **ITEM D13 – DEDUCTION FOR PROJECT POOL**

Certain capital expenditure that the taxpayer incurred after 30 June 2001 which is directly connected with a project that they carry on, or propose to carry on, to gain assessable income, can be written off over the life of the project using a pool.

The expenditure must not:

- be otherwise deductible, or
- form part of the cost of a depreciating asset.

The taxpayer may have more than one project pool.

Amounts may be claimed as part of a project pool where the taxpayer:

- carried on a project to produce assessable income other than as a business,
- OR
- proposed to carry on a project to earn assessable income but the project never began and was abandoned in the 2006-2007 income year.

## **ITEM D14 – FORESTRY MANAGED INVESTMENT SCHEME**

Taxpayers may be able to claim a deduction at this item for payments made to a Forestry MIS if:

- they currently hold a forestry interest in an FMIS or held a forestry interest in an FMIS in the income year and
- have paid an amount to a forestry manager of an FMIS under a formal agreement and
- the ATO has issued a Product Ruling on the project.

You can only claim a deduction at this item if the forestry manager has advised you that the FMIS satisfies the 70% direct forestry expenditure rule in Div 394 ITAA 1997.

## **ITEM D15 – OTHER DEDUCTIONS**

Expenses that the taxpayer may be entitled to claim at this item include:

- sickness and accident insurance premiums
- election expenses for local, Territory, State or Commonwealth candidates. A deduction for local government body election expenses cannot exceed \$1000 for

each election contested, even if the expenditure is incurred in more than one year of income.

- Deductible expenses incurred but not claimed in full before ceasing a primary production business where a balance is claimable in a subsequent year(s) – for example, water conservation expenditure, which is allowable as a deduction over a 3 year period
- non-capital losses incurred on the disposal or redemption of a traditional security, which are deductible under section 70B of ITAA 1936
- foreign exchange losses deductible under Division 20 of ITAA 1997
- interest incurred on money borrowed to invest under the land transport facilities tax offset scheme or infrastructure borrowings scheme
- foreign interest on foreign rentals and investments.

## **SICKNESS AND ACCIDENT INSURANCE**

A deduction would apply on the condition that:-

The benefits afforded by the policy will provide the taxpayer with assessable income during a period of incapacity i.e. they comprise payment of periodical income.

Where the benefit under the policy takes the form solely of a (capital) lump sum payment for say, loss of limb or death, no part of the premium will be deductible.

Usually the taxpayer will receive a letter from the company detailing the Policy Number and amount to claim.

*Example.....*



Policy Number:  
14 July 2018

Dear

As you may be aware, your Income Protection premium is tax deductible. To enable you to obtain this deduction, the premium paid between 1 July 2017 and 30 June 2018 was \$1,072.94.

This taxation information represents Nation Mutual's understanding of current taxation legislation and is subject to its continuation.

If you have any queries or require further information, please contact your adviser on (08) 9380 9599 or our Customer Service Centre on Tel: 132 987.

Yours sincerely,

D15 Other deductions - not claimable at items D1 to D14

Election expenses **E**

Other deductions **J**

Goto (F2)

### Other Deductions

For a correct calculation of Adjustable Taxable Income (ATI), select code D-Deductions relating to financial to be included at IT5, and select code U-Debt deductions incurred in deriving foreign rental income to be included at IT6.

Claim Type	Description	Label J Amount
<b>P</b> ...	Income protection, sickness and accident insurance premiums	1072.00
<input type="checkbox"/> ...	Section 40-880 deduction	
<input type="checkbox"/> ...	Net PSI income loss of a PS entity	
<input type="checkbox"/> ...	Debt deductions not disallowed by ThinCap	
<input type="checkbox"/> ...	Foreign exchange losses	
<input type="checkbox"/> ...	Debt deductions non-assessable foreign income	
<input type="checkbox"/> ...	Interest on infrastructure borrowing	
<input type="checkbox"/> ...	Non-capital losses deductible (s70B)	
<input type="checkbox"/> ...	Capital expenses prior ceasing PP business	
<input type="checkbox"/> ...	Prior year SBE pool deductions not claimable at P8	
<input type="checkbox"/> ...	SED course exes/bonded scholarship	
<input type="checkbox"/> ...	Deductible balancing adjustments from depreciation worksheets	
<input type="checkbox"/> ...		
<b>Total Other deductions D15J</b>		<b>1072.00</b>

**AO Select**

Code  Details

<b>D</b>	Deductions relating to financial investments
O	Other expenses not listed elsewhere
P	Income protection, sickness and accident insurance premiums
U	Debt deductions incurred in deriving foreign rental income

- 1) Click Label 'J' to open schedule
- 2) Claim Type – Click the grey box with three dots
- 3) Choose correct claim type > click Select
- 4) Enter amount in the correct box
- 5) Click the green Back-arrow to exit schedule.

## L1 – PRIOR YEAR LOSSES

Losses incurred by **individual taxpayer** (including taxpayers who conduct a business activity as a partner in a partnership that resulted in a loss). Different rules apply to companies, trusts and superannuation funds.

A tax loss occurs when the total of the taxpayer's allowable deductions for an income year (excluding tax losses of earlier income years) is greater than the total of their assessable income and net exempt income.

Some allowable deductions cannot be used to create or increase such a loss. These include:

- gifts
- superannuation contributions by eligible persons.

### Example.....

*In 2011-2012, Heather had salary and wage income of \$12,000. She made tax-deductible donations of \$100. Her rental property had a net loss of \$13,000.*

*Heather can carry forward a loss of \$1000 (\$13000-\$12000) to apply against her 2017-2018 income. Her gifts of \$100 cannot be used to increase her loss.*

### Deducting prior year losses

A tax loss incurred in one income year may be carried forward and, in certain circumstances, deducted in calculating your income for succeeding years.

The procedures for carrying forward as loss are automatic and do not allow the taxpayer to elect the year or years in which to deduct a prior year loss. Losses must be carried forward one year at a time until exhausted.

Where the taxpayer has losses for more than one prior year, they must fully deduct the loss from the earliest year before deducting a loss, or part of a loss, from a later year.

Tax losses from earlier income years can only reduce Australian source income to zero. If tax losses of earlier income years are more than the Australian source income records

will need to be kept of the losses to claim next year.

### **Time limits for carrying forward losses**

Losses may now be carried forward indefinitely. Previously, non-primary production losses were subject to a seven-year limit on the period for which the losses could be carried forward. That restriction was removed and does not apply to losses incurred in 1989-90 and subsequent income years.

Non-primary production losses made in 1988-89 and earlier income years can no longer be deducted from income.

Before tax losses of earlier income years can be deducted, they must first be reduced by current year exempt income and any foreign exempt income (19N).

#### **Example**

***Bruce has a carried forward loss from 2022-2023 tax year of \$10,000. He received an exempt pension in Australia of \$4,000, he worked overseas for 4 months and earned exempt foreign income \$5,000 and while working in Australia his salary was \$21,000. Bruce was lucky this year and had not expense relating to his income.***

***When working out Bruce's taxable income you must first reduce the carried forward loss by his exempt pension and exempt foreign income (\$10,000 - \$4,000 + \$5,000 = \$1,000)***

***Therefore his taxable income is \$20,000 (\$21000 - \$1,000)***

## **AMENDMENTS TO RETURNS**

If some details have been omitted (income, deduction or tax offsets), or there is some other error on the taxpayer's tax return, a request in writing for an amendment would need to be submitted to the Australian Taxation Office.

The letter should include the taxpayer's:

- name
- address
- telephone number, and
- tax file number.

The letter should also include the following details about the amendment.

- The year shown on the tax return to be amended – for example, 2004.
- The tax return item number and the change to be made.
- The amount of income or deductions to be added or taken away.
- The amount of tax offsets (previously called rebates) to be increased or decreased.
- The relevant claim type code – if applicable to the item being changed.
- An explanation of why this information was not included in the original return.
- A signed and dated declaration as follows: 'I declare that all the information I have given in this letter, including any attachments, is true and correct.'
- Attach any group certificates, payment summaries or additional information, if

applicable, to the item being changed.

Amendments requests must be lodged within 2 years from the issue of the Notice of Assessment. Unless the taxpayer is a SPOR (Shorter Period of Review) then a two year limit applies.

See **AMENDING ITR** Manual for practical examples.