

ATO WORK-RELATED DEDUCTIONS

You may be eligible to claim deductions for certain expenses incurred relating to your work. The Australian Taxation Office (ATO) requires you keep records or evidence to support any claims made in your tax returns for a period of five years. Depending on what is being claimed and how, the ATO has different rules on what records are required to be maintained. Read on for our summary of what you may be able to claim, and how:

Motor Vehicle Expenses

There are two methods to claim motor vehicle related expenses, each with their own requirements:

1. Cents per kilometre method

- ✓ Cents per kilometre method claims are at a rate of 68 cents per kilometre (2019).
- ✓ No need to keep a logbook but you need to be able to explain how you worked out your kilometres.
- ✓ Maximum kilometres able to be claimed of 5,000.

2. Logbook method

- ✓ Logbooks may be better suited to individuals travelling over 5,000 kilometres for work purposes.
- ✓ Logbooks need to be maintained for at least 12 continuous weeks and can be utilised for 5 financial years.

Claimable motor vehicle expenses include where you are required to:

- ✓ Carry bulky tools or equipment as required by your employer.
- ✓ Attend conferences and meetings.
- ✓ Deliver and collect items.
- ✓ Travel between two separate places of employment (i.e. if you have two jobs).
- ✓ Travel from your normal place of work to an alternative place of work and back.

Non-claimable motor vehicle expenses include:

- ✗ Trips consisting of home-work-home.
- ✗ Travel between work and home more than once a day.
- ✗ Generally, trips if you are on call.
- ✗ Trips outside normal business hours.

Work-Related Travel

Claimable work-related travel includes:

- ✓ Travel required by your employer.
- ✓ Travel not undertaken during a period of annual leave.
- ✓ Travel not paid or reimbursed by your employer.

Non-claimable work-related travel includes:

- ✗ Travel undertaken during a period of annual leave.
- ✗ Travel that was reimbursed by your employer.

- ✗ Travel expenses incurred for family member(s) and/or friend(s).

With travel expenses often adding up to significant amounts, it is important to ensure:

- You have receipts or records that are maintained for at least 5 years (bank statements are not always sufficient).
- Travel is apportioned according to private and business use.

Uniform and Protective Clothing

Deductions cannot always be claimed just because a clothing, uniform or laundry allowance was received, you need to have actually incurred an expense to claim a tax deduction.

Claimable uniform and protective clothing include:

- ✓ Occupation specific clothing that is not worn everyday.
- ✓ Work uniforms that are distinctive to your place of work (i.e. distinctive to your employer by way of logo).
- ✓ Protective clothing used to reduce risk of injury or illness in your everyday work environment.

Non-claimable uniform and protective clothing:

- ✗ Expenses incurred for non-compulsory work uniforms unless your employer has registered the design with AusIndustry.
- ✗ Plain uniforms or conventional clothing.
- ✗ Sports clothing.
- ✗ Clothing worn for medical reasons.
- ✗ Everyday footwear (i.e. dress or casual shoes).

Laundry Claims

Claimable laundry expenses include:

- ✓ Laundry expenses for eligible work-related clothing (i.e. uniforms or protective clothing).
- ✓ For claims less than \$150, work-related laundry can be claimed using the ATO's rates:
 - \$1 per load where load is only work-related.
 - \$0.50 where load is mixed between work and personal items.
- ✓ For claims over \$150 for laundry, where receipts are maintained.

Laundry claims need to be apportioned over the weeks actually worked less any time taken off for annual leave.

Home Office Expenses

There are two methods in claiming home office expenses:

1. Maintaining a diary of actual costs incurred (heating, cooling, lighting, decline in value of furniture) and record the hours the office is used for work purposes.
2. Using a fixed rate of \$0.52 per hour to cover the above items.

Claimable under home office expenses:

- ✓ Apportioned electricity cost.
- ✓ Furniture for home office area.
- ✓ Depreciation of furniture in home office area.

Non-claimable items under home office expenses:

- ✗ Interest on mortgage.
- ✗ Insurance.
- ✗ Rates.
- ✗ Rent.

If you make claims for some of the non-claimable items, which relate to home ownership, and you own your house, this can result in capital gains tax implications upon sale of your house so you should consider this very carefully.

Study Expenses

Claimable study expenses include:

- ✓ Study relating to:
 - Improving skills or knowledge in your current job.
 - Possibly increasing taxable income derived from your current job for each and every unit undertaken in the course.
- ✓ Study that has sufficient nexus to your current employment.
- ✓ For study that satisfies the above requirement, you can claim:
 - Course fees.
 - Decline in value in depreciating assets.
 - Internet usage.
 - Parking fees.
 - Postage.
 - Stationery.
 - Student union fees.
 - Textbooks.

A \$250 reduction applies in some cases.

Non-claimable study expenses include:

- ✗ Study that does not relate to your current job.
- ✗ Study that does not increase income derived from your current job.

Where not all of the units undertaken in a course can be sufficiently linked to your employment, the claim may need to be apportioned appropriately.

Mobile Phone Expenses

Claimable under mobile phone expenses:

- ✓ To make a claim over \$50 you need to:
 - Keep a record over a representative period of 4 weeks, comparing work-related use to private use to come up with a work-related percentage.
 - Use the work-related percentage over total expenses

incurred for the total year (excluding periods of annual leave i.e. over 11 months).

- ✓ Incidental use and claims under \$50 can be claimed as follows:
 - \$0.25 for work calls made from your landline.
 - \$0.75 for work calls made from mobile.
 - \$0.10 for text messages.

Non-claimable under mobile expenses:

- ✗ Casual employees cannot claim mobile phone for incidental use as they are not required to be on call

Internet

Bundled phone and internet plans:

Phone and internet services are often bundled. If you are claiming deductions for work-related use of one or more services, you need to apportion your costs based on your work-related use for each service.

If other members in your household also use the services, you need to take into account their use in your calculation.

If you have a bundled plan, you need to identify your work-related use for each service over a four-week representative period during the income year. This will allow you to determine your pattern of work-related use, which you can then apply to the full year.

A reasonable basis to work out your work-related use could include:

Internet

- The amount of data downloaded for work as a percentage of the total data downloaded by all members of your household.
- Any additional costs incurred as a result of your work-related use, for example, if your work-related use results in you exceeding your monthly cap.

Phone

- The number of work calls made as a percentage of your total calls.
- The amount of time spent on work calls as a percentage of your total calls.
- Any additional costs incurred as a result of your work-related calls, for example, if your work-related use results in you exceeding your monthly cap.

While these are just some of the deductions that you may be able to claim, there are many others that may not have been covered above.

Should you have a claim you wish to discuss, please contact our Client Services team on (08) 9227 6300 or email clientservices@austasiagroup.com.

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