

Fictions (and facts) about work expense deductions



There can be varied sources for some of the myths about tax deductions — pub-talk, BBQ-banter, hairdresser-homilies, what-your-taxi-driver-just-heard and many others. We sort out fact from fiction.

This year's tax time saw media reports about various outlandish tax claims — for example the ATO being faced with claims for dental expenses, gambling losses, Lego sets, sunscreen (and an umbrella) for cigarette breaks, and even the cost of a wedding reception (all rejected, by the way).

How certain myths are started about what can or can't be claimed on tax is anyone's guess, but it is these snippets of misinformation about allowable tax deductions that can lead unaware taxpayers to make incorrect claims — and get the taxman's attention. Here are some of the most common.

Fiction: Everyone can automatically claim \$150 for clothing and laundry, 5,000km under the cents per kilometre method for car expenses, or \$300 for work-related expenses, even if they didn't spend the money.

Fact: There is no such thing as an "automatic" or "standard deduction". Substantiation exceptions provide relief from the need to keep receipts in certain circumstances. While you don't need receipts for claims under \$300 for work-related expenses, \$150 for

laundry expenses (note: this is for laundry expenses only and does not include clothing expenses) or if you are claiming 5,000km or less for car expenses under the cents per kilometre method, you still must have spent the money, it must be related to earning your income, and you must be able to explain how you calculated your claim.

Fiction: I don't need a receipt, I can just use my bank or credit card statement.

Fact: To claim a tax deduction you need to be able to show that you spent the money, what you spent it on, who the supplier was, and when you paid. Bank or credit card statements alone don't have this information. The only time you don't need these details is if substantiation exceptions apply.

Fiction: I can claim makeup that contains sunscreen if I work outside.

Fact: We all like to look good, but cosmetics are usually a private expense and the addition of sun protection does not make it deductible. It may however be deductible if the primary purpose of the product is protection from sun damage (that is, it has a high SPF rating), and that the cosmetic component is incidental, and you need to work outdoors in the sun.

Fiction: I can claim my gym membership because I need to be fit for work.

Fact: While you might like to keep fit, there are only a very small number of people who can claim gym memberships, such as special operations personnel in the Australian Defence Force. To be eligible, your job would have to depend on you maintaining a very high level of fitness, for which you are regularly tested.

Fiction: I can claim all my travel expenses if I add a conference or a few days' work to my holiday.

Fact: If you decide to add a conference or some work to your holiday, or a holiday to your work trip, you must apportion the travel expenses between the private and work-related components, and only claim the work-related component.

Fiction: I can claim my work clothes because my boss told me to wear a certain colour.

Fact: Unless your clothing is a uniform that is unique and distinct to your employer, or protective or occupation-specific clothing you are required to wear to earn your income, you won't be able to claim it. Plain clothes, like black pants, are not deductible even if your employer told you to wear them.

Fiction: I can claim my pay television subscription because I need to keep up-to-date for work.

Fact: A subscription to pay television is not ordinarily deductible. Keeping up-to-date on news, current affairs and other general matters usually will not have a sufficiently close connection with your employment activities to provide a basis for deducting these subscriptions. They are essentially private expenses.

Fiction: I can claim home to work travel because I need to get to work to earn my income.

Fact: For most of us, home to work travel is a private expense.

Fiction: I've got a capped phone and internet plan, so I can claim both business and private phone calls and internet usage.

Fact: Unless you only use your phone and internet for work, you have to apportion the cost between work-related and private usage and only claim the work-related portion of your expenses.

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