



## WORK RELATED DEDUCTIONS

In this post, we will provide a quick summary of the type of work-related expenditure that may be deductible to taxpayers. This will hopefully help taxpayers in putting together their records to assist in preparing their tax return.

### **Three Pillars of claiming a deduction**

There are three conditions which must be satisfied for you to make a claim for a deduction in your tax return. These are discussed below.

#### **Substantiation**

In most cases (unless your total claim for deductions is less than \$300), expenses included in your income tax return will need to be substantiated. Substantiation takes many forms and may include:

- A log book (generally used for motor vehicles)
- Receipts
- Bank and credit card statements
- Travel diaries

These can be used together or stand alone. However, the more detail you have the better. Therefore, if you purchased a laptop from Apple, the receipt from Apple would be better than a bank statement as the receipt provides more detail regarding the transaction than the bank statement/credit card statement.

#### **Directly related/connected to your income**

The deductions claimed in your return must be connected to the income which is included in your return.

For example, the purchase of a laptop by an accountant will be connected to their income as it is required to perform their duties as part of their role. The purchase of a chainsaw to cut logs at home is not directly related to an accountant's income.

Items which are connected to your income will vary depending on the type of income you have derived during the income year.

#### **Expensed**

You must be the one that beared the cost to get the tax saving. You cannot claim a deduction for an expense incurred by a relative, friend or colleague.

### **Types of work related deductions**

For work-related deductions, there are five main categories. Each will be discussed below:

#### **1. Motor Vehicle**

If you use your motor vehicle for work, you can claim costs in one of two ways:

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1. Cents per kilometre method - allows people to claim a deduction based on the number of work related kilometres travelled up to 5,000. No deduction will be available for any work-related kilometres over 5,000.
2. Log book - requires the taxpayer to maintain a logbook for a period of 12 weeks. The logbook will need to show the number of kilometres on the clock at the start of the 12-week period and the end and will need to detail all the work-related travel during the period. The taxpayer will be able to claim all costs incurred on the motor vehicle limited to the percentage that is work-related.

Though people believe travel from home to work and work to home is work related travel, in majority of cases it is not. The travel between sites, meetings after arriving at work, is the leg of the travel that is deductible. Therefore, if you go to the same workplace each day, stay there for 8 hours and go home, none of your motor vehicle costs will be deductible. It is only the part of the travel by where you travel to more than one location in a day is the travel deductible.

## **2. Work related travel**

### Local

As mentioned under motor vehicle, travel from home to work and work to home, is non-deductible travel i.e. you can't claim. However, where you are required to travel for work, away from your normal workplace, this travel will be deductible.

For example, a foreman for a building company, attends 4 sites during the day to check the progress of the buildings. The travel from home to worksite 1 is non-deductible. However, travel from site 1 to 2 to 3 to 4 to home will be deductible. This is since you need to travel to more than one place in one day.

This is also the case for a professional that are required to attend meetings or conferences during the day.

The type of travel utilised between sites or meetings is not limited to motor vehicles It can include train, bus, taxis, trams, Uber etc.

### Domestic and Overseas

If you have travelled interstate or internationally for work, the costs will generally be deductible. These costs include flights, accommodation, taxis, meals and incidentals.

However, all these may not be deductible if the travel was for a dual purpose i.e. work and personal, and the expenditure is excessive (i.e. \$300/meal spend). This however is assessed on a case by case basis.

## **3. Work related uniform, laundry etc**

In majority of cases, uniform expenditure is not deductible, even if you are required to purchase these, unless it meets certain conditions. Generally, uniform costs are deductible if:

- They have the company logo on them or
- They are specifically required for your occupation i.e. steel cap boots, protective eyewear etc.

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The purchase of a suit by an accountant to attend client meetings etc. is not deductible even though it is widely expected that they are dressed appropriately for meetings. As the suit does not have a logo, and can be used personally, the deduction is not allowed. If, however, the logo of the business was placed on the suit, the cost of the suit will be deductible

Also, if you do have eligible uniform expenditure, you are able to claim dry cleaning costs or laundry costs.

#### **4. Self-education costs**

Self-education costs are deductible if they relate to your current employment or are required for you to progress further in your chosen field. Where study has no link to your current position, it will not be deductible. This also applies to future employment in your chosen field.

Where the self-education costs are directly related to your employment, costs which are deductible include:

- Course fees (excluding HECS/HELP debt payments)
- Course materials including reference books
- Stationary

#### **5. Other work-related costs**

This is where the remainder of your work-related deductions go, if they do not fit within one of the categories discussed above. Costs such as attending seminars, reference materials, professional memberships, union fees are claimed under this section.

#### **Reimbursement**

Though you may have incurred expenditure which fits under any one of the categories mentioned above, if your employer has reimbursed you for these, generally, you will not be entitled to claim a deduction in your personal return as you have had no financial cost.

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