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ATO TARGETS WORK RELATED EXPENSES

With over eight million people claiming in excess of \$16 billion in work-related expenses each year, the Australian Taxation Office (ATO) has significantly increased their audit activity to make sure taxpayers claims are legitimate.

The 20 Most Common Errors Detected by the ATO:

GENERAL:

- 1 Not having receipts, invoices or similar documents to support claims made on tax returns. Basically, if you have no receipt, the claim is disallowed and a penalty may be charged.
- 2 If an expense has been reimbursed by your employer, it cannot be claimed as a deduction.
- 3 Claiming of round dollar amounts for work-related expenses is considered to indicate that proper receipts or invoices do not exist.

MOTOR VEHICLE:

- 4 Incorrectly claiming motor vehicle expenses on a percentage usage basis without having a log book to substantiate the work-related percentage.
- 5 Incorrectly claiming motor vehicle expenses on the basis of carrying bulky equipment.
- 6 Incorrectly claiming motor vehicle on a cents per kilometre basis without having a schedule of kilometres travelled.

TRAVEL:

- 7 Incorrectly claiming travel expenses without having a travel diary to substantiate the claim.
- 8 Amounts claimed by fly-in-fly-out workers for accommodation and airfares related to connecting flights or overnight stays for connecting flights for travel to or return from their work are not deductible.

CLOTHING:

- 9 Claims for clothing that is conventional by nature are not deductible. Items which are job-specific such as a chefs' uniform or corporate logo clothing which identifies where the person works or is protective such as fire retardant, water resistant, high visibility, steel capped etc are all deductible. Note runners, sports clothing, black pants, white shirts etc are not deductible.
- 10 Incorrectly claiming laundry of conventional clothing. If the clothing is not deductible, laundry of that clothing is not deductible.



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HOME OFFICE:

- 11 Incorrectly claiming home office, mobile phone and internet expenses. If a direct link can be made between incurring these expenses and deriving income, they may be deductible. Most commonly however, only part of the expense may be deductible so they need to be apportioned between private and tax-deductible (i.e. work-related).
- 12 Claims for fixed occupancy costs such as interest, rent, rates and building insurance cannot be claimed as home office expenses if the person is merely using their home office for convenience (i.e. to undertake work that would otherwise be done at the employers regular place of employment and their home does not have the character of a place of business). This covers situations where a person does work at night and on weekends and also if they have arranged to work from home on certain days of the working week.

CLAIMS AGAINST ALLOWANCES:

- 13 Claim for overtime meal allowances. An employee can only claim for overtime meal expenses incurred on those occasions when they worked overtime and received an overtime meal allowance for that overtime which is included on the payment summary as an allowance. Overtime meal allowances that have been folded in as part of an employees' normal salary income are not considered to be overtime meal allowances.
- 14 Amounts claimed against living away from home allowance. As this allowance is not assessable to the employee and is not shown on the payment summary no claims can be made for living away from home expenses.

OTHER WORK-RELATED EXPENSES:

- 15 Claiming the cost of tools or equipment if they exceed \$300 as an outright deduction instead of claiming depreciation on these items over several years.
- 16 Claims for attending seminars, conferences and training courses that are not sufficiently connected to a persons work activities at the time the expenses were incurred.
- 17 Claims for journals, periodicals and magazines that do not have content specifically related to your industry are not deductible. Claims for newspapers, foxtel, general type magazines are all too general and considered private by nature and cannot be claimed.
- 18 Claims for the cost of sunglasses, sunhats and sunscreen lotions are only deductible if a person is required to work in the sun for all or part of the day and they use these items to protect themselves from the sun while at work.
- 19 Your drivers licence is considered private in nature and is not deductible.
- 20 Claims for vaccinations are considered to be in the nature of a personal medical expense and therefore, private in nature and are not deductible.



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