
Back to Basics: Claiming Work Related Expenses: Some You Can, Some You Can't and Some in Part

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1 Overview

- 1.1 Determining eligible tax-deductible expenses for an employee is not always clear cut.
- 1.2 With an ever-changing landscape in how individuals are employed (such as increased work from home arrangements, social media marketing and the 'gig economy' with delivery drivers), tax practitioners need to be wary of the effect such arrangements have to the claiming of tax deductions.
- 1.3 Ultimately, whether a claim is deductible for an employee will require an analysis of the foundations, although the Australian Taxation Office offers much guidance for industry-specific deductions.
- 1.4 This paper will consider the key principles for work related deductions in that the taxpayer must have spent the money (and were not reimbursed), the expense must have a direct relationship to earning the taxpayer's income and the taxpayer has a record to prove it.
- 1.5 It will further consider specific work-related deductions such as:
 - (a) Motor vehicle claims:
 - (i) Claiming expenses.
 - (ii) Types of vehicles not subject to the logbook requirements or cents per kilometre method.
 - (b) Travel expenses:
 - (i) Apportioning claim for private purpose or accompanying spouse.
 - (ii) What records are required?
 - (iii) When do the exceptions from substantiation apply?
 - (c) Clothing, laundry and dry cleaning:
 - (i) Protective clothing – what is the criteria?
 - (ii) Employer requirements to dress a certain way?
 - (d) Self education expenses:
 - (i) Practical examples of allowed and non allowed scenarios.
 - (ii) Section 872A limit.
 - (e) Work from home tax deductible expenses.
 - (i) When may a portion of mortgage interest, rent or other occupancy costs be allowed?
 - (ii) What are the CGT implications if occupancy costs are claimable?
 - (iii) COVID hourly rate versus other options.
 - (f) A review of TR 2020/1 relating to employee deductions.

Practical examples will be provided in the complementing presentation.



2 What's deductible and what's depreciable?

2.1 At it's simplest, section 8-1 *Income Tax Assessment Act 1997* (Cth) (**ITAA 1997**) allows a general deduction for a loss or outgoing provided that **either** *positive limb* is met:

"(a) it is incurred in gaining or producing your assessable income; or

(b) it is necessarily incurred in carrying on a business for the purpose of gaining or producing your assessable income."

2.2 Not all losses or outgoings that meet an above positive limb will be deductible however, as section 8-1(2) ITAA 1997 provides *negative limbs* where the loss or outgoing will not be deductible:

"(a) it is a loss or outgoing of capital, or of a capital nature;

(b) it is a loss or outgoing of a private or domestic nature; or

(c) it is incurred in relation to gaining or producing your exempt income or your non-assessable non-exempt income; or

(d) a provision of [ITAA 1997] prevents you from deducting it.

Positive limbs

2.3 The first positive limb is relevant in determining whether a work related expense is deductible for an employee. Specifically, expenses incurred in order for a taxpayer to produce employment income will meet the test.

2.4 Common work-related expenses that an employee may incur includes:

(a) acquisition of daily tools and equipment;

(b) professional journals;

(c) membership fees;

(d) travel expenses.

2.5 As the second positive limb relates to expenses incurred in carrying on a business (i.e. trading stock), such section will not usually be of relevance to an employee.

2.6 In incurring an expense in the course of an employee producing assessable income, it is crucial that the expense is 'incurred' by the employee.

2.7 Taxation Ruling 97/7 outlines the meaning 'incurred' (as there is no definition of the term in the legislation), and the Australian Taxation Office Employees Guide for Work Expenses (**Work Expenses Guide**) confirms that expenses incurred but reimbursed, or expenses incurred by others who gift the item to the employee will not meet the meaning of 'incurred'.

2.8 Only expenses incurred in gaining or producing employment income will be deductible. Where expenses are not required to be incurred as part of an employee's employment, such expenses will not be deductible.

2.9 Further, expenses incurred by an employee at the direction of an employer will not automatically be deductible¹

¹ Taxation Ruling 1997/12



2.10 Instead, the expense must be something that “*might ordinarily be expected to occur in the carrying out the duties of the employment*”²

Loss or outgoing of capital, or of a capital nature

2.11 Losses or outgoings that are capital in nature (i.e. for certain assets, otherwise known as **depreciating assets**) are not usually fully deductible immediately, with any deductions being spread out over a number of years over the effective life of the depreciating asset.³

2.12 The question, therefore, is what constitutes a loss or outgoing to be a capital expense as opposed to an income expense.

2.13 The case of *FCT v Sharpcan Pty Ltd* [2019] HCA 36 confirms the long-held belief on whether an expense is incurred on revenue account or capital account:⁴

“Authority is clear that the test of whether an outgoing is incurred on revenue account or capital account primarily depends on what the outgoing is calculated to effect from a practical and business point of view. Identification of the advantage sought to be obtained ordinarily involves consideration of the manner in which it is to be used and whether the means of acquisition is a once-and-for-all outgoing for the acquisition of something of enduring advantage or a periodical outlay to cover the use and enjoyment of something for periods commensurate with those payments. Once identified, the advantage is to be characterised by reference to the distinction between the acquisition of the means of production and the use of them; between establishing or extending a business organisation and carrying on the business; between the implements employed in work and the regular performance of the work in which they are employed; and between an enterprise itself and the sustained effort of those engaged in it. Thus, an indicator that an outgoing is incurred on capital account is that what it secures is necessary for the structure of the business.

2.14 Taxation Ruling 2020/1 (**TR 2020/1**) considers ‘capital or capital in nature’ to refer to *items that are not regular or recurrent but rather, are on-off expenditures that can be expected to have an enduring or lasting benefit.*⁵

2.15 More broadly, whether a loss or outgoing is considered a revenue or capital expense will depend on a variety of factors such as:

- (a) whether the expense has a long lasting benefit (which is more reflecting of it being capital in nature);
- (b) whether the amount incurred is a ‘one-off’ rather than a recurring obligation;
- (c) whether the expense is paid in a lump sum to obtain the benefit.

2.16 Examples of employee work related expenses that may be capital in nature may include:

- (a) laptop or mobile devices;
- (b) office equipment;
- (c) furniture;
- (d) motor vehicles.

² IT 2198

³ See *Division 40 ITAA 1997*

⁴ *FCT v Sharpcan Pty Ltd* [2019] HCA 36 at [18]

⁵ Taxation Ruling 2020/1 at paragraph 43



- 2.17 While such expenses may fall within the negative limb, specific provisions of the legislation may allow such capital expenses to be tax deductible as opposed to depreciable.

Other negative limbs

- 2.18 In addition to expenses of a capital nature being non-deductible, the following negative limbs seek to make any related expenses non-deductible:
- (a) expenses of a private or domestic nature will not be deductible (i.e. losses or outgoings incurred as part of an employee's private life such as expenses on food and conventional clothing) – where an expense is incurred and is partially used in the gaining or producing of assessable income (i.e. phone claims), then apportionment and substantiation rules apply to allow a partial deduction;
 - (b) expenses incurred in producing exempt or non-assessable non-exempt income, such as any expenses incurred to produce income under Division 11 ITAA 1997; and
 - (c) losses or outgoings incurred specifically denied as being a deduction, such as:
 - (i) penalties under Australian law;⁶
 - (ii) bribes to foreign or Australian public officials;⁷
 - (iii) unsubstantiated work expenses.⁸
- 2.19 Later sections of this paper will consider the appropriate methods to apportion private and use of expenditure as was as substantiation requirements.

General work-related deductible employee expenses

- 2.20 Appreciating the later sections regarding motor vehicle, travel, clothing, education and work from home tax deductions, below is a summary of common work-related expenses.
- (a) **Insuring and repairing tools or trade and equipment**– Expenses in insuring and repairing tools of trade may be deductible. For example, repairing power tools (for building workers/carpenters) or repairing combs, curlers and razors (for hairdressers), where the employee must supply their own tools. Examples of work-related equipment includes calculators, computers, phones, pagers and personal protective equipment. Whether the tool or equipment is deductible will ultimately depend on whether such tool/equipment is required in the field of the employee and in the course of their employment.
 - (b) **Acquisition of tools of trade and equipment** – While the acquisition of tools are generally seen as capital in nature, provided the value of tools being depreciated is less than \$1,000 through a low-value pool.
 - (c) **Technical and trade books, journals** – Where such books/journals are required in the duties of employment, such expenses will be deductible. Examples of deductibility may include a journalist incurring such expense in researching an article,⁹ real estate industry employees using the property section of papers¹⁰ and a subscription paid by an accountant for professional educational content.¹¹

⁶ Section 26-5 ITAA 1997

⁷ Section 32-5 ITAA 1997

⁸ Section 900-10 ITAA 1997

⁹ Taxation Ruling 98/14

¹⁰ Taxation Ruling 98/6

¹¹ Australian Taxation Office ID 2002/484



- (d) **Tax-related expenses** – Employees are able to claim a deduction of expenses incurred for managing their income tax affairs provided it is not of capital nature, nor the payment of such tax itself.¹²
- 2.21 While the above general expenses may be available to most employees, less common work-related expense claims for certain professionals can include:
- (a) **Gifts, advertising** – Certain professions where expenses are incurred to gift/advertise are entitled to a deduction on such expense. For example, real estate industry employees¹³ are entitled to claim a deduction on the cost of advertising, purchasing gifts, greeting cards and property presentation costs.
 - (b) **Fitness expenses** – Employees who are required to have a high degree of fitness to carry out their work may be entitled to a deduction on expenses related to the retention of their fitness. These may include police academy training instructors and performing artists.¹⁴ Often the employee is required to have a very high level of fitness.
- 2.22 While the above provides general principles regarding work related expenses that may be deductible or not, the Australian Taxation Office (**ATO**) website contains occupation and industry specific guides regarding work-related deductions (discussed further below).

¹² Section 25-5 ITAA 1997

¹³ Taxation Ruling 98/6

¹⁴ Taxation Ruling 93/114 and Taxation Ruling 95/20 respectively



3 Apportioning for private use

- 3.1 Losses or outgoings incurred that are private or domestic in nature are generally not deductible.
- 3.2 However, where such expense incurred was partially used for producing assessable income, and is partially for private use, the claim can be apportioned.
- 3.3 What percentage is considered appropriate for an apportionment will ultimately depend on the facts and the determination of the proportion of the claim related to deductible purposes.
- 3.4 Where usage regarding the claim can be identified and itemised between deductible and non-deductible use, apportionment can be determined based on a reasonable analysis of the line items such as:
- (a) number of work calls made as a percentage of total calls made from a phone;
 - (b) amount of time spent on work calls as a percentage of your total calls from a phone;
 - (c) amount of data downloaded for work purposes as a percentage of total downloads for a smart device.
- As may be appreciated, phone, data and internet expenses¹⁵ could be calculated using the above methodology (subject to the availability to analyse such data).
- 3.5 The most appropriate method (total calls or time of use) will ultimately depend on the facts, but such method must be reasonable and logical. Consider whether time spent on a computer for work over total time spent on a computer would be reasonable for determining internet expense claim where the internet may be used by other devices owned by other persons.
- 3.6 Alternatively, where such claims cannot be broken down into identifiable components, a reasonable basis should be used in determining deductible use.
- 3.7 Keeping a diary may be of assistance, and generally, provided it is kept for a continuous four-week period and subject to any contrary guidance, such use can be extrapolated for the remainder of the year (subject to adjustments for periods of time when the usage may be significantly different).
- 3.8 In this regard, once an expense is determined to be deductible, it is not for the Commissioner to determine such apportionment simply due to the amount of the claim being greater than what would normally have been incurred by a prudent business person.¹⁶ Care, however, must be taken not to inflate payments under a scheme to create artificial deductions.¹⁷

¹⁵ Please note the substantiation rules provided further below

¹⁶ *Ronpibon Tin* (1949) 78 CLR 47

¹⁷ *IHargraves & Stoten* [2010] QCA 328



4 The need to substantiate evidence

4.1 Key in claiming deductions is the ability to substantiate on such claims.

4.2 Division 900 ITAA 1997 contains detailed provisions expanding on the substantiation requirements for such claims.

4.3 Specifically, in relation to substantiating work expenses, subdivision 900-B ITAA 1997 notes the following.

- (a) Deductions as a work expense must be substantiated with written evidence.¹⁸
- (b) Travel records are required when claiming expenses for travel where an employee is away from their ordinary residence for 6 or more nights in a row.¹⁹
- (c) Evidence is not required to be lodged with an employee's income tax return, but they must be retained for 5 years²⁰ in case the Commissioner requests for it to be produced.²¹ Where the Commissioner requests for records to be produced, 28 days or more notice must be given.
- (d) A work expense can be categorized into the following:²²
 - (i) **Work expense** is a loss or outgoing incurred in producing the employee's salary or wages.
 - (ii) **Travel allowance expenses** are considered as work expenses which are covered by a travel allowance and relates to accommodation, food, drink or incidental losses/outgoings relating to travel undertaken in the course of fulfilling duties as an employee where the travel is away from the employee's ordinary residence.
 - (iii) **Meal allowance expenses** are considered as work expenses and relates to meal allowances which an employer pays an employee.
 - (iv) **Motor vehicle expenses** are not considered as work expenses and have their own substantiation rules (as provided for above).

There may be other losses or outgoings considered as a work expense and such of the following rules may apply to them.

- (e) Where all of the work expenses excluding travel allowance expenses and meal allowance expenses intended to be deducted is \$300 or less, no written evidence or records are required to be kept.²³
- (f) Laundry expenses of up to \$150 can be claimed without obtaining written evidence (regardless if the total work expenses is more than \$300).²⁴
- (g) Written evidence may not be required for certain:

¹⁸ Section 900-15 ITAA 1997

¹⁹ Section 900-20 ITAA 1997

²⁰ The 5 years starts the later of the due day for lodging or the date the return is lodged. It is noted that this period may be extended if the employee is in a dispute with the Commissioner.

²¹ Section 900-25 ITAA 1997

²² Section 900-30 ITAA 1997

²³ Section 900-35 ITAA 1997

²⁴ Section 900-40 ITAA 1997



- (i) travel allowance expenses up to an amount considered reasonable by the Commissioner for accommodation, food/drink and other losses or outgoings incidental to travel;²⁵ and
- (ii) overtime meal allowances.²⁶

Taxation Determination 2020/5 provides guidance on what the reasonable travel and overtime meal allowance expense amounts are for the 2020/2021 financial year. Thought should be had to review the appropriate ATO guidance at the relevant time for future financial years.

- (h) Less relevant substantiation exceptions are available for:
 - (i) a work expense related to award transport payments;²⁷ and
 - (ii) crew members on international flights not being required to keep travel records.²⁸
- (i) Where an expense is small (\$10 or less) and the total of all such expenses do not exceed \$200, a record of the expense will suffice rather than obtaining a document from a supplier.²⁹
- (j) It should be noted that the ATO has accepted that where an employee is not claiming more than \$50 in phone, data and interest expenses (in total), an apportionment is not required and rather set deductions can be made on a per call/text message basis.³⁰ Deductions of greater than \$50 require records to be kept and a calculation of the work-related component.

4.4 Similar retention of evidence requirements are present for car expenses.³¹

Written evidence required

4.5 Section 900-E ITAA 1997 confirms what constitutes sufficient written evidence.

4.6 Although no time limit is required to obtain written evidence of the expense, written evidence is required to be entitled to a deduction. Where written evidence is not available at the time of lodgment of an employee's tax return, provided there is good reason to expect the written evidence within a reasonable time, the relevant expense may be deducted without having the evidence at the relevant time.³²

4.7 Any written evidence must contain the following from the supplier of the expense:³³

- (a) the name or business name of the supplier; and
- (b) the amount of the expense, expressed in the currency in which it was incurred; and
- (c) the nature of the goods or services; and
- (d) the day the expense was incurred; and

²⁵ Sections 900-50 and 900-55 ITAA 1997

²⁶ Section 900-60 ITAA 1997

²⁷ Section 900-45 ITAA 1997

²⁸ Section 900-65 ITAA 1997

²⁹ Section 900-125 ITAA 1996

³⁰ \$0.25 for work calls made on a landline; \$0.75 for work calls made from a mobile; and \$0.1 for text messages sent from a mobile

³¹ Section 900-75 ITAA 1997

³² Section 900-110 ITAA 1997

³³ Section 900-115 ITAA 1997



(e) the day it is made out,

with only two potential exceptions being:

(f) if the document does not show the day the expense was incurred, a bank statement or other reasonable, independent evidence that shows when it was paid may be relied on in its place;

(g) if the document the supplier provides does not specify the nature of the goods or services, the employee may write the missing details themselves prior to lodgment.

4.8 Crucially, such a document must be in English unless the expense incurred outside of Australia.³⁴

4.9 Similar requirements must be provided where evidencing a depreciating asset expense.

4.10 Work expenses shown on a payment summary provided by an employer may satisfy the evidentiary requirements.³⁵

Travel record

4.11 Where expenses are being claimed associated to travel, a travel record is required.

4.12 In such circumstances, the following must be recorded in a diary or similar document:³⁶

(a) nature of the activity;

(b) the day and approximate time when it began;

(c) how long it lasted;

(d) where you engaged in it.

4.13 Crucial is evidencing the income-producing activity to determine the relevant claims which were incurred for income-producing purposes. Failing to provide such record will result in such activity in being unable to be taken into account.³⁷

A failure to substantiate

4.14 It is at the Commissioner's discretion to review any failure to substantiate.³⁸ Taxation Ruling 97/24 and Law Administration Public Statement 2005/7 and 2001/25 provides the Commissioner's view of such exercise of discretion.

4.15 Where documents have been lost or destroyed, then a complete copy will suffice. Failing such a copy, if the Commissioner is satisfied that reasonable precautions were taken, then a substitute document may be remade.³⁹

³⁴ Section 900-115(4) ITAA 1997

³⁵ Section 900-135 ITAA 1997

³⁶ Section 900-150 ITAA 1997

³⁷ Section 900-155 ITAA 1997

³⁸ Section 900-195 ITAA 1997

³⁹ Section 900-205 ITAA 1997



5 Motor vehicle claims

- 5.1 Deductions may be available for expenses related to motor vehicles such as:
- (a) petrol;
 - (b) oil repairs;
 - (c) servicing;
 - (d) new tires;
 - (e) lease charges;
 - (f) interest on a car loan; and
 - (g) car washes and polishes.
- 5.2 Such deductions may fall within the meaning of 'car expense' under section 28-13 ITAA 1997⁴⁰ in addition with the decline in value of a car, and may be deductible under section 28-12 ITAA 1997.
- 5.3 In seeking to claim such expenses, special substantiation rules apply under sections 28-1 to 28-185 ITAA 1997, where the employee owns or hires/leases the car. Where an employee does not own the car, they are only able to claim deductions for petrol and other actual use costs.
- 5.4 Two methods are available in claiming motor vehicle expense deductions – the logbook method and the cents per kilometre method. Either method may be chosen by the employee.⁴¹
- 5.5 Substantiation rules must be met in order for such expenses to be deductible, and unlike other deductions, there is no substantiation-free threshold for motor vehicle expenses.

Cents per kilometre method

- 5.6 The cents per kilometre method calculates an employee's motor vehicle deduction based on the following formula:⁴²

$$\begin{aligned} & \text{Number of business kilometres travelled by the car in the income year} \\ & \quad * \text{rates of cents kilometre determined under subsection 128} \\ & \quad - 25(4) \text{ for the car for the income year} \end{aligned}$$

- 5.7 The current rate of cents kilometre is 72 cents for the 2021/2022 financial years and 78 cents for the 2022/2023 financial year.
- 5.8 Business kilometres are considered kilometres the car travelled in the course of producing the employee's assessable income or travel between workplaces.
- 5.9 The maximum business kilometres available for deduction is 5,000. Where the car travelled more than 5,000 business kilometres, the deduction only allows a maximum claim on the first 5,000 kilometres.⁴³

⁴⁰ Meaning any losses or outgoings to do with a car, or to do with operating a car (such as fuel, oil, servicing and interest)

⁴¹ Section 28-15 ITAA 1997

⁴² Section 28-25 ITAA 1997

⁴³ Section 28-25(2) ITAA 1997



5.10 Importantly, car expenses are not required to be substantiated using the cents per kilometre method.⁴⁴

Logbook method

5.11 The logbook method multiplies the amount of each car expense by a percentage equal to the car's business use.

5.12 Business use relates to kilometers the car travelled in the course of an employee producing assessable income or travel between workplaces.⁴⁵

5.13 It requires a logbook to be kept at least 12 continuous weeks in the first year, and then every 5 years thereafter.

5.14 The logbook must include:⁴⁶

- (a) the date the trip began and ended;
- (b) odometer readings at the start and end of the trip;
- (c) kilometres travelled on the journey; and
- (d) the purpose of the trip.

5.15 Further, such logbook should include:⁴⁷

- (a) when the logbook period begins and ends;
- (b) the car's odometer readings at the start and the end of the period;
- (c) the total number of kilometres that the car travelled during the period;
- (d) the number of kilometres that the car travelled, in the course of producing assessable income, on journeys recorded in the logbook; and
- (e) a percentage of kilometres used for producing assessable income over total kilometres.

5.16 Steps are also required to ensure the following details are retained with the records:⁴⁸

- (a) the car's make, model and registration number (if any);
- (b) if the car has an internal combustion engine—its engine capacity expressed in cubic centimetres.

5.17 Such entry should be made contemporaneously⁴⁹ as incomplete records may be deemed unreliable and rejected. Records must also be in English.

5.18 Once completed, a reasonable estimate can be determined and a new logbook will not be required:⁵⁰

- (a) for the next four income years in a row;
- (b) unless:

⁴⁴ Section 28-35 ITAA 1997

⁴⁵ Section 128-90(4) ITAA 1997

⁴⁶ Section 28-125 ITAA 1997

⁴⁷ Section 28-125(3) ITAA 1997

⁴⁸ Section 28-140 ITAA 1997

⁴⁹ Section 28-125 ITAA 1997

⁵⁰ Section 128-115 ITAA 1997



- (i) the Commissioner sends a notice;
- (ii) the employee acquires an additional car which they wish to use the logbook method for; or
- (iii) circumstances of use significantly change.

5.19 In addition to retaining a logbook and other records detailing odometer records, written evidence must be obtained and retained as to the car expense under the substantiation rules (as will be outlined further below).⁵¹

Methods only required for 'car'

5.20 The above methods to calculate the available motor vehicle expenses relate to a specific definition for car.

5.21 Section 995-1 ITAA 1997 defines a 'car' to mean a motor vehicle (except a motor cycle or similar vehicle) designed to carry a load of less than 1 tonne **and** fewer than 9 passengers.

5.22 Where an employee wishes to claim work-related expenses in relation to a vehicle designed to carry a load of more than 1 tonne (e.g. a ute) or 9 or more passengers, they are not required to make a claim under the above methods, but can rather claim a deduction under general principles.

5.23 That is, they must incur a loss or outgoing in gaining or producing their assessable income; and then take steps to apportion between the private use as a non-deductible percentage of the claim.

5.24 While no logbook is formally required to assist with substantiating, retaining one may assist with calculating the necessary percentage related to producing assessable income.

⁵¹ Division 900 ITAA 1997



6 Travel expenses

- 6.1 While expenses incurred in normal travel between home and work (e.g. public transport fares and parking) are not usually deductible (as they are incurred in the normal cost of living in one are whilst working in another), travel expenses (such as car parking expenses) incurred travelling between two unrelated places of employment or work sites may be deductible.⁵²
- 6.2 Further, where circumstances arise that the employee's dominant base of work is at their home, deductions may be available where they are required to travel to other work locations. In such a circumstance, it would be recommended that any employment contract confirms that such an employee's usual place of work is listed as their home.
- 6.3 Taxation Ruling 2021/1 provides examples of when such travel expenses will be deductible and also includes additional circumstances:
- (a) where an employee is required to carry bulky tools or equipment to work (and the employer does not provide a secure storage location);
 - (b) where an employee is on call or stand by.
- 6.4 Prior sections have separately considered the substantiation and record keeping requirements on claiming travel expenses.
- 6.5 Examples of deductible travel between home and work can include:
- (a) A computer consultant who is on call 24 hours a day with specialized equipment installed at home and is required to travel to the office on the basis that the home could be regarded as another place of work given the on call nature.⁵³ This should be distinguished from an employee who undertakes some work duties at home or have flexible work arrangements⁵⁴
 - (b) Professional musicians who work at various locations and are required to transport bulky musical equipment between home and places of work.⁵⁵
 - (c) Plumbers who are assigned to work at different sites every day.⁵⁶
 - (d) Carpenters who are required to transport heavy tools to work that are necessary to perform their work.⁵⁷
 - (e) Where travel from such premises includes a stop at a client's premise, then such travel may be considered deductible business travel in circumstances where:⁵⁸
 - (i) the employee has a regular place of employment to which he or she travels habitually;
 - (ii) in the performance of his or her duties as an employee, travel is undertaken to an alternative destination which is not itself a regular place of employment (i.e., this approach would not apply, for example, to a plant operator who ordinarily travels directly to the job site rather than calling

⁵² Section 25-100 ITAA 1997

⁵³ Taxation Ruling 2021/1 at Example 10

⁵⁴ Taxation Ruling 2021/1 at Example 12

⁵⁵ *FC of T v Vogt* 75 ATC 4073

⁵⁶ ATO deduction guidelines regarding '*Plumber employees – claiming work-related expenses*'

⁵⁷ *Crestani and Commissioner of Taxation* [1998] AATA 612

⁵⁸ MT 2027



first at the depot or to an employee of a consultancy firm who is placed on assignment for a period with a client firm); and

- (iii) the journey is undertaken to a location at which the employee performs substantial employment duties.

6.6 In contrast, examples where travel between home to work was considered 'travel to work' as opposed to 'on work' may include:

- (a) Medical practitioners travelling from home to work as a locum at various hospitals.
- (b) Radiographers who, despite being on call, did not commence the income-producing duties until arrival at the hospital.
- (c) Teachers travelling between their home and their regular school to attend parent-teacher meetings and other school functions even when the trip is made outside school hours or is a second or subsequent trip.⁵⁹
- (d) Casual nurses working on a casual basis for a different employer each day and being called at short notice.⁶⁰

6.7 The principles of deduction outlined above may also apply in relation to international travel, noting that appropriate apportionment may be required where part of the purpose of travel related for private purposes.

6.8 Where spouses accompany a taxpayer on such trip, appropriate steps should be taken to apportion any expenses that may be attributed to the spouse unless it can be shown that:

- (a) during the trip, the spouse performs substantial duties as an employee; and
- (b) it is reasonable to conclude that the spouse would still have gone on the trip even in the absence of the personal relationship with the taxpayer.

6.9 Where such circumstances do not exist, it is considered reasonable to apportion certain expenses equally, noting however, that if the cost of the expense would have only decreased by an alternative proportion had the spouse not been present, there may be grounds for a lower proportion attributed for private use.

6.10 Consider the circumstance where the difference between a hotel double and single room rates were 8%, and hence the deductible portion of accommodation related expense could reasonably be considered to have been approximately 92% of the amount incurred.

⁵⁹ Taxation Ruling 2021/1 at paragraph 28

⁶⁰ Taxation Ruling 2021/1 at Example 11



7 Clothing, laundry and dry cleaning

- 7.1 Clothing is generally considered to be of private nature and not deductible.
- 7.2 Some circumstances may exist, however, where the purchase of clothing and maintenance of such clothing may be deductible.
- 7.3 In order for such expenses to be deductible, it needs to be shown that such outgoing was incurred in gaining or producing assessable income.
- 7.4 Generally, for expenses related to clothing and the maintenance of such clothing (i.e. laundry and dry-cleaning expenses)⁶¹ to be deductible, it needs to be shown that such clothing
- (a) it is required to be worn under work-place policies;
 - (b) is unique and distinctive to the employer with a logo of the employer permanently attached to the uniform; and
 - (c) not be available to the public.
- 7.5 Other general deductions are available where such clothing is protective or are a requirement for the employment. Examples may include a chef's outfit or barrister's wig. Conventional clothing (and not specific to an occupation) will not generally be deductible unless in special circumstance (e.g. sunglasses, sunhats and sunscreen purchased by employees who are required to work outside)⁶².
- 7.6 While conventional clothing will generally not be deductible, there have been circumstances where such conventional clothing was deemed to sufficiently incurred in gaining or producing assessable income:
- (a) Clothing purchased by a professional actor who buy such items to wear on stage as a costume in a particular production.⁶³
 - (b) Clothing purchased by police officers who are required to wear such items to pose as criminals.⁶⁴
 - (c) Clothing purchased by a television game show host who wears evening and formal wear to complement the sets and prizes.⁶⁵
 - (d) Shoes, socks and stockings purchased by an employee who is required to wear such items as part of a compulsory and distinctive uniform, such components which are set out by the employer in a uniform policy or guidelines.⁶⁶ As mentioned above, such uniform is required to be distinctive and unique to a particular employer so as to identify clearly that the wearer as an employee of that employer. The wearing of a particular colour, brand or style will not suffice to cause such clothing to be distinctive.⁶⁷

⁶¹ Taxation Ruling 97/12

⁶² *Morris v FCT* 2002 ATC 4404

⁶³ Taxation Ruling 95/20

⁶⁴ Taxation Ruling 95/13

⁶⁵ Taxation Ruling 95/20

⁶⁶ Taxation Ruling 96/16

⁶⁷ Taxation Ruling 96/16 at paragraph 7



- (e) Other ATO rulings provide clarity as to the kind of compulsory and distinctive uniform that may be deductible for shop assistants,⁶⁸ police officers⁶⁹, nursing industry employees,⁷⁰ hairdressers,⁷¹ Defence Force members⁷² and airline industry employees.⁷³
- 7.7 In line with enabling deductions for clothing that is compulsory and distinctive, it has been accepted that compulsory uniforms (which are not conventional) and occupation-specific clothing (that is clothing that is distinct) may also be deductible.
- 7.8 Protective clothing and safety footwear may also therefore be considered deductible where:
- (a) they are designed to protect taxpayer from the risk of illness or injury in the course of carrying out the taxpayer's income earning activities;
 - (b) the risk is not remote or negligible;
 - (c) the protective item is of a kind that provides protection from that risk and would reasonably be expected to be used in the circumstances; and
 - (d) the taxpayer used the item in the course of carrying out the taxpayer's income earning activities.⁷⁴
- 7.9 Where uniforms are not compulsory, deductions will be denied unless the uniform is entered into the Textile, Clothing and Footwear Corporatewear Register at the time the expense is incurred.⁷⁵ This the responsibility of the employer.

⁶⁸ Taxation Ruling 95/10

⁶⁹ Taxation Ruling 95/13

⁷⁰ Taxation Ruling 95/15

⁷¹ Taxation Ruling 95/16

⁷² Taxation Ruling 95/17

⁷³ Taxation Ruling 95/19

⁷⁴ Taxation Ruling 2003/16

⁷⁵ Division 34 of ITAA 1997



8 Self education expenses

- (a) Taxation Ruling 98/9 states the general principles governing the deductibility of self-education expenses. In summary:
- (i) Expense will be deductible if it relates to the cost of improving knowledge or skills without being incurred as a capital expense.
 - (ii) Expenses incurred in keeping an employee up to date in their field or allowing such employee to discharge their duties may be deductible.
 - (iii) Expenses incurred to either assist an employee obtain new employment or pivot into a different field unrelated to their current employment are likely not to be deductible. For example, consider *FCT v Roberts* 92 ATC 4787 where a deduction to obtain an overseas MBA course by a mining engineer was denied in the course of the mining engineer accepting an offer of employment as a mine manager with another company.
- 8.2 It is noted that the 2021 Federal Budget considered the removal of the \$250 non-deductible threshold, formerly section 82A ITAA 1997, which was subsequently passed and took effect relating to assessments for the income tax year commencing 1 July 2022.
- 8.3 Travel expenses incurred by an employee to travel either from home to the place of education and to home; or from work to place of education to work, may be deductible. In line with travel expenses, certain aspects of travelling from home to place of education to work will not be deductible (much as travel from home to work is not usually deductible).
- 8.4 Examples of types of self-education expenses that may be allowable include:⁷⁶
- (a) Course or tuition fees of attending an educational institution, work-related conference or seminar, including student union fees. It should be noted that Taxation Determination 93/195 considers the deductibility of work-related conference/seminars where part of the registration fee represents the cost of food and drink to be provided as part of the seminar.
 - (b) The cost of professional and trade journals, textbooks and stationery. It should be considered whether the cost of a text book may be considered a capital expense.
 - (c) Airfares incurred on overseas study tours or sabbatical, on work-related conferences or seminars, or attending an educational institution, noting that accommodation and meal expenses may be deductible where a taxpayer is required to be away from home overnight.
 - (d) Interest incurred on borrowed monies where the funds are used to pay for self-education expenses associated with a course of education, that enables a taxpayer to maintain or improve his or her skill or knowledge or is likely to lead to an increase in income from the taxpayer's current income-earning activities. Regard must be had to the connection between the interest expense and the income-earning activity in each income year interest is claimed because a change in circumstances, for example, a change of employment, may mean that the necessary connection no longer exists.
- 8.5 In contrast, the following types of expenses related to self-education are not deductible:⁷⁷

⁷⁶ Taxation Ruling 98/9 at paragraph 23

⁷⁷ Taxation Ruling 98/9 at paragraph 24



- (a) A student contribution amount or debt repayment amount specified in section 26-20 of the ITAA 1997.
 - (b) Expenditure on meals while attending an educational institution, work-related conference or seminar where the taxpayer is not required to sleep away from home.
 - (c) Expenditure on accommodation and meals where a taxpayer who has travelled to another location for self-education purposes has established a new home.
- 8.6 Care needs to be taken when determining whether the self-education expense relates to:
- (a) the cost of improving knowledge or skills; or
 - (b) keeping an employee up to date in their field,
- or if such expense is incurred to enable the employee obtain new employment or pivot into a different field unrelated to their current employment.
- 8.7 Where certain self-education expenses may be clear where a taxpayer 'pivots' into an unrelated field, uncertainty arises where such expenses relate to the specializing of the taxpayer.
- 8.8 Consider the *Highfield's case*⁷⁸ which involved a self-employed dentist studying overseas for a specialist degree (periodontist) to enable the dentist to enhance such treatment offered as part of his services and charge higher fees as a general dentist. In this case, the self-education expenses were deemed deductible as the taxpayer did not obtain new employment or pivot to a different field.
- 8.9 In contrast:
- (a) A general medical practitioner who undertakes additional study in order to set up a specialist practice as a dermatologist will be unable to claim such expenses as such education sought to enable the practitioner to enter into a different field.⁷⁹
 - (b) A medical registrar resigning before travelling to the United Kingdom to undertake specialized research to enable him to commence his own practice was unable to claim such self-education expenses.

⁷⁸ FC of T v. Highfield 82 ATC 4463; (1982) 13 ATR 426

⁷⁹ Taxation Ruling 98/9 at paragraph 62



9 Work from home tax deductible expenses

- 9.1 In recent years, the number of work from home arrangements have increased significantly and as a result of such increase the ways in which to calculate deductions for employees who work from home have changed.
- 9.2 Specifically Practical Compliance Guideline 2023/1 (**PCG 2023/1**) outlines the ways in which taxpayers can claim running expenses incurred while work from home.
- 9.3 As a general rule, expenses relating to an employee's home are of a private or domestic nature, and would therefore not meet deductible by way of falling within one of the negative limbs mentioned above.
- 9.4 An exception exists where for an employee where the home is used in connection with the employee's income earning activities but does not constitute a place of business.⁸⁰⁸¹
- 9.5 Whether a home office is suitable for such deductions will ultimately depend to the extent:⁸²
- (a) the area is clearly identifiable as a place of business;
 - (b) the area is not readily suitable or adaptable for use for private or domestic purposes in association with the home generally;
 - (c) the area is used exclusively or almost exclusively for carrying on a business; or
 - (d) the area is used regularly for visits of clients or customers.
- 9.6 Broadly, home office expense deductions can be categorised into:⁸³
- (a) **running expenses:** being expenses relating to the use of facilities within the home such as electricity, heating, lighting, cleaning costs, depreciation, leasing charges and the cost to repair items; and
 - (b) **occupancy expenses:** being expenses relating to the ownership or use of a home which hare not affected by a taxpayer's income activities such as rent, mortgage interest, rates, land taxes and house insurance premiums.
- 9.7 Other running expenses are accepted to include interest expenses, phone expenses and electronic consumables that an employee may be required to utilise in the course of conducting their employment from home.⁸⁴
- 9.8 Where a home office is used as a matter of convenience, such that the area is easily used for private purposes, employees will only be entitled to claim deductions relating to running expenses.
- 9.9 Occupancy expenses are available where the home office exhibits traits of a place of business.

⁸⁰ Taxation Ruling 93/30 at paragraph 3

⁸¹ It is also noted that deductions may be available where part of the home is used for income producing activities and has the character of a "place of business" – Taxation Ruling 93/30 at paragraph 2 – but would not ordinarily be available for employees as they are not considered as running a business

⁸² Taxation Ruling 93/30 at paragraph 5

⁸³ Taxation Ruling 93/30 at paragraph 6

⁸⁴ Practical Compliance Guideline 2020/3 at paragraph 26



- 9.10 Special rulings relating to the claiming of deductions for additional running expenses incurred whilst working from home due to COVID-19 were effective until 30 June 2022.⁸⁵

Claiming running expenses

- 9.11 From 1 July 2022, taxpayers may have the option to claim their actual expenses incurred as a result of working from home (calculating according to ordinary principles previously discussed above regarding apportionment) or to use a fixed-rate method as provided for in PCG 2023/1.

- 9.12 PCG 2023/1 should be read in conjunction with TR 93/30 in determining when working from home expenses are deductible.⁸⁶

- 9.13 TR 93/30 provides that if an employee is able to establish a link that a home is used in connection with the employee's income earning activities (noting that the field in which the employee works would need to be one which may require the employee to work from home), they may be entitled to claim the following running expenses:

(a) Heating, lighting and electricity deduction:

- (i) An amount may be claimed equal to the difference between what was actually paid and what would have been paid had the employee not worked from home.⁸⁷
- (ii) Whilst TR 93/30 (at paragraph 24) provides for a formula in working out the expense, it is accepted that a fair estimate may be accepted based on a reasonable percentage of the household annual bill.⁸⁸
- (iii) The employee must use such room without others present, else such claim be considered carrying private/domestic character.⁸⁹

(b) Depreciation, insurance and repairs deductions:

- (i) These may be accepted where such expense relates to assets relevant to a home office (which can include a professional library and other equipment).⁹⁰
- (ii) Where such items are used for private or domestic purposes, then the claim should be apportioned.⁹¹
- (iii) Repairs to a home office may also be allowed which relates to non-capital expenses.⁹²

(c) Cleaning costs and pest control deductions:

- (i) These may be calculated based on the total floor area of the home office to the entire home.
- (ii) Where the home office is not used solely for income earning purposes, an apportionment must be made on a time basis.

⁸⁵ Practical Compliance Guideline 2020/3

⁸⁶ PCG 2023/1 at paragraph 3

⁸⁷ Taxation Ruling 93/30 at paragraph 23

⁸⁸ Taxation Ruling 93/30 at paragraph 25

⁸⁹ Taxation Ruling 93/30 at paragraph 21

⁹⁰ Taxation Ruling 93/30 at paragraph 26

⁹¹ Taxation Ruling 93/30 at paragraph 27

⁹² Section 25-10 ITAA 1997



(d) **Telephone and internet deductions:**

- (i) While the installation of a landline at home will not be deduction (due to its capital nature),⁹³ rental costs incurred may be deductible apportioned by work related calls using the following formula: *Business calls (incoming and outgoing) / Total calls (incoming and outgoing)*⁹⁴
- (ii) Alternatively, work-related equipment such as telephones and tablets may be deductible upfront or depreciated (depending on the circumstances such as value).
- (iii) Home internet usage may also be deductible on the same basis as rental costs for phone calls.

9.14 PCG 2023/1 provides an alternative method in calculating deductions for expenses incurred in the course of working from home. In order to be eligible for such alternative method (the fixed rate method), the taxpayer must satisfy the following and be:⁹⁵

- (a) working from home while carrying out their employment duties or carrying on their business on or after 1 July 2022 (**first criterion**);
- (b) incurring additional running expenses of the kind outlined in paragraph 14 of PCG 2023/1 which are deductible under section 8-1 as a result of working from home (**second criterion**); and
- (c) keeping and retaining relevant records in respect of the time they spend working from home and for the additional running expenses (covered by the rate per hour) they are incurring (**third criterion**).

9.15 Further detail in relation to each of the above criterion are noted as follows:

- (a) Regarding the first criterion:
 - (i) The taxpayer must be working from home while carrying out their employment duties on or after 1 July 2022.
 - (ii) The work has to be substantive and directly related to the taxpayer's income-producing activities and it is noted that 'minimal' tasks such as occasionally checking emails or taking phone calls while at home will not qualify as 'working from home'.⁹⁶
 - (iii) PCG 2023/1 contrasts between the 'occasional checking of a paramedic's roster' (which would not qualify as working from home) with a salesperson who is employed to work from home one day a week (which would qualify as working from home).⁹⁷
 - (iv) It is noted that the taxpayer is not required to have a separate home office or dedicated work area set aside in order to rely on PCG 2023/1.⁹⁸

⁹³ Case N84 81 ATC 451 and Taxation Ruling 98/14

⁹⁴ Law Administration Practice Statement PS LA 2001/6 at paragraph 4

⁹⁵ PCG 2023/1 at paragraph 18

⁹⁶ PCG 2023/1 at paragraph 45

⁹⁷ PCG 2023/1 at paragraphs 46 and 47

⁹⁸ PCG 2023/1 at paragraph 19



(b) Regarding the second criterion – the fixed rate method only applies for expenses incurred by the taxpayer relating to the following additional expenses they may incur as a result of working from home:⁹⁹

- (i) energy expenses for lighting, heating, cooling and to run electronic items used for work;
- (ii) internet expenses;
- (iii) mobile and home phone expenses;
- (iv) stationery and computer consumables.

Additional deductions may be claimable for the actual decline in value of depreciating assets used while working from home under the ordinary principles which requires appropriate substantiation requirements to be met.¹⁰⁰ However, deductions are not available where the taxpayer is reimbursed for the incurring of additional running expenses.¹⁰¹

(c) Regarding the third criterion – taxpayers are required to keep appropriate records showing the total number of hours worked from home during the income year and one document for each additional running expense incurred during the income year.¹⁰²

(i) Appropriate records for the entire income year **does not** include an estimate or an estimate based on the number of hours worked from home during a particular period and applied to the rest of the income. Actual hours worked from home must be recorded and records must be kept in one of the following forms:¹⁰³

- (A) Time sheets.
- (B) Rosters.
- (C) Logs of time you spent accessing employer systems or online business systems.
- (D) Time-tracking apps.
- (E) A diary or similar document kept contemporaneously.

(ii) Where invoices and bills are in the name of one member of the household but the cost is shared, each member of the household who contributed to the payment of the expense will be taken to have incurred it.¹⁰⁴ It will be a matter of fact whether the taxpayer contributes to the payment of the relevant expense and PCG 2023/1 provides the example of a taxpayer who works from his parent's home but does not contribute to the payment of any household bills.¹⁰⁵

⁹⁹ It is noted that PCG 2023/1 at paragraph 49 that the taxpayer is not required to incur every running expense listed, but it is required for an expense to be incurred which is when the expense is actually paid or a definitive obligation to pay the amount of the expense arises.

¹⁰⁰ PCG 2023/1 at paragraph 15 and 57

¹⁰¹ PCG 2023/1 at paragraph 50

¹⁰² PCG 2023/1 at paragraph 56

¹⁰³ PCG 2023/1 at paragraph 58

¹⁰⁴ PCG 2023/1 at paragraph 51

¹⁰⁵ PCG 2023/1 at paragraph 54



- 9.16 Where a taxpayer satisfies the above three criterion, a taxpayer may calculate the total deduction of running expenses using the fixed-rate method as follows: the number of hours which the taxpayer worked from home during the income year multiplied by 67 cents per hour.¹⁰⁶
- 9.17 A worked example can be found at paragraphs 74 to 89 of PCG 2023/1 which also considers additional deductions relating to depreciable assets.
- 9.18 It is important to note that if the fixed-rate method is applied, separate deductions cannot be claimed for any of the running expenses covered by PCG 2023/1. This means that a separate deduction for mobile and stationary expenses cannot be claimed, for example.¹⁰⁷

Occupancy expenses

- 9.19 It is usually rare for employees to be able to access occupancy expenses as deductions due to the fact most home offices would not usually have the character of being a place of business.¹⁰⁸
- 9.20 Despite this, certain employees may be entitled to access such expenses should their circumstances align. For example, occupancy expenses were considered available to:
- (a) A bank's IT employee required to perform duties during after-hours and weekends who works from home using equipment supplied by the employer.¹⁰⁹
 - (b) An employee architect who is also allowed to conduct a small private practice from home.¹¹⁰
 - (c) A country sales manager for an oil company whose employer did not provide him with a place to work.¹¹¹
- 9.21 In such circumstances, employees were either required to work from home as part of their contract (whether due to the employer not providing a place to work, or as required to work outside standard office hours). Such circumstances do not apply to every employee, and hence the need to carefully consider the employment relationship in determining whether the home office was made out of necessity or convenience.¹¹²
- 9.22 High Court decisions¹¹³ have denied barristers claiming occupancy expenses for home studies that were used almost exclusively for professional purposes on the basis:
- (a) There was no physical separation of the studies from their homes as they were adjacent to the taxpayers' living rooms.
 - (b) The barristers also maintained chambers at different locations from their homes.
 - (c) It was noted that the home studies remained an integral part of the barristers' home and were not a place of business, therefore being domestic in character.
- 9.23 Similarly occupancy expenses were denied as a deduction for an employee pilot on the basis his employer did not expect employee pilots to perform duties at home.¹¹⁴

¹⁰⁶ PCG 2023/1 at paragraph 26

¹⁰⁷ PCG 2023/1 at paragraph 25

¹⁰⁸ As required under Taxation Ruling 93/30

¹⁰⁹ *McAteer v Commissioner of Taxation* [2020] AATA 1795

¹¹⁰ *Case F53 74 ATC 294*

¹¹¹ *Case T48 86 ATC 389*

¹¹² IT 2673

¹¹³ *Handley v FCT* [1981] HCA 16 and *FCT v Forsyth* [1981] HCA 15

¹¹⁴ *Gregory Yeates v Commissioner of Taxation* [2014] AATA 10



9.24 Where it is determined that occupancy expenses may be deductible, such expenses will need to be apportioned as follows:

$$\frac{\text{Floor area related to the income earning activity}}{\text{Total floor area}} * \text{Relevant expenditure}$$

9.25 Where occupancy expenses are claimed, care should be noted as to the partial loss of the capital gains tax main residence exemption.



10 A review of TR 2020/1 relating to employee deductions

- 10.1 The above sections are an overview of the various aspects of law surrounding the deductibility of work related expenses (referencing various tax legislative provisions, ATO guidance and cases).
- 10.2 Much of what was outlined above has been compiled in Taxation Ruling 2020/1 (**TR 2020/1**).
- 10.3 Rather than restate TR 2020/1, this paper seeks to highlight key paragraphs of use in assisting employees in determining their deductible work-related expenses.
- 10.4 Paragraph 5 of TR 2020/1 acknowledges the various practical guidance's on common work expense types that may be found on ato.gov.au, as well as the *Employees guide for work expenses*. These can be found (as of the date of this paper) as follows:
- (a) Occupation specific guides: <https://www.ato.gov.au/Individuals/Income-and-deductions/In-detail/Occupation-and-industry-specific-guides/>
 - (b) Employees guide for work expenses: <https://www.ato.gov.au/law/view/pdf/sos/employeeguideworkexpenses20180701.pdf>
- 10.5 Appendix 1 of TR 2020/1 also provides a list of materials relating to the various work expense categories. Paragraph 6 of TR 2020/1 notes that such links are intended to be continually updated.
- 10.6 Paragraph 7 of TR 2020/1 acknowledges that only one of the two stated *positive limbs* in section 8-1 ITAA 1997 will apply to employees (as the other relates to business activities) before flagging the *negative limbs* that may cause such an expense not to be deductible.
- 10.7 This is ultimately where the question on whether a claim is deductible is asked at its core should novel expense claims be sought.
- 10.8 TR 2020/1 stresses the importance of understanding the facts and circumstances surrounding the incurring of the expense. Whether such expense has a close connection to the earning of employment income will invariably be different for different employees.
- 10.9 Considering the employment duties required under contract as well as links of employment to expenses can assist in determining the connection.¹¹⁵ Despite the need to consider any employment requirement, expenses that are private or domestic in nature would not be deductible by way of a requirement from an employer.
- 10.10 Difficulty will arise where claims sought resembles expenses that would have been incurred as part of everyday personal life (i.e. food/drink and public transport).
- 10.11 Paragraphs 20 and 21 of TR 2020/1 provides the example of the claiming of a hat, sunscreen and sunglasses as a work expense and distinguishes between:
- (a) Michael, an arborist who is employed by a local council to maintain trees and gardens in a large city park; and
 - (b) office employees who are not expected to have sun exposure risk in the nature of their work.
- 10.12 Further, paragraph 24 of TR 2020/1 considers the distinction between expenses (such as childcare) incurred to enable an employee to attend work to those which are incurred as

¹¹⁵ Consider paragraphs 17, 18 and 26 of Taxation Ruling 2020/1



part of the employee producing assessable income. Similar expenditure (to childcare) deemed too remote includes:

- (a) relocation expenses to work in a different city or state; and
- (b) education expenses to obtain qualifications for new employment.

10.13 TR 2020/1 notes the importance in distinguishing between expenses incurred that are capital or capita in nature (in which case, such expense may be depreciated) as well those that may be private or domestic in nature (in which case the claim must be apportioned appropriately).

10.14 Clothing, personal grooming items and food and drink will usually be considered private in nature.¹¹⁶ Do note, however, the prior examples where certain professions or clothing may be deductible where they are intrinsically linked to the employment.

¹¹⁶ Paragraph 48 of Taxation Ruling 2020/1



11 Practical examples

- 11.1 Little benefit will be had providing examples in this paper as the various ATO guidance's mentioned in this paper, particularly TR 2020/1, will provide more common examples.
- 11.2 Further, the availability of industry-specific guidance offers the path of least resistance in claiming appropriate deductions.
- 11.3 The Work Expenses Guidelines (a link provided above) also provides a breakdown of common myths and is an ancillary source of information.
- 11.4 Our accompanying presentation will consider particular examples and cases in more details.
- 11.5 Please consider viewing our complementing PowerPoint.



12 Disclaimer

- 12.1 This paper covers legal and technical issues in a general way. It is not designed to express opinions on specific cases. It is intended for information purposes only and should not be regarded as legal advice. Further advice should be obtained before taking action on any issue dealt with in this paper.

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