



# Deductions

## Basic rules for claiming deductions

To make a deductions claim, you must have made the purchase in the course of earning your assessable (taxable) income and it must not be a private, domestic or capital expense. If the expense was both work-related and private or domestic, you can only claim a deduction for the work-related portion.

The basic rules for claiming a deduction are that you:

- must claim the deduction in the same income year that you made the purchase
- can't claim an expense that you have been, or will be, reimbursed for
- may have to substantiate your claims with written evidence.

Different rules apply for expenses where you prepay for a service that extends beyond the current income year.

If GST is included in the price, it is part of the total expense and therefore part of any allowable deduction.

## You can't claim a deduction for:

- fines imposed under a law of the Commonwealth, a state, a territory, a foreign country, or by a court, such as speeding tickets and car parking fines
- costs you incur earning income from illegal activities

# Vehicle expenses

You can claim vehicle and other travel expenses directly connected with your work. Generally, you need to keep records of your travel expenses.

## Travel between home and work and between workplaces

While normal trips between home and work are considered private travel, you can claim deductions in some circumstances, as well as for some travel between two workplaces. If your travel was partly private, and partly for work, you can claim only for the part that related to work.

## Car expenses

If you are claiming a deduction for using **your own** car (including a car you lease or hire), it is treated as a car expense.

If you use **someone else's** car for work purposes, you may be able to claim the direct costs (such as fuel) as a travel expense.

## When you can claim car expenses

You can claim a deduction for work-related car expenses if you use your own car in the course of performing your job as an employee.

For example, to:

- carry bulky tools or equipment
- attend conferences or meetings
- deliver items or collect supplies
- travel between two separate places of employment (for example, when you have a second job)
- travel from your normal workplace to an alternative workplace and back to your normal workplace or directly home
- travel from your home to an alternative workplace and then to your normal workplace or directly home (for example, if you travel to a client's premises).

### Owned or leased cars

You can claim a deduction for using a car that you owned, leased, or hired under a hire-purchase agreement.

You can establish your ownership of the car by demonstrating your financial contributions to:

- the initial purchase of the car
- lease payments
- hire-purchase agreements
- loan payments

You may not be considered to own or lease the car if you do not make financial contributions – even though you pay for expenses such as registration, insurance, maintenance or other running costs.

You are considered to be the owner or lessee of a car and eligible to claim expenses where a family or private arrangement made you the owner or lessee, even though you were not the registered owner. For example, we would allow you to claim for a family car that was given to you as a birthday present and which, although it was not registered in your name, you used it as your own and for which you paid all expenses.

### Calculating your deduction

You can choose which of the following four methods for claiming work-related car expenses that gives you the largest deduction for any car and choose different methods for different cars. Some adjustments to your claim may need to be made if the car is jointly owned.

The four methods are:

- [Cents per kilometre method](#)
- [12% of original value method](#)
- [One-third of actual expenses method](#)
- [Logbook method](#)
  - **Cents per kilometre method**
    - Your claim is based on a set rate for each business kilometre.
    - You can claim a maximum of 5,000 business kilometres.

- You don't need written evidence but you need to be able to show how you worked out your business kilometres (for example, by producing diary records of work-related trips).

### **12% of original value method**

- Your claim is based on 12% of the original cost of your car or 12% of its market value at the time you first leased it.
- The cost or value is subject to luxury car limits.
- Your car must have travelled more than 5,000 business kilometres in the income year (or, if you used the car for only part of the year, it would have travelled more than 5,000 business kilometres had you used it for the whole year).
- You don't need written evidence but you need to be able to show how you worked out your business kilometres.

### **One-third of actual expenses method**

- Your car must have travelled more than 5,000 business kilometres in the income year (or, if you used the car for only part of the year, it would have travelled more than 5,000 business kilometres had you used it for the whole year).
- You claim one-third of all your car expenses, including private costs (but excluding capital costs, such as the purchase price, the principal on any money borrowed to buy your car and the cost of any improvements).
- For fuel and oil costs, you can keep receipts to work out the amounts or you can estimate them based on odometer records that show readings from the start and the end of the period you had the car during the year.
- You need written evidence for all the other expenses for the car, as well as records that show the car's engine capacity, make, model and registration number.

### **Logbook method**

- Your claim is based on the business-use percentage of the expenses for the car.
- Expenses include running costs and decline in value but not capital costs, such as the purchase price of your car, the principal on any money borrowed to buy it and any improvement costs.

- To work out your business-use percentage, you need a logbook and the odometer readings for the logbook period.
- You can claim fuel and oil costs based on either your actual receipts or you can estimate the expenses based on odometer records that show readings from the start and the end of the period you had the car during the year.
- You need written evidence for all other expenses for the car.

### Jointly owned cars

There are special rules for claiming expenses for jointly owned cars under each of the allowable claim methods.

## **Travel expenses**

You may be able to claim travel expenses you incurred for meals, accommodation and incidentals while away overnight for work. If you are using a borrowed car or a vehicle other than a car for work purposes, you may be eligible to claim costs you incur (such as fuel costs) as travel expenses.

How you calculate your travel expenses claim depends upon whether or not you get any reimbursements or allowances for your travel expenses.

If you get reimbursed for the travel costs you incur:

- you do not need to show the reimbursement as income
- you cannot claim any deduction

If you don't get any reimbursement for your travel expenses, you're entitled to claim a deduction for the actual expenses you incur, less any private component.

If you are paid a travel allowance:

- you must declare the allowance on your tax return as income
- you are entitled to claim a deduction for the actual expenses you incur, less any private component.

If you get paid an allowance for some travel expenses, you do not have to keep written evidence of your expenditure provided your claim does not exceed the reasonable allowance amount we set for each year, for example:

- overtime meal allowance expenses - where you buy food and drink on overtime and you get a meal allowance under an industrial award
- domestic travel allowance expenses - accommodation, food and drink, and incidentals
- travel allowance expenses for employee truck drivers - food, drink and incidentals
- overseas travel allowance expenses - food, drink and incidentals that are covered by the allowance.

### [Award transport payments](#)

If you receive an award transport payment from your employer, it is assessable income and must be included on your tax return. You may be able to claim a deduction for work-related transport expenses covered by these payments.

## **Clothing, laundry and dry-cleaning expenses**

You can claim a deduction for the cost of buying and cleaning occupation-specific clothing, protective clothing and unique, distinctive uniforms.

To make a deduction you may need to have written evidence that you purchased the clothing and diary records or written evidence of your cleaning costs.

If you received an allowance from your employer for clothing, uniforms, laundry or dry-cleaning, make sure you show the amount of the allowance on your tax return.

### [Occupation-specific clothing](#)

You can claim for clothing that is specific to your occupation, is not everyday in nature and allows the public to easily recognise your occupation - such as the checked pants a chef wears.

### Protective clothing

You can claim for clothing and footwear that you wear to protect yourself from the risk of illness or injury posed by your income-earning activities or the environment in which you are required to carry them out.

### Work uniforms

You can claim for a uniform, either compulsory or non-compulsory, that is unique and distinctive to the organisation you work for

## Cleaning of work clothing

You can claim the costs of washing, drying and ironing eligible work clothes, or having them dry-cleaned.

You must have written evidence, such as diary entries and receipts, for your laundry expenses if both:

- the amount of your claim is greater than \$150, and
- your total claim for work-related expenses exceeds \$300 - not including car, meal allowance, award transport payments allowance and travel allowance expenses.

If you don't need to provide written evidence for your laundry expenses, you may use a reasonable basis to work out your claim. For washing, drying and ironing you do yourself, we consider that a reasonable basis for working out your laundry claim is:

- \$1 per load - this includes washing, drying and ironing - if the load is made up only of work-related clothing, and
- 50 cents per load if other laundry items are included.

## Gifts and donations

You can only make tax deductible gifts or donations to organisations that have the status of deductible gift recipients (DGRs).

Deductions for gifts are claimed by the person that makes the gift (the donor).

For you to claim a tax deduction for a gift, it must meet four conditions:

- The gift must be made to a deductible gift recipient. We call entities that are entitled to receive tax deductible gifts 'deductible gift recipients' (DGRs).
- The gift must truly be a gift. A gift is voluntary transfer of money or property that you receive no material benefit or advantage for.
- The gift must be covered by one of the gift types. The most common gift is money but deductions may be claimed for other types of gifts such as property or shares.
- The gift must comply with any relevant gift conditions. For some DGRs, the income tax law adds extra conditions affecting the types of deductible gifts they can receive.

### **How much to claim**

The amount of the deduction you can claim depends on the type of gift. For gifts of money, it is the amount of the gift but it must be \$2 or more. For gifts of property, there are different rules, depending on the type of property and its value. There are slightly different rules for donations to bucket collections for bushfire and flood victims.

A tax deduction for most gifts is claimed in the tax return for the income year in which the gift is made. However, you can elect to spread the tax deduction over five income years in certain circumstances.

### **Bushfire and flood donations**

If you made one or more donations of \$2 or more to bucket collections conducted by an approved organisation for bushfire and flood victims, you can claim a tax deduction equal to your contribution without a receipt provided the contribution does not exceed \$10.

### **What you can't claim**

You cannot claim a deduction for:

- raffle or art union tickets
- items such as chocolates and pens
- the cost of attending fundraising dinners, even if the cost exceeds the value of the dinner
- membership fees
- payments to school building funds made, for example, as an alternative to an increase in school fees

- payments where you have an understanding with the recipient that the payments will be used to provide a benefit for you.

## Home office expenses

You may be entitled to claim deductions for home office expenses:

- [Running costs](#) may be deductible.
- [Occupancy expenses](#) are generally not deductible for an employee.
- You must keep [records](#).

### Running costs

If you perform some of your work from a home office, you may be entitled to a deduction for the costs you incur in running it, including:

- for home office equipment such as computers, printers and telephones, the cost (for items costing up to \$300) or decline in value (for items costing \$300 or more - see [Tools, equipment and other assets](#))
- work-related phone calls (including mobiles) and phone rental (a portion reflecting the share of work-related use of the line) if you can show you
  - are on call, or
  - have to phone your employer or clients regularly while you are away from your workplace
- heating, cooling and lighting
- the costs of repairs to your home office furniture and fittings
- cleaning expenses.

### Occupancy expenses

As an employee, you are generally not able to claim a deduction for occupancy expenses, which include rent or mortgage interest, council rates and house insurance premiums.

## Interest, dividend and other investment income deductions

You can claim a deduction if you are able to show that you incurred expenses earning interest, dividend or other investment income.

Your expenses might include:

- account-keeping fees for accounts held for investment purposes
- management fees and fees for investment advice relating to changes in the mix of your investments
- interest charged on money borrowed to purchase shares or other investments.

In this section:

- [Interest income expenses](#)  
You can claim account-keeping fees where the account is held for investment purposes.
- [Dividend and share income expenses](#)  
You can claim a deduction for interest charged on money borrowed to purchase shares and other related investments from which you derived assessable interest or dividend income.
- [Forestry managed investment schemes](#)  
If you make payments to a forestry managed investment scheme (FMIS), you may be able to claim a deduction for these payments.

## Self-education expenses

You may be able to claim a deduction for self-education expenses if your study is work-related or if you receive a taxable bonded scholarship. In some circumstances you have to reduce the amount of your claim by \$250.

In this section:

- [Eligible courses](#)  
Work-related self-education expenses are expenses you incur when you undertake a course to obtain a formal qualification from a school, college, university or other place of education that is relevant for your current employment.

- [Expenses you can claim](#)

We provide a list of the expenses you can claim in relation to your self education.

- [Expenses you can't claim](#)

We provide a list of the expenses you cannot claim in relation to your self education.

- [\\$250 reduction](#)

In certain circumstances you may have to reduce your allowable self-education expenses by \$250. However, you may have other types of expenses - some of which are not allowable as a deduction - that can be offset against the \$250 before you have to reduce the amount you can claim for allowable expenses.

## **Tools, equipment and other assets**

If you buy tools, equipment or other assets to help earn your income, you can claim a deduction for some or all of the cost. The amount you can claim depends on the amount of time you use them for work purposes. For example, if you bought a power tool or a computer which you use half for work purposes and half for private purposes, you can claim only half the cost or decline in value.

The type of deduction you claim depends on the cost of the asset:

- For items that don't form part of a set and cost \$300 or less, or form part of a set that together cost \$300 or less, you can claim a deduction for their cost.
- For items that cost more than \$300, or that form part of a set that together cost more than \$300, you can claim a deduction for their decline in value

Examples of tools, equipment or assets:

- calculators
- computers and software
- desks, chairs and lamps
- filing cabinets and bookshelves
- hand tools or power tools
- protective items, such as hard hats, safety glasses, sunscreens and sunglasses
- professional libraries

- safety equipment
- technical instruments.

You can also claim the work-related cost of repairing and insuring your tools and equipment and any interest on money you borrowed to purchase these items.

If you use items for both personal and work-related purposes, make sure you keep records, such as a diary, so that, if requested, you can show how you estimated the amount of private use and work-related use.