Claiming work-related expenses

1. Guide

This guide will help you work out what work-related expenses you can claim a tax deduction for and the conditions you must meet before you can claim your expenses.

It provides information about common work-related expenses, including:

- Car,
- Travel,
- Uniform, occupation-specific or protective clothing, laundry and dry-cleaning,
- Self-education,
- Other expenses - such as phone, home office, computers and laptops.

There may be other deductions you can claim that are not included in this guide.

1.1. Onus of Responsibility

When you sign the declaration on your tax return, you are declaring that:

- everything you have told the ATO is true, and
- you can support your claims with written evidence.

You are responsible for providing proof of your expenses, even if you use a registered tax agent to prepare your tax return.

1.2. When you can make a claim

In most situations, you can claim deductions for work-related expenses if your claim meets the following conditions:

- you incurred the expense in doing your job,
- the expense is not personal, and
- you can show that you incurred the expense, by providing receipts or other written evidence.

If you are claiming a deduction for an expense that you incurred partly for work and partly for personal purposes (such as mobile phone costs), you can only claim that portion of the expense that relates to your work use.

1.3. Reimbursements

You cannot claim a deduction for expenses that you incur if those expenses are reimbursed to you by your employer. You do not include reimbursements on your tax return.
1.4 Supporting your claims
If your total claims for work-related expenses add up to more than $300 - excluding claims for car, meal allowance, award transport payment allowance and travel allowance expenses - you must keep written evidence, such as receipts. You must keep written evidence for the full amount of your claim, not just the amount over the first $300.

If the total amount you are claiming is $300 or less, you do not need to keep receipts, but you must be able to show how you worked out your claims.

You need to keep written evidence of your work-related expenses for 5 years from the due date for lodging your tax return.

2. Travel

2.1 Daily travel expenses
Any travel expenses you claim must directly relate to your work as an employee. These expenses may include:

- work-related car expenses
- expenses for motorcycles and vehicles with a carrying capacity of one tonne or more, or nine or more passengers
- actual expenses (such as any petrol, oil and repair costs) if you travel in a car that is owned or leased by someone else
- public transport, including taxi fares
- bridge and road tolls
- parking fees
- short-term car hire.

Generally, the cost of normal trips between your home and work is a private expense, which you cannot claim a tax deduction for. However, as an employee, there are certain situations where you may be able to claim deductions for travel between your home and workplace.

2.2 Travelling between workplaces
You may be able to claim a deduction for work-related daily car and travel expenses, including the cost of travel:

- directly between two separate workplaces - for example, when you have a second job
- from your normal workplace to an alternative workplace while you are still on duty, and back to your normal workplace or directly home.
- from your home to an alternative workplace, and then to your normal workplace or directly home.
If your employer has offices in the city where your residence is located, your home office is not a place of business, even if your work requires you to work outside normal business hours.

If you travel to and from a place of education because you are completing a work-related education course, you may be entitled to claim the travel costs as a self-education expense.

2.3 Claiming car expenses
If the motor vehicle you drive is a car, and you are entitled to claim a deduction for your work-related car expenses, there are 4 methods you can use to work out the amount you can claim. The 4 methods are:
- cents per kilometre
- logbook
- 12% of original value
- one-third of actual expenses.

The Cents per Kilometre method is the most commonly used method by employees.

2.4 Cents per kilometre method
If you are claiming a deduction under the cents per kilometre method, your claim is based on a set rate for each business kilometre depending on your car’s engine type and capacity. You can only claim 5,000 work kilometres per car, per year using this method, even if you have travelled more - for example, if you travelled 5,085 work kilometres in a car for the year, you cannot claim the extra 85 kilometres.

Under this method, a joint car owner can claim up to a maximum of 5,000 kilometres per year for their work-related use. If you both use the car for separate income producing purposes, you can each claim up to a maximum of 5,000 kilometres per year for you work-related use. The 5,000 kilometre per year limit applies to an individual taxpayer for use of a particular car. The limit does not apply to the car itself.

When working out your deduction using the cents per kilometre method, you do not need receipts or other written evidence but you must show how you worked out your estimate of work kilometres. For example, by:
- keeping a diary of work-related travel
- basing your costs on a regular pattern of travel.

The cents per kilometre rate includes an amount for services and repairs to the car. If you use this method, you cannot claim servicing or repairs to the same car elsewhere on your tax return.
3. Clothing, laundry and dry-cleaning expenses

3.1 What you can claim
You may be able to claim a deduction for the costs you incur when you buy, repair or clean your work clothing. Work clothing you can claim a deduction for includes:

- compulsory uniforms and corporate wardrobes - these are sets of clothing that identify you as an employee of an organisation, that has a strictly enforced policy that makes it compulsory for you to wear the uniform while at work
- a non-compulsory corporate uniform that your employer has registered with AusIndustry
- a single item of distinctive clothing (such as a jumper, shirt or tie with your employer’s logo) if it is compulsory for you to wear the item
- protective clothing and footwear to protect you from the risk of illness or injury, caused by your work or work environment.

You cannot claim a deduction for the cost of purchasing, cleaning or repairing a plain uniform or conventional clothing you wear to work, even if your employer tells you to wear it. This includes:

- everyday footwear, such as dress, casual or running shoes
- clothing you wear for medical reasons
- conventional clothing that is damaged at work.

3.2 Laundry and maintenance
You can claim a deduction for the cost of cleaning and maintaining clothing that meets the requirements of deductible clothing. This applies whether the clothing is purchased by you or supplied by your employer; and includes costs such as:

- laundromat expenses
- home laundry expenses
- actual dry-cleaning costs.

If you did the washing, drying or ironing yourself, you can use a reasonable basis to work out the amount it cost you, such as $1 per load for work-related clothing or 50 cents per load if other laundry items were included.

3.3 Records you must keep
If your claim for laundry expenses is more than $150 and your total claim for work-related expenses is more than $300 - not including car, meal allowance, award transport payment allowance and travel allowance expenses - the records you must keep include:

- receipts, or other written evidence of your expenses
- diary entries you make to record
  - your small expenses ($10 or less) totalling no more than $200 that you do not have a receipt for
  - expenses that you cannot get any kind of evidence for, regardless of the amount - for example, laundromat costs.
4. **Self-education expenses**

4.1 **What you can claim**

Self-education expenses are expenses that you incur when you do a course to get a formal qualification from a school, college, university or other place of education.

You can claim a deduction for self-education expenses that have a sufficient connection to your current work activities. For a course to be sufficiently connected to your current work activities, it must either:

- maintain or improve the specific skills or knowledge you need in your current employment, or
- result in, or be likely to result in, an increase in your income from your current employment.

Self-education includes:

- courses undertaken at an educational institution, whether it leads to a formal qualification or not
- attendance at work-related conferences or seminars
- self-paced learning and study tours, whether within Australia or overseas.

You may be able to claim the following if they are sufficiently connected to your work activities:

- the costs of degrees, diplomas, certificates and other awards that are completed via correspondence or the internet
- the cost of attending seminars, conferences or education workshops including formal education courses provided by professional associations.

The cost of self-improvement or personal development courses is generally not deductible. Many courses of this type have a strong philosophical or spiritual component and are generally not sufficiently related to your income earning activities.

If you receive a payment from your employer or any other person for an expense you have actually incurred, the payment is called a reimbursement. Generally, you do not include a reimbursement as part of your income and you cannot claim the expense as a deduction.

4.2 **Type of expense**

Self-education expenses include study-related items, such as:

- textbooks, stationery, course fees, student union fees, student services and amenities fees
- decline in value (depreciation) of equipment you use in your study, such as a computer and laptop
- car expenses and public transport fares when you travel in either direction between your home and your place of education
- workplace and place of education.

You may need to reduce your claim for self-education expenses by $250 if they are connected with a course of education provided by an educational institution to gain qualifications for use in a profession, business, trade or employment.
4.3 Conferences, seminars and training courses
You can claim a deduction for travel expenses (fares, accommodation and meal expenses if you are required to sleep away from home), registration and conference material costs incurred when you attend work-related conferences, seminars and training courses.

If your attendance at the event is only incidental to a private activity (such as a holiday) then only the expenses related to the work-related activity are deductible. The cost of accommodation, meals and travel would not be deductible. If the main purpose of your travel is attending the conference, seminar or training course, you can claim a deduction for the expenses you incurred.

If you are claiming a deduction for an expense that you incurred partly for study and partly for personal purposes, you can only claim the portion of the expense that relates to your study.

4.4 Expenses you cannot claim
You cannot claim a deduction for work-related self-education expenses, for a course that either:

- relates only in a general way to your current employment or profession, or
- will enable you to get new employment.

If a course of study is too general in terms of your current income-earning activities, the necessary connection between the self-education expense and the income-earning activity does not exist.

You cannot claim contributions you or the Australian Government make under HECS-HELP or repayments you make under the Higher Education Loan Program or the Student Financial Supplement Scheme.

4.5 Records you must keep
You must keep the following records:

- written evidence including full details of the course you have undertaken, such as an academic record, which includes all of the following:
  - the name of the course
  - the institution at which it was undertaken
  - details of the subject studied and course overview
  - whether the study was on a full-time or part-time basis
  - the period the course was undertaken during the year

- a list of all items claimed, for example:
  - formal education courses provided by professional associations, seminars, conferences or education workshops
  - books, journals, trade magazines and stationery
  - travel expenses
  - computer expenses
  - depreciation of, and repairs to, equipment

- original receipts or other documentary evidence for each item claimed.
5. Home Office Expenses

5.1 What you can claim
You can claim a deduction for home office expenses if you carry out income-producing work at home. As a general rule, deductions are only available for ‘Running Expenses’ (such as electricity) and the decline in value (depreciation) of office equipment. ‘Occupancy Expenses’ do not usually qualify as a deduction for tax purposes as these expenses are private or domestic in nature.

Employees in some industries commonly maintain an office, or study at home, as a matter of convenience. It would be rare for an employee would be able to claim occupancy expenses, such as rent and mortgage interest. In limited circumstances, you may be able to claim a deduction if your home office is considered to be a 'place of business'.

If your employer provides you with a place to work, your home office will not be a 'place of business', even if your work requires you to work outside normal business hours.

The following factors - none of which is conclusive on its own - may indicate whether or not an area set aside has the character of a 'place of business':

- the area is clearly identified as a place of business
- the area is not readily suitable or adaptable for use for private or domestic purposes in association with the home generally
- the area is used exclusively, or almost exclusively, for carrying on a business
- the area is used regularly for client or customer visits.

5.2 Running expenses
If you perform some of your work from your home office, you may be able to claim a deduction for the costs you incur in running your home office, even if the room is not set aside solely for work-related purposes. You may be able to claim:

- the decline in value (depreciation) of home office equipment, such as computers and telecommunications equipment - if your equipment costs $300 or less, you can claim a full deduction for the work-related portion
- the cost of heating, cooling and lighting your home office that is more than the amount you would ordinarily have to pay if you did not work from home
- the costs of repairs to your home office furniture and fittings.

5.3 Working out your claim
To claim a deduction for the electricity and gas you use and the decline in value of your office furniture, you can claim either of the following:

- a deduction for your actual expenses - you will need to keep a diary of the details of your actual costs and your work-related use of the office, or
- a deduction you work out at a rate of 34 cents per hour - the fixed rate covers heating, cooling, lighting and the decline in value (depreciation) of furniture in your home office.
If you use the fixed rate, you will need to keep a diary to record the amount of time you use your home office for work purposes. The diary must include a representative period of at least four weeks to establish a pattern of use for the whole year.

5.4 Records you must keep
The records you must keep include:

- receipts or other written evidence of your expenses, including receipts for depreciating assets you have purchased - for example, your computer
- diary entries you make to record
  - your small expenses ($10 or less) totalling no more than $200 that you do not have a receipt for
  - expenses you cannot obtain any kind of evidence for, regardless of the amount - for example, stationery.

5.5 Occupancy expenses
Occupancy expenses include rent or mortgage interest, council rates and house insurance premiums. You can only claim occupancy expenses if your home office is considered to be a 'place of business'. If your only income is paid to you as an employee, you are generally not able to claim a deduction for your occupancy expenses.

If your home has the character as a 'place of business' some of the occupancy expenses incurred for the home may be partially deductible. There may also be Capital Gains Tax implications if you sell your home and it has been used as a place of business.

6. Phone expenses
You can claim a deduction for the cost of work-related phone calls you make, including calls from mobile phones.

You can also claim a deduction for your phone rental if you can show you were on call or you had to call your employer or clients regularly while you were away from your workplace.

If you also used your phone for private purposes, you can only claim the portion of your phone rental costs and calls that relate to your work-related use of the phone.

If you are reimbursed for part or all of your phone expenses, you cannot claim a deduction for that portion.

You may be able to identify your work-related calls individually on your itemised phone account. If you do not receive itemised accounts, you can make a reasonable estimate of your call costs based on diary records you have kept during a minimum four-week period, together with your relevant phone accounts.
7. **Computer and Laptop Expenses**

You can claim a deduction for the work-related portion of the:
- decline in value (depreciation) of computers, laptops, printers, software and server routers
- cost of repairs to your computer
- interest on money borrowed to finance the cost of the computer
- cost of internet access.

You cannot claim any deduction for decline in value (depreciation) of items used in your employment if they were provided to you by your employer.

If the computer, laptop or software cost more than $300, you must depreciate the asset via the decline in value process.

For computers, laptops and other equipment, there are two methods to work out depreciation:
- the prime cost method
- the diminishing value method.

Depreciation using the prime cost method is worked out as a percentage of the cost of the equipment. Depreciation using the diminishing value method is worked out initially as a percentage of the equipment's cost and then as a percentage of the written down value.

As a general rule, desktop computers are depreciated over a period of four years, and laptops can be depreciated over three years. You can claim an immediate deduction for the full cost of the item if it costs $300 or less.

If software is purchased as part of a computer system, the total cost of the system is depreciable. If software is purchased separately and costs more than $300, the decline in value (depreciation) is worked out using the prime cost method over a period of four years.

You must apportion the amount of your claim if the computer, laptop or internet has been used in part for private purposes. You need to keep a diary to record the amount of time you use your home computer and internet for work and private purposes. The diary must include a representative period of at least four weeks to establish a pattern of use for the whole year.

8. **Union and Professional Association Fees**

You can claim a deduction for the cost of annual union, professional body and industry association fees.

If the amount you paid is included on your payment summary, you can use the payment summary to prove your claim. However, worker-entitlement fund contributions (for example, welfare fund contributions and similar charges) are generally not deductible.