

# SUBSTANTIATION OF WORK EXPENSES

## What is a deductible expense?

An expense is incurred for a deductible purpose if the expenditure is made in the course of earning your assessable income, salary and wages, and it is not private, domestic or capital in nature. Examples of private expenses which are generally not deductible would include travel to and from work everyday and buying your lunch at work.

An expense is only deductible if it has a sufficient connection or nexus to your assessable income, such as teaching aids for a teacher, or steel capped boots for a construction worker.

## Substantiation requirements

The substantiation legislation requires that you provide proof of your work expenses claimed in your tax return.

## Substantiation means that:

You must get written evidence (eg a receipt) from the supplier of the expense being claimed. The written evidence must be retained for at least 5 years, but does not need to be lodged with the Taxation Office. It must include:

- The name of the supplier
- The type of goods/services purchased
- The date the expense was incurred
- The amount expressed in the currency it was incurred
- The day it was made out

There is no need to obtain written evidence from the supplier if the expense is \$10 or less and the total of such expenses is less than \$200. For these expenses you may instead make a record of the expense.

Your record of expenses in a diary or travel itinerary, would also be sufficient to satisfy the substantiation legislation if it is unreasonable to insist on a supplier's document. These expenses may be over \$10 and they do not count towards the \$200 limit.

Your annual payment summary from your employer can be used as evidence of expenses where the total of these expenses is shown on the summary. Examples of such expenses include union fees and workplace donations.

Your requirement to substantiate work expenses does not apply when the total expenses (including laundry expenses) totals \$300 or less. But if the total amount of expenses exceeds \$300 then you are required to substantiate all of the expenses. The following expenses are not taken into consideration when calculating whether the \$300 limit has been reached; car costs and expenses relating to allowances covered by special rules such as overtime meal allowance, travel allowances and award transport payments.

In the circumstances where the substantiation rules do not apply you must still be able to show that the expense was incurred for a deductible purpose and the basis used to determine the expense is reasonable.

## Consequences and Penalties

The tax office can impose penalties of up to 90% of your total tax payable plus interest if you do not substantiate your work related expenses in accordance with the substantiation legislation, or if your return is incomplete or incorrect.



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