

Handout on Taxation in reference to work related deductions in different industries

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For any expense to be claimable as an allowable deduction it needs to be paid by the employee within the relevant financial year.

For an employee to obtain a deduction for a work expense it needs to fall within the scope of employment or be ordinarily incurred in carrying out the duties of the employment.

Proof in terms of what is claimed on a tax return needs to be always being kept by at least the taxpayer or the tax agent as well. This would be for seven financial years.

Expenses cannot be claimed under the general deductibility rules when they are of a capital, private or domestic in nature.

Expenses incurred in by an employee in applying for a promotion are deductible when the nature of the work does not change. Then the current income earning activities would not change.

Then costs incurred involved with employment agreements are deductible where they do not change the current income earning activities. Hence when the costs have to do with extending the employment agreement they would be tax deductible. When the costs have to do with settling disputes that arise out of the employment agreements they would be tax deductible to both the employer and employee determined by who pays.

Partitioning of any expense towards what is work related and private can be done depending on the nature of the usage.

For clothing a deduction is allowable for expenditure where there is a sufficient connection between the clothing and the activities productive of assessable income. Normally there is not a connection between expenditure for clothing and the clothes being of a work nature.

For clothing to become corporate uniform there needs to be:

- a. Objectivity- a compulsory uniform/wardrobe should be designed to develop the corporate image and act as indirect advertising
- b. The uniform should only be worn at work
- c. The fabric, colour, style and range needs to be limited for its use
- d. The durability is meant to last for years

For example a professional actor buys clothing to wear on stage as a costume in a particular production would be deductible. When a police officer works undercover is required to wear clothing that enables her to pose as a criminal would be deductible. This would be as long as the clothes are not worn elsewhere. When the items of clothing are clearly identifiable as of the employer but paid by the employee and so cannot be used for private purposes then this would be tax deductible.

Specific rules on conventional clothing

- a. Sunglasses, hats and sunscreens

These were held to be deductible where they were used for work related purposes outdoors. Hence this could be for a farm worker, physical education teacher, a surveyor, a tennis umpire, an electrical fitter.

- b. A sports teacher cannot claim a deduction for expenditure on sports clothes such as tracksuits, T-shirts, shorts and socks.
- c. While clothing worn by a professional footballer that would only be worn to play sport would be deductible.
- d. Members of an orchestra cannot claim the cost of formal dress such as tails, black dinner suit. The Australian Taxation does not regard formal dress as described to being unique to orchestral performances.
- e. A sales assistant was not allowed to claim brand name conventional clothing worn in the store since this clothing was not only used in the workplace
- f. Heavy duty conventional clothing such as jeans, drill trousers, and drill shirts worn to prevent injury was not deductible since this clothing was not used only in the workplace.

Protective clothing

This is clothing that is worn while working which protects the wearer or another person from:

- a. Death
- b. Disease
- c. Injury
- d. Damage to clothing
- e. Damage to an artificial limb

There needs to be a connection between the expenditure of a protective item and the earning of assessable income where:

- The taxpayer needs to be exposed to the risk of illness or injury while carrying out his/her income-earning activities
- The risk is not remote or negligible
- The protective item is of a kind that provides protection from that risk and would reasonably be expected to be used in the circumstances.

Deductible protective clothing has been found to be:

- Glasses worn by airline pilots and flight engineers
- Footwear being non-slip footwear worn by nurses, steel cap boots worn by a bricklayer, rubber boots for a concreter.

Waterproof coat, thick woollen jumper and thick woollen socks worn by a construction worker who ran errands in an alpine area were deductible.

A blast furnace worker was allowed a deduction for an ex-army jacket, trousers and shirts made of wool and worn by a blast furnace worker to protect him from the dangers of his working environment.

Airline Industry

In this industry the following are considered to be deductible:

- a. Luggage the cost of luggage trolleys and depreciation of luggage travel and overnight bags and overnight bags, suit packs and similar
- b. Tools the amount of depreciation is allowable for the cost of tools. The cost of transporting heavy equipment.
- c. Clothing, and footwear
- d. Telephone calls.
- e. Insurance.
- f. Cash/bar shortages has the cost of making up cash or bar shortages.

Hospitality industry

This would cover chefs, cooks, waiters, waitresses and bartenders.

What would be deductible?

- a. Clothing: a chef's checked pants are regarded as occupation specific clothing a waiter's uniform is not
- b. A deduction is allowable for the cost of attending conferences, seminars, and training courses to maintain knowledge in the industry
- c. Gaming license is deductible for the cost of renewing the license
- d. Grooming this is not allowed
- e. Removal and relocation expenses are not allowable when the costs have to do obtaining a transfer in existing employment or in taking up new employment with a different employer

Hairdressers

The following expenses are deductible:

- a. Special non-slip shoes
- b. Attendance at first aid training for work-place emergencies
- c. Travel to and from industry based completion or for self- education
- d. Computer and related software for use in maintaining inventory records
- e. Expenses such as scissors, combs, hair products and dryers

Family day caregivers

The following income is assessable-

Fees received by caregivers as a reward for the use of facilities and the provision of services are assessable income. However to the parents who pay the fees they are not needed to make pay as you go tax deductions from the fees paid to caregivers.

The deductible expenses would be:

- Expenditure on food, toiletries and other consumable items
- The cost of the telephone in general
- The expenditure on the electricity
- The expenditure on the protective clothing for example the protective aprons, and gloves
- The cleaning expense connected with the business
- The cost of replacing toys
- The depreciation of playground equipment, beds and other equipment used in the day care
- The insurance that is needed for the day care facility
- The mortgage interest, rent, general insurance, rates, and repairs

Real Estate industry

The deductible expenses would be:

- The wages connected for the business
- The annual automobile club fee for road service
- The car wash expense spent
- The cost of renewing a certificate of registration

Journalists

The deductible expenses would be:

- The time per usage cost of the time spent for researching
- The cost of newspapers and magazines for the purposes of researching
- The work related part of a cost for Pay TV access based on usage

Building Workers

The assessable income would be:

- The allowances, reimbursements, long service leave payments, redundancy trust payments, and work related expense claims for these type of workers
- This would include a foreman, supervisor, leading hand, tradesperson, apprentice, general construction worker, labourer, plant operator, or similar.

The deductible expenses would be:

- First aid courses if the worker is required to assist with emergency work situations
- Protective equipment such as goggles, safety glasses, breathing masks and helmets

Cleaners

The allowable expenses would be:

- There are allowances for travelling and uniform
- The cost of protective equipment is allowable such as safety glasses, goggles, breathing masks
- For vaccinations the cost is allowable

Factory Workers

These would include process workers and machine operators.

The allowable expenses would include:

- Allowances which include motor vehicle and tool
- Allowances used for carrying out work that may be considered unpleasant, special or dangerous
- Protective equipment such as safety glasses, goggles, breathing masks, and helmets

Tradespersons

The allowable expenses would include:

- Clothing, uniform, footwear – the spending on certain types of occupational clothing may be deductible for example boilermaker overalls, welders' gloves
- Tools depreciation can be claimed on the stock of tools of trade
- Travelling expenses when they relate to travelling from client to client
- Motor vehicle expenses connected with the business use of a car

Truck Drivers

The allowable expenses would include:

- Immediate deduction or depreciation on equipment such as CB radios, fridges and sleeping bags
- Costs incurred in buying parts for or tools for use in repair of an employer's truck
- What is spent in washing a truck
- Expenses associated with working dogs
- Expense incurred in street directories and log books
- Meal expenses will be claimed where an allowance has been paid for the meal

Investors

A taxpayer who does not carry on a business or profession in investing but aside from other work pursuits also derives income from investing professionally for instance for shares, dividends and interest may deduct certain expenditure incurred in connection with that income. These expenses would include:

- a. Borrowing expenses
- b. Interest
- c. Investment management expenses
- d. Losses
- e. Newspapers, journals and seminars
- f. Subscriptions
- g. Superannuation contributions
- h. Travelling expenses
- i. Bank charges

Gamblers

Gambling or betting wins may be generally regarded as non-assessable. This is except if the business is regarded as being in the business of gambling and their winnings are assessable.

This would determine whether a business structure exists:

- a. The work is conducted in a systematic way, organised and business like way
- b. Is it related to or a part of other activities of a business like character for instance breeding or racing horses
- c. Does the gambler engage in the activity principally for profit or for pleasure?

Landlords

Taxpayers who invest in income earning property will be entitled to a number of deductions in relation to that investment. These would include:

- a. Interest on loan
- b. Depreciation on the assets within the homes owned and rented
- c. Repairs and improvements
- d. Borrowing expenses
- e. Lease documentation
- f. Insurance
- g. Commission and management fees
- h. rates and land tax
- i. travel connected with the rental properties

Medical practitioners' expenses

The allowable expenses would be:

- Home offices and surgeries based on floor area for mortgage interest, insurance, rates, heating, lighting, depreciation, cleaning and maintenance
- Depreciation can also be claimed on home study equipment such as bookcase, chair and medical instruments
- Travelling expenses can also be claimed where they relate to going to one client after one another

- Motor vehicle expenses
- Self- education expenses
- Subscriptions paid to professional organisations are deductible
- Disability insurance
- Telephone rental the work related part
- Management fees paid to outside advisory company by medical practitioner

Nurses

The allowable expenses would be:

- The cost of nurses' traditional uniform being a cap, white uniform, dress and special non-slip shoes
- The cost of renewing an Annual Practising Certificate
- Calculators and personal organisers
- Fob watches
- Scissors, clamps and stethoscopes
- Stationery, pens, diaries
- First aid courses
- Travel from client to client

Allowances

Nurses can claim deductions against the following assessable allowances:

- a. An amount equal to the amount of an overtime meal allowance paid
- b. Motor vehicle allowance
- c. Telephone allowance
- d. Travelling allowance
- e. Uniform and maintenance allowance.

Lawyers

This relates to those employed as solicitors, articled clerks, law clerks, or paralegals.

The allowable expenses would be:

- The cost of annual practicing certificate fees
- Briefcases for the depreciation
- Conferences and seminars
- Insurance
- Professional indemnity insurance
- Professional library for the depreciation
- Supreme court fees
- Wigs for the depreciation

Members of parliament

The allowable expenses would be:

- A deduction is allowable for expenditure spent in contesting an election for membership of Federal parliament, State parliament, legislative assembly
- Electoral advertising expenses
- Expenses of printing electoral material that is used
- Costs of conducting during the election period an opinion poll
- Interest paid on money borrowed
- Travel and accommodation costs
- Salaries paid
- Auditing costs
- Costs of production of campaign novelty items
- Cost of insurance policy to cover volunteer workers
- Additional expenditure on postage the telephone
- Running costs for vehicles used
- Expenditure on the building of campaign rallies and meetings
- Expenditure for the purpose of conveying voters to the polls
- Payment to scrutineers
- Ex-gratia payments
- Nomination deposits
- Costs involved in raffles

Local Government Councillors

A specific deduction of up to \$1000 is allowed for expenses incurred in seeking election.

The allowable expenses would be:

- The postage, stationery and telephone expenses
- Travel expenses when the cost of travelling between two meetings
- Out-of-pocket expenses related to the performance of official duties

Teachers, Academics

This applies to expenses of employee teachers, tutors, early childhood, primary, secondary, special education and TAFE teachers.

The allowable expenses would be:

- The cost of clothing and footwear that is only for work related reasons
- The home office expenses connected with the marking and lesson preparation based on what is used due to floor area(light, power, council rates, insurance, strata rates)
- Newspapers, journals, reference books

- Self- education – there needs to be a connection between the course the taxpayer's present position not a promotion to a different role
- For self- education when claimable only what is over \$250 is deductible
- Subscriptions and fees paid to the professional association is deductible
- The cost of teaching aids is deductible and if they would be assets they would be depreciable
- Telephone costs
- Travel expenses

Ministers of Religion

These are appointed by the Attorney General to act in an official capacity to perform marriages.

These expenses would be deductible:

- Advertising in newspapers and magazines
- Telephone costs
- Sickness and accident insurance premiums
- The cost of a brief or attaché case
- Usual home office expenses that are relevant
- Professional development expenses
- Professional library and so there can be expenses or assets to be depreciated
- Membership fees
- Motor vehicle expenses

Computer personnel

The allowable deductions are:

- Self- education
- Professional library
- Telephone expenses
- Home office
- Computer hardware that is owned would be depreciable

Defence Personnel

The allowable deductions are:

- Expenses incurred on official military uniforms
- A portion of compulsory Mess subscriptions
- Expenses connected with extra regimental duties
- Certain fitness expenses
- Voluntary purchases of additional rifles and ammunition
- Cost of travel between different workplaces

Police Officers

The allowable deductions are:

- Additional ammunition compatible with the types of guns permitted while on duty
- Bullet proof jackets/vests or body armours
- Additional and/or more sophisticated equestrian related equipment
- Unreimbursed cost of first aid course undertaken
- Any special equipment the police would need for their job
- Donations and membership fees
- Training courses for their job

Authors

The allowable expenses are:

The Australian Taxation office accepts that outgoings incurred by authors in the creation of original work are deductible.

The home office expenses would also be allowable.

Performing artists

These deals with allowances, reimbursements, and work related expense claims by employee performing artists.

The allowable expenses are:

- Coaching classes to maintain existing skills or obtain related skills
- The cost of buying or hiring costumes
- Fitness expenses when relevant
- Hairdressing costs if the star is required to have a particular hairstyle for a role
- Make up brought by the artist
- The cost of maintaining a photographic portfolio
- Researching expenses

Sportspersons

This would an individual who engages in sport for reward.

These expenses would be allowable:

- For cricketers depreciation on suitcases, travelling between places of employment
- Subscriptions
- Insurance on gear and clothing

- For footballers athletic supports, track suits, training shoes, shorts, bandages, gym shoes, knee guards, sandshoes, liniments, shoulder pads, football boots, socks, jumpers, laces and tapes,
- For golfers accommodation expenses, golf balls and tees, buggies, caddy fees, expenses incurred in running pro shop, insurance on golf equipment, golf shoes and gloves, replacement of golf clubs and bags
- For jockeys accommodation expenses, admittance fees to racecourses, insurance premiums, licenses, photographs, race books, steam baths and saunas
- For wrestlers and boxers accommodation interstate, clothing gear, gym fees, publicity photos, liniment, plaster, mouth guards, trainer and manager's fees, travelling expenses
- For umpires and referees, the replacement cost of equipment such as cricket counters, measuring tapes, mallets, rule books, kitbags,
- For umpires and referees the cost of white boots, white coat, white hat, badges, association ties, travelling expenses between workplaces, and membership fees.