

Work related expenses in the firing line

The Tax Office indicates that this season it will be paying particular attention to the following work-related expenses:

- overnight travel
- expenses for transporting bulky tools and equipment between home and work, and
- the work-related proportion of use for computers, phones and other electronic devices.

Overnight travel

The Tax Office is concerned about excessive claims made for overnight travel costs such as transport, accommodation and meals. As a general rule, employees can claim a deduction for travel expenses they pay where:

- their employer requires them to perform their work away from their usual workplace for a short period, and
- it would be unreasonable to expect them to return home each day, which means they must stay away from home while they are doing that work.

Overnight travel expenses can include costs such as meals and accommodation, parking, tolls and transport costs. Note that for car expenses, this excludes operation costs such as fuel, as well as depreciation, but these can be claimed through a different tax rule.

Importantly, all travel expenses must be actually incurred (i.e. paid) before a claim can be made and appropriately apportioned between business and private expenses

Transporting bulky tools and equipment

As a general rule, expenses incurred by an employee for travelling from their home to their workplace and back are not deductible as this is considered to be a private expense, although there are some exceptions. One of these is where an individual transports bulky tools and equipment required for their work, provided that certain requirements are met.

This would apply to individuals whose work is typically carried out off-site – for example, trade and sales people whose roles require them to travel. The Tax Office's concern is whether such expenses have been correctly claimed within established requirements. It has set out some guidelines for such travel, including:

- a deduction is not allowable if a secure area for the storage of equipment is provided at the workplace
- if the equipment is transported to and from work by the employee as a matter of convenience or personal choice, it is considered that the transport costs are private and no deduction is allowable

- a deduction may be allowable if the transport costs can be attributed to the transportation of bulky equipment rather than merely private travel between home and work – that is, it is expected by the employer for such equipment to be transported
- the extreme bulk of the equipment is also a decisive factor in determining deductibility, or
- the requirement to incur transport expenses to carry bulky equipment is a reflection of the practical necessity for the employee's tools of trade to be readily available at each work site

Computers, phones and similar devices

Another issue of concern is whether individuals have correctly calculated the extent of work usage for their computer, tablet, mobile phone or other electronic device when claiming deductions.

Employees may be able to claim their expenses incurred in relation to operating their land line telephone, mobile phone, computer and tablet to the extent that its use relates directly to their employment. The same applies to individuals who are business proprietors. The cost of the device itself however is on capital account and is generally not deductible; however depreciation deductions may be available (if eligible).

For mobile phones, the cost under a standard 12 or 24 month "lock-in" contract typically contains the monthly cost of calls and data (plus any monthly phone repayments). The monthly call and data costs will need to be apportioned on a reasonable basis for work/private use. Under a typical monthly phone repayment plan, the phone is owned by the individual with interest-free monthly instalments paid for the duration of the contract. In this regard, the monthly repayments should not be immediately deductible, however the total value of repayments owed under the repayment plan should reflect the cost of the device for depreciation under the capital allowance provisions (see below).

As a general rule, the cost of phone expenses are deductible for employees who can demonstrate they are either "on call" or are required to contact their employer on a regular basis while they are away from the workplace. According to the Tax Office, the work-related portion of telephone calls can be identified from an itemised account, or can be estimated by maintaining diary entries made over a four week period and claiming the relevant percentage of costs.

Home internet expenses are also apportioned for work/ private use. Receipts or other documentary evidence of the total cost must be maintained.

The cost of connecting or installing a telephone, mobile telephone or other telecommunications equipment and expenses incurred for the early cancellation of a mobile telephone contract are not allowable deductions as they are not incurred in gaining assessable income and are of a capital nature.