



What can be claimed in relation to your travel costs is largely misunderstood and as a result there are many claims made that are inaccurate and typically overstated. As such, the ATO are placing greater scrutiny on travel claims.

This brochure focuses on the claims of employees. While many of the principles are similar for businesses, there are some variations that complicate the rules (such as Fringe Benefits Tax, Living Away From Home Allowances). If you are an employer and providing travel to your employees, then you should seek the advice of your accountant.

From a Tax Law point of view, travel is best split into two distinct categories:

- Motor vehicle travel (i.e. driving your car for work); and
- Other types of travel plus meals, accommodation, etc.

General Premise

The ATO's updated travel guidelines point to the following 4 factors that are a requirement for travel to be deductible:

- The travel is required by work;
- You are paid while undertaking this travel;
- You are under your employer's direction while undertaking this travel; and
- You have to have actually incurred the expense.

Travel Required by Work

The travel must be required by your work activities. It cannot be travel prior to you doing your work and it can't be an expense of convenience.

For example, while you need to get to work to keep your job, this travel is incurred before you start your working day and therefore not claimable.

If we expand that concept a little, if you live a long way away from work and decide to stay in a hotel during the week because it is more convenient that driving (say) 3 hours each way per day, that is still not claimable. Where you live and stay is a private choice.

Paid While Travelling

You need to be "on the clock" or being paid while travelling. Often hand-in-hand with the above, if your set hours are 9 to 5 you can easily see that when you jump in the car at 8:30 to travel to work you are not being paid for that.

Some employees have more flexible hours that complicate this however. It comes down to when you are considered "on the clock". Look at this a different way – if you changed the location of where your trip started, would it effect your pay or entitlements? For example, a high level salesman or manager who is always on the phone while driving to work could argue that their day starts when they get in the car. If one person lives 30 minutes from work, and the other 2 hours away – would they be paid the same? One is apparently doing 30 minutes of work, the other 2 hours...

If you are staying somewhere overnight this can be more difficult. You will almost never be paid for 24 hours of work (our workplace relations system simply doesn't allow it), so technically while you sleep you are not being paid. This is ignored for the purposes of this test.

Under Direction

While travelling, are you under the control of your employer? Can they dictate when you travel? Can you be required to take phone calls, stop to visit clients, or similar?

The question isn't do you do work while travelling, it's are you required to. If you take phone calls on the way to work because it's more convenient, that doesn't make the travel deductible.



Actual Expenses

You can only claim your actual expenses. There is no “maximum” you can claim with no receipts. There is no set ATO allowance amount. If you want to claim travel expenses, be sure that you can back up your claim.

Motor Vehicle Claims

Using the above general premise, you can extrapolate out that in most cases travel between home and work is not tax deductible. While you may try to argue that you are required to make that travel to get to work, or that you take phone calls during that travel, it just doesn't stack up.

There are a few exceptions however:

- Driving between two separate workplaces (i.e. two different employers). While you are not “on the clock” during this time, the ATO still accept that this is claimable; and
- Carrying bulky tools or equipment provided that:
 - You are required by your employer to do so;
 - The tools and equipment are essential to your income earning activities;
 - There is no secure storage provided by your employer; and
 - The tools and equipment are bulky (over 20kgs) and cumbersome to transport (i.e. don't fit in a backpack).

There are two ways to claim motor vehicle expenses:

- 1) Log Book Method
- 2) Set Rate Per Kilometre Method

Log Book Method

We've all heard of this method – you keep records of your travel, and you claim a % of all your motor vehicle expenses depending on what your log book says.

Calculation of your deduction

Basically, you add up all your motor vehicles expenses and claim a % of these (being the % identified by your log book). Examples of your motor vehicle expenses that are allowable include (but are not limited to):

- Lease payments (if the car is leased) or depreciation (if the car is purchased);
- Interest on finance;
- Petrol;
- Registration;
- Repairs and maintenance; and
- Insurance.

Substantiation requirements

To use this method, you must have maintained a log book for 12 weeks (and re-done every 5 years) that records the following:

- The opening and closing dates of the period;
- The opening and closing odometer readings of the period;
- The total number of business km's for the period; and
- The following details of each business trip:
 - The date of each trip;



- A description of each trip (i.e. purpose of the trip); and
- The odometer readings at the beginning and end of each trip.

In addition, you are required to keep details of your car's odometer reading at the start and end of each year.

An estimate of your business % is **not** acceptable. The ATO (or MCA) does not have the discretion to disregard the substantiation requirements of the log book method.

In addition, you are required to keep written records of the expenses that you are claiming. Where you are claiming petrol, you do not need to keep each and every invoice, rather you have two choices:

- Use the odometer records for the year, the average petrol price for the year, and the average fuel consumption of your car (which is available from the internet); or
- Use bank statements / credit card statements / petrol card statements etc.

Set Rate Per KM Method

The main condition for this method is that the vehicle you are driving must be a passenger car, and not a commercial vehicle. Vans, many utes, and other similar vehicles are technically excluded from using this method and must use the log book method.

Where you travel less than 5000kms of work related travel, you can use a set rate per km provided by the ATO to work out your claim.

Calculation of your deduction

This one is simple, work related kilometers multiplied by a set rate per kilometer (66 cents for the 2017 year).

Substantiation requirements

The beauty of this method is that there are almost none, just a reasonable estimate of your work-related kilometers.

Other Things To Note

Car That You Own or Lease

You can only deduct expenses for your car if you are the owner or lessee of the car. There is an exception to this rule for private family arrangements where:

- the car is not in your name for a specific reason (e.g. the car is put into your mother's name as it was your birthday present); and
- you are liable for all the costs associated with the car.

Incidental Work Related Travel

Where you are undertaking private travel (e.g. to and from work each day), and you do something work related during that trip (e.g. get the mail), it does not automatically make that trip tax deductible.

This is the same even if a detour is made to perform that work activity.

Receiving a Travel Allowance

When an employee receives a travel allowance, it does not affect whether or not that employee's travel is deductible or not.



Other Travel Expenses

Not all travel is done in a car. What about accommodation, food and the like? The general premise noted at the start of this brochure applies to all of these travel expenses also.

Airfares, Taxis, Ubers, Trains, Buses, etc

Similarly for motor vehicle travel, catching another mode of transport to get from home to work is not tax deductible.

Some travel (called “special demands travel” by the ATO) that has characteristics of private travel – such as being incurred before you start getting paid – can still be deductible. For example, if your work requires you to travel interstate to visit another branch or a client for instance, it may technically not meet all four of the conditions outlined, but a common sense approach means this is still deductible.

Accommodation

Accommodation generally follows the same rules as other travel. If your work requires you to stay somewhere other than your home, and you are under your employer’s directions it will be deductible. As mentioned earlier, it’s impossible to satisfy the requirement of being paid while in accommodation, so a common sense approach is adopted.

Meals and Incidentals

Meals are a different beast again and are often overclaimed – and the ATO know it. The ATO’s requirements for meals to be deductible are:

- The associated travel must be deductible;
- It must involve an overnight stay;
- The travel cannot be part of a relocation;
- The travel cannot be part of a living away from home arrangement; and
- You must have a permanent home elsewhere.

Watch Out For...

Meals while travelling around during the day are not deductible. It doesn’t matter that your car doesn’t have a fridge in it to keep your food cool and fresh, the ATO simply don’t allow it.

Living Away From Home Arrangements

If you are staying away from your home, aren’t you living away from home? Not under our Tax Laws!!

A “living away from home” arrangement is one where you stay away from home on a semi-permanent basis, only returning home in between work assignments. Think of someone working on an oil rig, in the mines, and similar. They fly from home on day 1, spend 14 days living near work, and come home for 5 days. Travel associated with this is not deductible (i.e. the flights in and out, taxis to the airport, etc).

Permanent Home

For the benefit of the one person that will try to manipulate the rules in such a way, if you don’t have a fixed home address (i.e. live in a caravan), none of your meals are claimable.

The idea behind claiming meals is that it costs more to eat while away from home. If your home is your caravan (or various hotels), then you are incurring that cost anyway regardless of your work, and therefore not entitled to a deduction.



Substantiation

If you incur travel expenses, you need to be able to back it up with evidence. Generally the only accepted evidence is receipts and invoices, however if bank or credit card statements clearly show what the expense is for then they can be relied on.

Some occupations have “reasonable amounts” that the ATO publish annually – this isn’t a green light to claim up to that amount. These amounts provide you with a lower level of substantiation required, but it isn’t zero. To quote the ATO “**although you are not required to keep a receipt for every meal expense** (*in the case where it is under the reasonable allowance amount*), **the ATO might still ask you to show that you were travelling, ask you to explain the basis for your claim, and require you to show that you spent this amount**”. Work diaries plus bank statements should suffice in these circumstances.

More Information

The ATO has some very good information on their website, much of which is broken down on a per occupation basis to make it simple. Head to www.ato.gov.au/occupations to get more specific information tailored for your circumstances.

You can also make an appointment to see one of our advisors should you need more help.

Disclaimer

We have provided this document as a very basic guide which is intended to assist people in improving their understanding of the tax laws and how they operate. When considering what actions to take however, there are more factors that should be considered.

This is not intended to be a comprehensive document that can be taken as tax advice, financial advice, or any other kind of advice. The content does not consider any of your personal circumstances and is only generic in nature.

This document is not to be taken as advice under any circumstances. If you are considering acting based on anything written in this document, we suggest you seek professional advice first.

If you have any questions, you can contact M.C.A. Accountants Pty. Ltd. by phone on 03 8689 9770, by email at admin@mcaaccountants.com.au, or by post at PO Box 8095, Carrum Downs, VIC, 3201.

We will not accept liability for anyone relying on the contents of this document