

## TAX RECORDS

### INDIVIDUAL WAGE & SALARY EMPLOYEES

Dear Client,

Detailed below, by category of expenses, are common items of expense plus notes on the types of records you need to keep for each item of expense.

#### General Point About Receipts

Please note, any cash register receipt that is not itemised, may not be accepted by the Tax Office. A receipt must contain the following:

- the name of the supplier
- the amount of the expense
- the nature of the goods or expense
- the date the expense was incurred
- the date of the document

(if the docket does not show the type of service or goods supplied, it is permitted to write this on the docket. For books and magazine receipts, write the title of the Publication on the receipts).

**Note:** For book purchases, the Tax Office also needs you to make a list showing how each book is relevant to your work, (or study course, if you are a claiming books for Self Education).

#### \* New Substantiation Rules

The ATO, in Ruling PS LA 2005/7, has now indicated that the following records or combination of records will be accepted as proof of purchase, to verify items being claimed:

- Bank statements
- Credit card statements
- Internet generated bank or credit card statements
- BPAY reference numbers, combined with bank statements
- BPAY reference numbers, combined with tax invoices
- Internet generated receipts
- E-mail receipts
- Paper copies of receipts
- Electronic copies of receipts

## 2.

### Diary Entry

It is permitted to claim up to \$200 p.a. for small items, under \$10 per item, where the obtaining of a receipt is not possible. Make a note in your diary on the day concerned, showing both the item and dollar amount, and the name of the supplier.

### Retention Of Records

Please note that you must keep all your receipts and records for five years.

**N.B.** Records for Capital Gain items must be retained indefinitely or five years **after** the disposal of the asset.

**Note:** for items being depreciated, this means you must keep the receipt for 5 years after the last entry made for depreciation for that item.

**SEE OUR ATTACHMENT: LOG OF LOGS TO KEEP**

### Work Related Motor Vehicle Expenses

If you need to use your motor vehicle due to the requirements of your job (e.g. travelling to see clients, travelling between two places of work, there are four methods of claiming motor vehicle expenses where the vehicle is non-commercial, (carrying a load of less than one tonne or nine passengers):

a) **Log Book Of Running Expenses Method**

This method is used where business travel is more than 5,000km.

**What is required:** Keep a logbook (obtainable from a newsagent or NRMA) for a period of twelve weeks, showing business and private use each day. You must record your odometer readings at the beginning and end of the twelve week period, plus keep odometer readings for each daily trip as well.

**N.B** Providing your pattern of travel does not vary by more than 10%, you need only complete a logbook once every five years. It is also no longer necessary to sign every entry of the log book.

#### **Expenses**

Keep receipts for, repairs, maintenance, services, petrol, oil, tyres, batteries, car washing, registration, insurance, NRMA, cost of purchasing the vehicle and loan agreements where finance is used for the purchase. Keep receipts of all these. Based on the log book, the claim for actual expenses is reduced by the private use percentage. As an alternative to keeping petrol receipts, you can use the petrol

### 3.

usage rates published by NRMA but you must keep odometer readings for the full year. For depreciation of a motor vehicle, the value for depreciation for 2010/11 must be equal to or less than \$57,466. Please bring you receipts **plus** finance contracts, vehicle purchase contracts and your logbook, when doing your tax return.

**b) One Third Of Expenses Method**

For travel over 5,000km, it may be simpler to use this method as you do not need to keep a logbook.

**What is required:** Keep receipts in the same way as you would for method (a).

**c) 12% Of Cost Method**

Under this method, receipts or logbooks are not required. The claim is based on the actual cost of the motor vehicle, e.g. \$24,000 = \$2,880 deduction per year. However, you must be able to prove that you travel over 5,000km p.a. to use this method.

**d) Set Rate Per Kilometre Method**

If your business travel is less than 5,000km p.a. then a claim can be made based on the number of kilometres travelled, multiplied by the rate per km set by the Tax Office (depending on the size of you car engine).

In 2010/11 the rates are:

<b>Conventional Engine</b>	<b>Rotary Engine</b>	<b>Cents Per Km</b>
Up to 1600cc	Up to 800cc	63.0
1601 - 2600	801 - 1300	74.0
2601 - and over	1301 - and over	75.0

**What is required:** "A reasonable estimate of business use". Whilst a logbook and odometer reading is not required, an entry in a diary or exercise book should be made for each trip in the following format:

<b>Date</b>	<b>Distance travelled (km)</b>	<b>Destination</b>	<b>Purpose of trip</b>

### Other Work Related Travel Expenses

**a) Local Travel**

Similar to using a car for work, where due to work requirements you need to use some form of Public Transport to travel on business or between jobs, a claim can be made for the cost of the travel.

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**What is required:** Keep bus, train, ferry and air tickets or car hire docketts.  
**N.B.** For taxi travel, ask for a receipt showing suburb travelling from and destination, date and amount.

#### b) **Travel Allowances**

**(i) Fare** - Where allowance for fares or other transport costs is paid, you are not required to substantiate the travel, provided the amount claimed is not in excess of the award amount set as at 29/1/86 which was \$8.60 per day. (You would need to check with your Union as to what your award rate was at that date). However, if the allowance is for travel from home to work, then this cannot be claimed as an expense, unless you are transporting bulky equipment to work.

**Note:** Allowances paid must be shown in the allowances box of your PAYG (withholding) Certificate. If they are part of your annual salary, the ATO will not allow a claim for the expense unless receipts are produced.

**(ii) Living Allowance Whilst Travelling** - Where an allowance is paid for meals and accommodation by an employer, a deduction is allowed up to value of the allowance without the need to keep records, providing the allowance does not exceed the Public Service rates of up to \$419.05 for overnight in Sydney or Melbourne. (*See Tax Ruling TD 2010/19*). The rate is location and salary dependent and expenses must actually be incurred.

**(iii) Long Distance Truck Drivers** - Where a long distance truck driver is paid an allowance for food and drink whilst travelling, a deduction is allowed without substantiation, providing the rate does not exceed between \$84.90 and \$92.65 per day depending on salary.

**(iv) Overtime Meal Allowance (2010/11)** - Providing the expenses claimed do not exceed \$25.80 per meal, substantiation is not necessary.

**Note:** Overtime meal allowance are only claimable for full time employees, provided allowance for working more than 5 hours without a break, or one hour past normal finishing time and as allowed for in the relevant industrial awards. (Note normal meal allowance, such as paid in the hotel and club industry, are not claimable).

#### c) **Overseas Travel Or Extended Domestic Travel (Over Five Days)**

Where business related activities are undertaken in the course of an overseas trip (e.g. meetings, conferences, training courses, inspection of workplace etc) it may be possible to claim a deduction for the costs involved for that period of time i.e. food, accommodation, transport and incidentals for the days of which you are undertaking a business activity.

**Please obtain some evidence from your employer to demonstrate the relevance of the claim to your work.**

5.

Receipts must be kept for these expenses claimed plus a diary showing:

- date of entry
- place of activity
- date and approximate time the activity commenced
- duration of the activity
- nature of the activity

**N.B.** I have a more comprehensive set of notes on this form of travel if needed.

**d) Other Travel**

Should you have expenses for car parking, Sydney Harbour Bridge tolls, M2, M4, or M5 tolls, if you cannot get a receipt for these, please keep a diary in the following format:

Date	Amount \$	Payee (eg. RTA ; Tollworks etc.)	Description (e.g. tolls, bus fare, etc	Destination	Purpose of Trip

**Work Related Uniforms/Protective Clothing/Laundry Expenses**

**a) Corporate Wardrobe and Uniforms**

For a deduction to be made under this heading, the uniform must be one that has been entered on the official "Register of Approved Occupational Clothing", or of a compulsory nature (as set down by the employers policy handbook). Receipts must be kept for purchases of the uniform/corporate wardrobe.

**N.B** This excludes stockings and shoes which are non-deductible.

**b) Traditional Occupation Based Uniforms**

Uniforms such as nurses uniforms and chefs apparel are still deductible.

**N.B.** Stockings are not allowed. In the case of nurses only, non-slip lace up shoes can be claimed. Airline Cabin employees are allowed to claim shoes that are ½ size bigger, due to swelling caused by cabin air pressure. (Receipts for Nurses shoes should state that they are "Nurses shoes" on the receipt).

**c) Protective Clothing**

Any items of protective clothing such as overalls, dustcoats, safety boots/shoes (*must be steel capped*), safety goggles, earmuffs, safety helmets, welding masks etc, are deductible, providing a receipt is kept for their purchase. Non-deductible items include; drill shirts, shorts, trousers and jeans and conventional shoes.

6.

**d) Laundry/Dry Cleaning**

Receipts must be kept for laundry and dry cleaning of items (a) – (c). For home laundry of these items, you must keep receipts for laundry detergent, ironing aids and starch etc. plus, you can claim for use of home appliances to wash, dry and iron uniform/protective clothing. The Tax Office will allow a deduction of \$150 p.a. for home laundry, without receipts. Above that amount, you must have receipts or diary entries. For diary entry, the Tax Office allows \$1 per load of washing of protective clothing/uniform.

**Work Related Self-Education Expenses**

The self-education course undertaken must be at a recognised school, college, university or other place of education. The course must be in some way related to your current employment or have the potential to increase one's income (in the same field).

**In this respect please obtain some documentation or letter from your employer indicating support for the course or the granting of study leave.**

Acceptable self-education expenses (keep all receipts) include:

- a) Tuition and course fees (including student union fees), text books, professional and trade journals, photocopying, stationery, technical drawing equipment, calculators, typing, floppy discs, postage, printing/binding, software, internet research costs.
- b) Public transport or taxi fares or motor vehicle travel between home and the educational institution and back, or from work to the educational institution and back are also deductible.  
**N.B.** Keep receipts for fare expenses and make a diary notation of each motor vehicle trip, including distance. Also keep receipts for parking.
- c) Depreciation of home study equipment i.e. fax machine, answering machine, printer, computer etc. plus professional library.  
**N.B.** You need to keep your receipt for each item depreciated, indefinitely or for five years after the last claim depreciation.
- d) A portion of electricity and gas for home study heating and lighting is possible, so keep all quarterly gas and electricity accounts. (But see notes on home office below).

**Other Work Related Expenses**

'Other Work Related Expenses' is a grab bag for anything related to work that is not covered in the previous four categories. Some common expenses in this category are:

- a) Purchase of minor items of equipment where the value is under \$300. This covers, say, the purchase of a desk for your home study where you do work at home or prepare reports, mark lessons etc. plus purchase of a calculator, video and audio tapes, books and tools if related to work.

- b) Training Courses and Seminars or any short duration course not covered under the Self-Education section e.g. a one day computer training course or a drug and alcohol counselling workshop. Conventions and Conference registration fees are deductible (accommodation, meals and travel should be claimed in the travel category) where related to work. Please get a letter of support for the course from your employer.
- c) Subscriptions to professional organisations and unions, plus subscriptions to trade or business magazines. I suggest that you start an account with your local newsagent and pay once a month, thereby creating a record for tax.
- d) Watch repairs/maintenance are claimable for nurses, police officers and pilots.
- e) A portion of telephone rental and work related calls may be claimable if necessary for work (or study). Keep all quarterly phone accounts as proof of expenditure (but see notes below on home office).
- f) An employee required to have a high degree of physical fitness to carry out a job may be able to claim expenses associated with keeping fit (e.g. fitness instructor, professional sports instructor etc).
- g) Where one undertakes a portion of work at a home office, it may be possible to claim a portion of electricity and gas accounts for heating and lighting of a home study and depreciation of home study equipment, plus professional library. (*see further notes on this below*).

### Home Office Expenses

- a) **Depreciation**  
The Tax Office generally will not allow 100% depreciation on items in the home office such as Televisions, Videos and Computers. Accordingly, if claiming depreciation on Televisions, Videos, Computers and related equipment please keep a log for one month, showing business and private usage so that there is a basis of apportioning the depreciation. For items currently being depreciated for which you no longer have the receipt, then the claim for these items will need to be discontinued. (for T.V./Video usage you will need to keep a viewing log over one month, showing business and private use).
- b) **Home Office Running Expenses**  
Heating and lighting including electricity, gas, oil or wood. Apart from keeping accounts for these expenses, the Tax Office needs to know how you worked out the portion, claimable for tax. One such method would be to keep a log, for a month or so, showing number of hours per day/week spent in the home office study, plus a list of equipment used in the study that uses electricity. Alternatively, keep a log of time spent in your study over one month. The Tax Office will then allow that sample to be used to calculate a yearly home office claim calculated as follows:

Annual Home hours in study x 26 cents/hr  
(prior to 1/7/04 = 20 cents/hr)

(e.g. 10hrs/wk x 40wks = 400hrs x 26c/hr = \$104)

This formula covers electricity/heating and depreciation of office furniture, such as a desk, chair or bookshelves.

**c) Telephone**

**(i) STD, ISD, mobile phone calls** – keep all accounts and highlight work related calls on the accounts so that these can be summarised and claimed for.

**(ii) Local Calls and Rental** - The Tax Office will only allow the claims for this portion of the account if a log is kept for one month, detailing both incoming and outgoing calls, and whether they are business or private. (Only then can a reasonable estimate be made of the percentage claimable). As an alternative for local calls, keep a diary record of the business local calls, or highlight the business STD/Mobile calls on your accounts and add them up.

**d) Home Office Rent**

The Tax Office will not allow you to claim home office rent if you are in receipt of Group Certificate income. However, there may be exception to this if you work **full time** from your home office. (In that case get a letter indicating this from your employer).

**Interest and Dividend Deductions**

**a) Bank Interest**

Claimable under this category are bank account keeping fees for all accounts that accrue interest.

**b) Other Investments**

Brokerage and stamp duty on purchase of shares is also deductible.

**c) Other**

Also claimable are fees paid to Financial Advisers and Financial Planners.

- Income Protection/Sickness Accident Insurance.

- Professional Indemnity insurance.

- Mortgage or loan protection insurance

**Donations**

Donations to charity, scientific or educational institutions over \$2 are deductible. If you are not sure whether a charity is claimable or not, please ask me at the time or preparing the return and I will check the official list.

## Other Deductions

Included in this category are Tax Agent/Accounting fees and, if you are in receipt of a Superannuation Pension, the Undeducted Purchase Price of your Pension.

## Rebate for Medical Expenses Over \$2,000

Where you or family members (spouse or dependent children) have accumulated medical expenses over \$1,500 out of your own pocket (i.e. after taking into account Medicare and Private Health Fund Refunds), you may be entitled to a rebate of 20% of the amount **over** \$2,000. Acceptable expenses include:

- Doctors and Nurses
- Hospitals and approved Nursing Homes
- Chemist expenses (medicine, vitamins etc)
- Optician/Optomtrist, plus cost of glasses
- Therapeutic Treatment

Where referred by you doctor, Therapeutic Treatment includes Physiotherapy, Speech Pathology, Chiropody, Counselling, Chiropractor, Acupuncture, Naturopath, Herbalist, Homoeopathy, Remedial Massage, Gym Fees and Yoga plus medical aids prescribed by a Doctor e.g. Wheelchairs, Orthopaedic Shoes, Hearing Aids, etc. However, you must keep all your receipts plus obtain an annual Statement of Benefit from Medicare and your Private Health Fund. Please note that from 1/7/04 Cosmetic surgery will not be an allowable expense when calculating the rebate.

## Conclusion

The above check list is only intended as a general guide. There are exceptions and qualification to most items mentioned but we can go over these when preparing your return. If you have any particular query about an expense item, please contact me by telephone on (02) 9818 2920.

I also have guidelines/notes on Small Business, Negative Gearing, Overseas Travel, Actor/Writer and Freelance Journalist. Please ask for these if they will assist you with your record keeping. I am also available for consultations in these areas.

**Please note, however, that when preparing your taxation return, I can only claim for the items for which you have receipts or the required evidence. There are severe penalties of up to 75% of the Tax avoided, so it is in your interest to retain all your receipts for 5 years and only claim what you have records for. (For items being depreciated, you need to keep the receipt for the original purchase of the items for 5 years after the date of the last depreciation claim).**

I look forward to preparing your taxation return.

Kind regards,

David Le Page  
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Certified Practising Accountant  
Registered Tax Agent 69832009

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## TAX INFORMATION

### THE LOG OF LOGS TO KEEP

#### TAX RECORDS - INDIVIDUAL WAGE AND SALARY EMPLOYEES

**1. Motor Vehicle Travel:** (To claim mileage up to 5000km (cents per km method or 1/3 cost method.))

Date	From	Destination	Km	Purpose

**2. Motor Vehicle Travel** - Log Book method to be kept for a continuous 12week period. (To use where portion of running expenses are claimed: Travel must be over 5000km per year)

Car make:	Model:	Engine Capacity:	Registration:
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Date of Entry	Date Trip Began	Date Ended	Odometer Start	Odometer Finish	Kilometre Travelled	Purpose of Journey	Name of Driver	Name of Person Making Entry

**3. Log of computer use** ( to justify depreciation of computers, modems, printers, plus repairs, software etc.): Keep for one month.

Date	Time Hours (indicate whether Business or Private)		Purpose
	Business	Private	

**4. Internet use Log** ( 1 month)

Date	Time Spent		\$ Costs	Purpose (e.g Email, research, share trading etc.)
	Business	Private		

**5. Home Office expense Log** ( 1 month) ( Covers electricity/gas for heating /lighting plus depreciation of desk, chair, bookshelves :- 26 cents per hour allowed.)

Date	Time (Hours)	Purpose

**6. Telephone:** One month log for local calls

Date	Call to	Purpose

(Highlight and add interstate, mobile and international call from the bills for work related calls.)

**7. Telephone:** One month log (for claiming rental and local calls.)

( To log incoming and outgoing calls over one month.)

Date	Person Called	Call from (name)	Business	Private	Purpose

**8. Books/Journal**

Date	Name of Books/Journal	\$Amount	Description of how related to work/study.

**9. Log of T.V / Video/ Cable T.V usage: 1 month**

Date	Time	Shows Watched	Indicate whether shows watched are either		
			Business	Private	Purpose

**10. Travel Diary**

Expenses - For Overseas/Domestic Travel of more than 5 days.  
(convert costs of Australian Dollars)

Date	Time + duration e.g. 10am - 2pm: 4hrs	Place	Person met or Institution & nature of activity	Accom \$	Meals \$	Transport \$ e.g. Bus, Train, Hire, Car, Air fares	Misc. \$ e.g. Museum Entry, Posters, Photo Expense, Books, Mags. etc.

The entry must be made as soon as practical after the event. Please keep all relevant receipts, summarise into the above expense headings.

**11. Expense Diary** (Small Claims (under \$10 per item) to the value of \$200p.a.).

Date	\$ Amount	Item Purchased	Name of Supplier

Note: A similar record can be made for tollway (ie. M1, M2, M4) SHB tolls, parking meters, entrance fees to shows where the entry tickets are handed in on entry. (The same would apply to Rail fares).

Prepared by David Le Page  
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