TD 93/D107 - Income tax: does the receipt of a travel allowance automatically entitle an employee to a deduction for travel expenses under subsection 51(1) of the Income Tax Assessment Act 1936 ?

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Taxation Determination **TD**

93/D107

Draft Taxation Determinations (TDs) represent the preliminary, though considered, views of the ATO. Draft TDs may not be relied on; only final TDs are authoritative statements of the ATO.

Draft Taxation Determination

Income tax: does the receipt of a travel allowance automatically entitle an employee to a deduction for travel expenses under subsection 51(1) of the *Income Tax Assessment Act 1936*?

1. No. The mere receipt of an allowance does not entitle an employee to a deduction, whether or not the allowance is received under an industrial award.

2. Some taxpayers and tax agents would appear to be confused as to whether a taxpayer receiving an allowance is automatically entitled to a deduction equal to the amount of the allowance.

3. Taxation Ruling IT 2543 explained at paragraph 7 that 'the receipt of an allowance imparts no greater degree of deductibility to an expense which is incurred in relation to that allowance'. Therefore, whether a deduction is allowable for travel expenses is a separate question, unrelated to whether a taxpayer receives a travel allowance.

4. Expenses of travelling between home and work are not an allowable deduction unless the exceptional circumstances outlined at paragraph 8 of IT 2543 exist.

Examples

1. Sonia, regional manager for a supermarket chain, is required to inspect stores in Bathurst, Orange and Lithgow. For the three day trip she receives a travel allowance. Sonia is not automatically entitled to a deduction equal to the allowance. A deduction for travel costs incurred is allowable, subject to satisfaction of the substantiation requirements.

2. Robert, a bank teller, was moved to a branch some distance from his home. He is paid a compensatory allowance for the additional travelling time it now takes him to get to work and home again. Robert is not entitled to a deduction against the allowance.

Commissioner of Taxation
29/04/93

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