TD 93/D127 - Income tax: how are home laundry expense claims for work clothes calculated and substantiated for the purposes of subsection 51(1) and section 82KZ of the Income Tax Assessment Act 1936 ?

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Draft Taxation Determination

Income tax: how are home laundry expense claims for work clothes calculated and substantiated for the purposes of subsection 51(1) and section 82KZ of the *Income Tax Assessment Act 1936*?

1. Any claim for home laundry expenses of work clothes will only be allowable as a deduction under subsection 51(1) if the clothing in question qualifies as a corporate uniform, is specifically protective in nature or relates to excessive expenditure (i.e. eligible clothing). The maintenance of ordinary conventional clothing used in the workplace is personal or private in nature, and home laundry expenses on this type of clothing are not an allowable deduction under subsection 51(1).

2. Taxation Ruling IT 2165 set upper limits (generally at $120) for unvouched subsection 51(1) deductions for allowable laundry expenditure for various occupations. Since the introduction of the substantiation provisions in 1985, general unsubstantiated expenses are not allowable as deductions.

3. Home laundry expense claims must be based on the taxpayer's actual usage pattern. Taxation Ruling IT 2452 outlines the substantiation requirements relating to such claims. A diary detailing the extent to which laundry appliances, detergents etc are actually used in the laundering of eligible work clothes for a one month period is sufficient to establish the pattern of yearly use of laundry appliances, detergents etc. in the home laundering of eligible clothing.

4. Each issue of Taxpack provides an updated electricity expense reference table for the calculation of this expense. Washing powder expenses are calculated with reference to the usage diary and total expenditure for the year. The claim is equal to that proportion, as established by the usage-diary, of the total expenses substantiated for the year which relate to the home laundering of the eligible clothing. It is important to note that although not specifically stated in IT 2452, receipts for cleaning agents must be kept in relation to expenditure for the **whole** year, and not just the month of the diary.

5. Under section 82KZ, claims for home laundry expenses must be substantiated unless the total of work related expenses does not exceed the $300 threshold (section 82KZB). Receipts for all washing powders and the like, purchased during the whole financial year, must be kept to substantiate the total of this expense. Alternatively, diary entries of such purchases may be made, provided each individual purchase is no more than $10, and the total of work related expense diary entries do not exceed $200 (subsection 82KU(6) and subsection 82KU(7)).

6. As with all substantiation documents, section 82KZA and subsection 82KT(1) require that these records be retained by the taxpayer for three years and six months from the date of lodgment of the income tax return.

Examples

1. A, an office worker, washes his conventional work clothes at home. He is unable to claim home laundry expenses, as it is not in respect of eligible clothing.

2. B, a waitress, washes her employer-provided conventional black and white clothing at home. She is unable to claim home laundry expenses, as the clothing is conventional in nature, and is not a corporate uniform.

3. C, a chef, receives a laundry allowance for the protective clothes he wears and washes at home. Together with other work related claims of more than $300, he claims a deduction for home laundry equal to the amount of the laundry allowance received from his employer. He has not kept a diary for one month nor any receipts for home laundry for the year. Without these documents, he is not entitled to a deduction for home laundry.

4. D, a bank employee, washes her corporate uniform at home. She has kept a diary for one month in which she details the extent to which laundry appliances, detergents etc are actually used in the laundering of her corporate uniform. She holds receipts which show how much she spent on cleaning agents in the year. Using her 1992 Taxpack , and her one month diary pattern, she calculates her claims as follows for the year ended 30 June 1992:

Electricity expense:

washing machine	*2 uniform washes/week x $0.02 x 48 weeks*	*= $ 1.92*
clothes drier	*$0.73 x 48 weeks*	*= $35.04*
steam iron	*2 hours x $0.06x 48*	*= $ 5.76*
		$42.72

Washing powders expense:

Receipts for the year total $392.82. Her diary indicates that one out of every three washes relates to her uniform. Therefore the claim is calculated as :

$392.82 / 3 =$130.94

Therefore, her total home laundry expense claim is : $42.72 + $130.94=$173.66

Commissioner of Taxation
27/5/93

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