IT 2368 - Income tax: unvouched travel expenses for long distance truck drivers

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TAXATION RULING NO. IT 2368

INCOME TAX : UNVOUCHED TRAVEL EXPENSES FOR LONG DISTANCE TRUCK DRIVERS

F.O.I. EMBARGO: May be released

REF H.O. REF: 86/6335-1 DATE OF EFFECT: Immediate

B.O. REF: DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1209127	TRAVEL ALLOWANCES SUBSTANTIATION	82KU 82KZ 82KZA

OTHER RULINGS ON TOPIC IT 2327

PREAMBLE The cost of meals and accommodation incurred by long distance truck drivers while they are absent from home in the course of their employment qualifies as an allowable deduction for income tax purposes. Prior to the enactment of the substantiation provisions contained in Subdivision F of Division 3 of Part III of the Income Tax Assessment Act 1936 (which affect claims for expenses incurred after 1 July 1986) it was the practice to allow a deduction of $15 per day for meals and $10 per day for accommodation expenses without the need for truck drivers to keep detailed records and/or receipts of expenses. Where a driver could establish that expenses in excess of those amounts had been incurred that greater amount could be claimed as a deduction.

2. As explained in Taxation Ruling No. IT 2327, sections 82KZ and 82KZA of the Income Tax Assessment Act 1936 provide that an income tax deduction is not allowable after 30 June 1986 in respect of employment-related expenses unless documentary evidence of the expense has been obtained and is retained by the taxpayer. Broadly, documentary evidence of an expense is a receipt, invoice or similar document that sets out particulars (as specified in section 82KU) sufficient to prove the amount of the deduction claimed and the nature of the expense. If the expenses are in respect of overseas travel or extended domestic travel (i.e. travel outside Australia or travel within Australia where the person is away from his or her ordinary place of residence for a continuous period covering more than 5 nights) a further requirement is that a diary or similar document be kept of the business activities that took place during the course of the travel.

3. In respect of travel by an employee within Australia the substantiation requirements do not apply where the person is an employee whose employer has paid a reasonable travel allowance to cover costs of accommodation, food and drink, and incidentals having regard to the amount of such expenditure that

the employee could reasonably be expected to incur.

4. As a general rule, a travel allowance is treated as reasonable where the rate of allowance has been set by reference to actual costs of accommodation and meals in a range of establishments in capital cities, metropolitan areas and country districts, as relevant to the case, in order to arrive at an average daily rate that would fairly compensate an employee for the cost of food, accommodation and incidentals. In this context, "fair compensation" would be an amount which would result in the employee being neither out of pocket nor able to retain appreciable amounts of unspent allowance.

5. Generally travel allowances paid to drivers in the trucking industry are intended to cover food and drink costs only. It is common for drivers to sleep in their trucks. An association of long distance truck drivers has requested the Commissioner to rule as to what amount will be accepted as a reasonable allowance to cover food and drink. The association had conducted a survey of actual food and drink costs incurred by drivers on interstate trucking routes.

RULING

6. On the basis of the information furnished as a consequence of that survey it is accepted that an allowance paid to an employee long distance truck driver of not more than $30 per day in respect of food and drink is a reasonable allowance in the terms of paragraph 4 above. It follows that the substantiation requirements will not apply in respect of claims of up to this amount. Where an employee driver is able to substantiate in accordance with the substantiation provisions that higher expenses have been incurred, the additional amount may be claimed. Similarly, where an employee driver who has incurred expenditure in respect of accommodation whilst away from home is able to substantiate that expenditure, a deduction may be claimed for that expenditure.

7. As owner-drivers engaged in long distance trucking do not receive travel allowances the above ruling is not directly applicable to them. The substantiation requirements of the law referred to in paragraph 2 have application where owner-drivers are away from home for a period extending for more than five nights. As there will be situations in which it is impracticable for such owner-drivers to obtain receipts for various small amounts expended on food and drink, it will be sufficient substantiation if particulars of the amounts are evidenced in a diary or similar record and the total expenditure claimed for food and drink, including any amounts covered by receipts, does not exceed $30 per day.

COMMISSIONER OF TAXATION
1 October 1986