


IT 2524 - Income tax : reasonable travel allowances overseas travel

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TAXATION RULING NO. IT 2524

INCOME TAX : REASONABLE TRAVEL ALLOWANCES
OVERSEAS TRAVEL

F.O.I. EMBARGO: May be released

REF N.O. REF: 87/8217-2 DATE OF EFFECT: Immediate

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REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
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OTHER RULINGS ON TOPIC : IT 2327

PREAMBLE Under the substantiation rules contained in sections 82KZ and 82KZA of the Income Tax Assessment Act 1936, a taxpayer is not entitled to a deduction for a 'travel expense' (as defined in subsection 82KT(1)) unless documentary evidence of the expense has been obtained and 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. Where the expenses are expenses of overseas travel or are extended domestic travel expenses, a further condition of deduction is that a diary or similar document be kept of the business activities that took place during the course of the travel. This latter requirement is embodied in subsections 82KZ(2) and (3).

2. The substantiation requirements relating to travel expenses, i.e., the need to obtain and keep receipts and to make entries in a diary, do not apply where the taxpayer is an employee and is paid a reasonable travel allowance to cover the cost of accommodation, meals and other incidental expenses associated with travel by the employee within Australia. Taxation Ruling No. IT 2327 explains in detail what the Commissioner considers to be a reasonable travel allowance for travel within Australia.

3. Amendments to the Income Tax Assessment Act 1936 made by the Taxation Laws Amendment Act 1989 have extended the exclusion from substantiation rules for reasonable domestic travel allowances to reasonable overseas travel allowances. There is no longer a requirement for an employee travelling overseas to substantiate overseas travel expenses that relate to food, drink and incidentals, (or, in other words, meals and incidentals) where that employee is in receipt of a reasonable allowance to cover the cost of those expenses. The exclusion will apply whether or not the allowance paid is also in respect of accommodation.

4. The exclusion from the substantiation rules will apply provided the taxpayer does not claim a deduction for food, drink and incidental expenses that is greater than the amount of the allowance received in respect of those items. Taxpayers must, however, continue to substantiate accommodation expenses when travelling overseas, and must also continue to maintain a travel diary of business activities undertaken during the overseas travel, if any deduction is to be claimed in relation to that travel.

5. The Department of Foreign Affairs and Trade, through its network of foreign posts, conducts annual surveys of the costs of food, drink and other incidental expenses that a person travelling to a wide range of locations could be expected to incur. The surveys provide a detailed basis on which a daily rate of travel allowance appropriate for those overseas locations may be established. The Department of Industrial Relations compiles the surveys to provide 3 rates of overseas travel allowance that may be payable to members of the Australian Public Service (APS) and a wide range of public office holders.

6. The rates of overseas travel allowance paid to members of the APS and other public office holders are detailed in the APS "Personnel Management Manual, Volume 9 Schedule 2/C/A." This Schedule contains 3 rates of overseas travel allowance that may be paid to an employee depending on the salary, status and destination of that employee. Schedule 2/C/A comprises 3 parts; A, B and C which deal with overseas travel allowances paid to Secretaries of Departments, Senior Executive Service officers and other officers respectively. The annual surveys undertaken by the Department of Foreign Affairs and Trade are not completed at the same time in each location surveyed. As a result, Schedule 2/C/A is updated on a fortnightly basis so as to incorporate, on a regular basis, any new rates that may be established for a location as they become available. Schedule 2/C/A is updated in a microfiche format and is available on an annual subscription basis from the Australian Government Publishing Service, GPO Box 84 CANBERRA ACT 2601 Telephone No. (062) 95 4488.

RULING

7. As a general principle, the food, drink and incidentals component of an overseas travel allowance will be treated as reasonable, where the rate of that component has been set by reference to the actual costs of food, drink and incidentals in a range of establishments at specific overseas locations, in order to arrive at an average daily rate that would fairly compensate an employee for the cost of food, drink and incidentals having regard to the salary and status of that employee. In this context, fair compensation would be an amount - based on average charges in the surveyed establishments - that would enable the employee to avoid being out of pocket but make it unlikely that the allowance would, to any appreciable extent, not be expended on the costs for which it was paid. The rates of overseas travel allowance from time to time paid to members of the APS and public office holders (described in paragraphs 5

and 6) are accepted as meeting these requirements.

8. Against that background, where the food, drink and incidentals component of an overseas travel allowance does not exceed the rates of overseas travel allowance (for meals and incidentals) paid to members of the APS and public office holders for short term travel, that component of the overseas travel allowance will be treated as reasonable.

9. The rates of overseas travel allowance (current as at 14 April 1988) payable to members of the APS and public office holders are set out in the Annex to this ruling. These schedules are extracted from Part A, B and C of schedule 2/C/A (as explained in paragraphs 5 and 6). The rates of allowance contained in the Annex are paid according to the salary and status of the recipient. In the context of this ruling, salary is to be taken as cash salary exclusive of allowances and non-cash fringe benefits. As the allowances paid in schedule 2/C/A are described using titles of the relevant employee, equivalent salary ranges have been determined to enable the more convenient calculation of the rate of allowances for a particular employee. The Annex contains Meals and Incidentals Allowances rates as follows:-

- . Applicable to Secretaries of Departments and to employees whose salary exceeds \$77999 per annum.
- . Applicable to Senior Executive Service officers and to employees whose salary is in the range \$52720 to \$77999 per annum.
- . Applicable to other officers and to employees whose salary is less than \$52720 per annum.

10. Where an employee travels to a location for which the rate of overseas travel allowance paid to members of the APS and public office holders does not contain a component for food and drink (meals), a reasonable amount for meals may be added to the incidentals component payable to that employee. For the purposes of this ruling, a reasonable amount for meals that may be added to the incidentals component of an overseas travel allowance rate, is an amount not exceeding by more than \$5 (Australian) the amount of the meals component of the travel allowance paid to members of the APS and public office holders depending on their salary and status, for travel within Australia. The current meals components of the domestic travel allowances paid to these employees are as follows :

- . Secretaries of Departments \$62 per day
(salary in excess of \$77999 per annum)
- . Senior Executive Service officers \$44.50 per day
(salary in range \$52720 to \$77999 per annum)
- . Other officers \$37.50 per day
(salary less than \$52720 per annum)

11. The requirement to add a reasonable meal component to the rates of overseas travel allowance at present will only apply where the employee travels to :

- (i) 'Kirabati' (other than Tarawa); or
- (ii) 'Sudan'; or
- (iii) 'other countries' (i.e., a location not specifically described in the schedules attached to this ruling).

12. EXAMPLE 1

An employee travels to Italy on business and is paid a travelling allowance of \$300 per day (\$100 for meals and incidentals and \$200 for accommodation).

The employee's annual salary is \$55,000 and, at the time of travel, the exchange rate is 1100 lira equals one Australian dollar (\$A1).

Calculation of the reasonable daily overseas travel allowance:

- (1) At a salary of \$55,000 p.a. the daily meals and incidentals allowance payable for Italy is 126,300 Lira.
- (2) Convert the Lira allowance to Australian dollars at the exchange rate prevailing at the time of travel provides the reasonable daily overseas travel allowance :

$$126,300 / 1100 = \$A114.81$$

As the employee is receiving a meals and incidentals allowance of \$100 per day which is less than the reasonable amount of \$114.81 per day, the employee will not need to substantiate expenditure on meals and incidental expenses.

The employee will be required, however, to maintain a travel diary and to keep receipts on other documentary evidence to substantiate accommodation expenses.

EXAMPLE 2

An employee travels to Sudan on business and is paid a travel allowance of \$300 per day to pay for meals, incidentals and accommodation.

The employee's annual salary is \$33,000 and the exchange rate at the time at travel is .42 pounds equals \$A1.

Calculation of the reasonable daily overseas travel allowance :

- (1) At a salary of \$33,000 p.a. the incidentals allowance payable for Sudan is 34.5 pounds. (There is no meals component).

- (2) Convert the incidental allowance to Australian dollars at the exchange rate prevailing at the time of travel :

$$34.5 / 0.42 \text{ pounds} = \$A82.14.$$

- (3) Add to this the relevant meals component amount (described at paragraph 11) : \$37.50.

- (4) The resulting total of \$129.64 is the reasonable daily travel allowance for Sudan at the time of travel.

As the travel allowance paid to the employee does not specify the components of the allowance, the employee may be entitled to claim not more than \$A129.64 per day for meals (i.e., food and drink) and will be required to substantiate any accommodation costs claimed against the allowance.

A deduction in excess of the reasonable meal and incidentals allowance, and substantiated accommodation expenses will not be allowable unless the employee obtains and keeps adequate receipts or other documentary evidence to substantiate all expenditure claimed against the allowance received.

13. Whilst the rates of overseas allowances payable to members of the APS and public office holders are considered reasonable and will cover most cases, there may be cases where higher rates of allowance can be accepted as reasonable.

COMMISSIONER OF TAXATION
30 March 1989

APPENDIX

ANNEX

Meals and Incidentals Allowances as at 14/4/88

Currency Unit	Secretaries of Departments; Salary exceeding \$77999 per annum	Senior Executive Service Officers; Salaries within the range of \$52720 to \$77999 per annum	Other Officers; Salary less than \$52720	
ALGERIA	680	509	475	Dinar
ARGENTINA	58.33	43.750	42.00	\$US
AUSTRIA	1810	1355	1205	A.Sch
BAHRAIN	39.79	29.845	27.905	Dinar

BANGLADESH	1752	1314	1208	Taka
BELGIUM	3750	2815	2605	B Fr
BRAZIL (note a)	49.15	36.90	33.50	\$US
BRITAIN	58.40	43.80	38.60	Pound
BRUNEI	187	140.00	127.00	\$B
BULGARIA (note a)	65.93	49.45	45.00	\$US
BURMA	38.20	28.65	26.45	\$US
CANADA	90.00	67.50	58.60	\$C
CHILE	49.50	37.10	34.10	\$US
CHINA				
In Hotel	210.00	157.00	145.00	Yuan
CHINA				
Great Wall (note b)	254.00	191.00	176.00	Yuan
CYPRUS	36.78	27.59	25.44	Pound
DENMARK	840	630	565	
Kroner				
EGYPT	101.45	76.10	70.05	Pound
ETHIOPIA	114.40	85.75	79.80	Birr
FIJI	73.10	54.85	52.35	\$F
FINLAND (note a)	555.00	412.00	374.00	Mark
FRANCE	783	587	545	Franc
FRENCH POLYNESIA	14170.00	10630.00	9830.00	CFP
Fr				
GERMAN DEMOCRATIC	179	134.00	115.00	DM
REPUBLIC (note a)				
GERMAN FEDERAL	173	130.00	117.00	DM
REPUBLIC (note a)				
GREECE	9587	7190	6660	Dr
HONG KONG	585	440	415	\$HK
HUNGARY	2980	2235	2098	
Forint				
ICELAND	4088	3066	2692	
Kroner				

INDIA				
New Delhi	601	451	416	Rupee
INDIA				
Bombay	565	423	381	Rupee
INDIA				
Elsewhere	540	405	385	Rupee
INDONESIA				
Jakarta	121726	91295	84046	
Rupiah				
INDONESIA				
Bali	83450	62585	57870	
Rupiah				
INDONESIA				
Elsewhere	98546	73910	68241	
Rupiah				
IRAN	10720	8040	7410	Rial
IRAQ	39.30	29.450	27.050	Dinar
IRELAND	59.30	44.50	39.40	Pound
ISRAEL	84.70	63.50	58.55	\$US
ITALY	168400	126300	117070	Lire
JAMAICA	422	316.00	291.00	\$J
JAPAN	22060	16545	14895	Yen
JORDAN	29.890	22.420	20.670	Dinar
KENYA	800	600	567	K
Shil				
KIRIBATI				
Tarawa	44.60	33.45	32.40	\$A
KIRIBATI				
Elsewhere (note c)	15.60	11.70	10.65	\$A
KOREA	67420	50570	45970	Won
KUWAIT	25.00	18.740	17.310	Dinar
LAOS	31.50	23.63	21.84	\$US
LUXEMBOURG	3610	2705	2705	L Fr
MALAYSIA				
Kuala Lumpur	169.00	126.75	116.65	\$M

MALAYSIA				
Penang/Butterworth	128.00	96.00	89.55	\$M
MALAYSIA				
Elsewhere	136.50	102.35	95.90	\$M
MALTA	25.15	18.85	17.35	Pound
MAURITIUS				
(note a)	661	496	446	Rupee
MEXICO	39.52	29.64	27.28	\$US
NAURU	46.50	34.90	32.30	\$A
NEPAL				
Kathmandu	1021	766	676	Rupee
NEPAL				
Elsewhere	466	350	350	Rupee
THE NETHERLANDS				
(note a)	248	186	159	Guild
NEW CALEDONIA	11970	8980	8430	CFP
Fr				
NEW ZEALAND	108.40	81.30	75.10	\$NZ
NIGERIA	100.00	75.00	69.00	Naira
NORWAY (note a)	801	601	558	
Kroner				
OMAN	36.17	27.13	24.52	Rial
PAKISTAN	802.00	602.00	554.00	Rupee
PAPUA NEW GUINEA				
In Hotel	59.00	44.20	42.25	Kina
PARAGUAY	46.55	34.90	32.10	\$US
PERU	42.70	32.00	30.25	\$US
PHILIPPINES	1355	1016	935	Peso
POLAND (note a)	5485	4115	3740	Zloty
PORTUGAL	9810	7360	6980	
Escudo				
QATAR	344.45	258.35	233.90	Riyal
ROMANIA (note a)	54.90	41.15	39.45	\$US

SAUDI ARABIA Jeddah	364.00	273.00	255.75	Riyal
SAUDI ARABIA Riyadh	409.50	307.10	287.20	Riyal
SINGAPORE	172	128.70	119.41	\$\$
SOLOMON ISLANDS	90.55	67.90	62.55	\$\$SI
SOUTH AFRICA	107.90	80.90	74.15	Rand
SPAIN Peseta	10785	8090	7450	
SRI LANKA Colombo	1245	935	850	Rupee
SRI LANKA Elsewhere	615	460	420	Rupee
SUDAN (note c)	50.670	38.000	34.500	Pound
SWEDEN (note a) Kroner	633	475	439	
SWITZERLAND	184	146.00	129.50	Franc
SYRIA	954	716	666	Pound
TANZANIA Shil	2210	1660	1550	T.
THAILAND	2030	1525	1405	Baht
TONGA	56.65	42.50	38.30	\$\$T
TURKEY	40.95	30.70	28.36	\$\$US
USSR Rouble	32.45	24.35	22.40	
UNITED ARAB EMIRATES (note a) Dirham	291.25	218.45	198.55	
USA - These rates also apply to locations listed in note (d)				
USA Chicago (note d)	101.90	76.44	70.58	\$\$US
USA Honolulu	89.20	66.90	61.70	\$\$US
USA Houston (note d)	84.25	63.18	58.22	\$\$US

USA					
Los Angeles (note d)	89.85	67.40	62.20		\$US
USA					
Miami	84.25	63.18	58.22		\$US
USA					
New York (note d)	111.50	83.62	77.26		\$US
USA					
San Francisco (note d)	104.00	78.02	72.08		\$US
USA					
Washington D.C. (note d)	97.00	72.75	66.10		\$US
URUGUAY	36.25	27.20	25.15		\$US
VANUATU	7780	5835	5425		Vatu
VENEZUELA	51.00	38.23	35.20		\$US
VIETNAM	25.60	19.22	17.92		\$US
WESTERN SAMOA					
Apia	77.60	58.20	57.00		\$WS
WESTERN SAMOA					
Elsewhere	17.60	13.20	12.00		\$WS
YUGOSLAVIA (note a)	44.65	33.50	30.45		\$US
ZAMBIA	263.20	197.40	181.20		
Kwacha					
ZIMBABWE (note a)	55.75	41.80	38.00		\$Z
OTHER COUNTRIES (note c)	36.00	27.00	24.50		\$A

NOTES

- (a) The meals allowance payable does not include a component for breakfast. Breakfast is generally included in the cost of accommodation.
- (b) This rate is only payable when staying at the "Great Wall" hotel.
- (c) The meal allowance for this locality is the equivalent of \$A62.00 for Secretaries of Departments or persons whose salary exceeds \$77999 per annum; \$A44-50 for Senior Executive Service officers or persons whose salary is in the range of \$52720 to \$77999 per annum and \$A37-50 for other offices or persons whose salary is less than \$52720 at the exchange rate prevailing at the time of travel. The meal allowance should

be added to the incidental allowance payable for the locality.

(d) Rates of Allowance to be Applied Outside Listed Cities of
The United States of America

State to which employee is travelling	Apply rate of allowance as for -
Virginia, Maryland, Washington (D.C.) Delaware, West Virginia, North Carolina South Carolina, Georgia, Alabama, Mississippi, Louisiana, Arkansas, Kentucky, Tennessee.	Washington (D.C.)
Maine, New Hampshire, Vermont Massachusetts, Rhode Island, Connecticut New York, New Jersey, Pennsylvania.	New York
Missouri, Iowa, Minnesota, Wisconsin, Illinois, Indiana, Michigan, Ohio.	Chicago
California, North of 36th Parallel, Washington, Oregon, Montana, Idaho, Wyoming, Nevada, Utah, Colorado, North Dakota, South Dakota, Nebraska, Kansas	San Francisco
California, South of 36th Parallel.	Los Angeles
Arizona, New Mexico, Texas, Oklahoma, Florida.	Houston