IT 2599 - Income tax : reasonable domestic travel allowances

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TAXATION RULING NO. IT 2599

INCOME TAX : REASONABLE DOMESTIC TRAVEL ALLOWANCES

F.O.I. EMBARGO: May be released

REF H.O. REF: 89/4776-7 DATE OF EFFECT: Immediate

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F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1012189	TRAVEL ALLOWANCES	82KU
	SUBSTANTIATION	82KZ
		82KZA

OTHER RULINGS ON THIS TOPIC: IT 2327

PREAMBLE The purpose of this Ruling is to update Taxation Ruling No. IT 2327 regarding reasonable domestic travel allowances by indicating the amounts of allowances which are considered to be reasonable travel allowances for substantiating travel expenses incurred in the income years ending 30 June 1990 and 1991. Under sections 82KZ and 82KZA of the Income Tax Assessment Act 1936 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 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 do not apply where the taxpayer is an employee whose employer has paid a reasonable travel allowance to cover costs of accommodation, food and drink, and incidentals associated with travel by the employee within Australia (subsection 82KZ(4)). A reasonable travel allowance is an allowance which the Commissioner of Taxation considers to be reasonable having regard to the types and amounts of expenditure that the taxpayer could reasonably be expected to incur. Provided a taxpayer in receipt of a reasonable travel allowance does not claim a deduction for an amount greater than the allowance, the substantiation requirements in sections 82KZ and 82KZA do not have to be satisfied.

RULING 3. As a general principle a travel allowance will be 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, having regard to the status and salary level 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.

4. Against that background, it was recognised in Taxation Ruling No. IT 2327 that the rates of travel allowances set for members of the Australian Public Service (APS), would be treated as reasonable. In concluding that such allowances are at acceptable levels it was accepted that APS travel allowances are based on an analysis of data obtained from annual surveys of accommodation and meal costs in capital cities and other regional centres. The resultant allowances reflect average costs of each item in each centre, excluding costs of sub-standard establishments, on the one hand and costs in specific high cost (usualy remote) areas on the other.

5. Where the APS employee undertakes travel requiring an overnight stay the travel allowances payable are as follows:

Annual Salary Range
$55,999 - $96,590

Place	Accommodation	Food & Drink	Incidentals	Total
	$	$	$	$
Sydney	131.00	55.00	14.00	200.00
Melbourne	95.00	55.00	14.00	164.00
Brisbane	92.00	55.00	14.00	161.00
Canberra	86.00	55.00	14.00	155.00
Adelaide	83.00	55.00	14.00	152.00
Darwin	77.00	55.00	14.00	146.00
Hobart	74.00	55.00	14.00	143.00
Perth	72.00	55.00	14.00	141.00
High Cost Country Centres	*	55.00	14.00	*
Tier 2 Country Centres #	59.00	45.00	14.00	118.00
Other Country Centres	48.00	45.00	14.00	107.00

Annual Salary Below $55,999

Place	Accommodation	Food & Drink	Incidentals	Total
	$	$	$	$
Sydney	98.00	46.50	10.00	154.50
Melbourne	71.00	46.50	10.00	127.50
Brisbane	69.00	46.50	10.00	125.50
Canberra	64.00	46.50	10.00	120.50

Adelaide	62.00	46.50	10.00	118.50
Darwin	58.00	46.50	10.00	114.50
Hobart	56.00	46.50	10.00	112.50
Perth	54.00	46.50	10.00	110.50
High Cost Country Centres	*	46.50	10.00	*
Tier 2 Country Centres #	49.00	41.50	10.00	100.00
Other Country Centres	40.00	41.00	10.00	91.00

* Amount varies for each individual centre - refer to attached Schedule for centres and amounts.

\# Refer to attached Schedule for list of centres.

6. Daily travel allowances - whether paid to APS members or other public or private sector employees - that do not exceed APS daily rates by more than $5 per day according to the salary ranges shown above, may be treated as reasonable travel allowances. In this context, salary is to be taken as cash salary exclusive of allowances and non-cash fringe benefits.

Part-Day Travel

7. In certain circumstances APS employees may be paid an allowance in respect of travel which requires them to be absent from their headquarters on official business for not less than 10 hours but an overnight absence is not required. APS travel allowances for part-day travel are:

Annual Salary Range	Allowance
$55,999 - $96,590	$35.00
Below $55,999	$26.00

Employees With An Annual Salary Above $96,590

8. For employees who receive an annual salary of more than $96,590 , it is accepted (in line with the approach adopted in Taxation Ruling No. IT 2327) that daily travel allowances set on an independent annual review by the Remuneration Tribunal can be taken as a benchmark. The Tribunal enquires into the allowances to be paid to Ministers, other Members of Parliament, officers of the Parliament and public office holders such as Secretaries of Departments and takes into account price movements relevant to the kinds of expenditures for which the allowances are paid. In line with the principles laid down in paragraphs 3 and 4, daily travel allowances paid to employees that do not exceed the allowances set by the Remuneration Tribunal for equivalent salary ranges (i.e., cash salary as defined in paragraph 6) may be treated as reasonable travel allowances within the meaning of subsection 82KZ(4). The following rates may be used as a guide:

Salary Range	Overnight	Part-day

	Capital City	Other	
$99,949 - $170,503	$300.00	$140.00	$40.00

9. Whilst the rates of allowances indicated at paragraphs 5 and 8 as being within reasonable limits will cover most situations, there may be particular cases where higher rates of allowance can be accepted as reasonable. For example, the Remuneration Tribunal has set higher rates than those at paragraph 8 as appropriate for certain office-holders.

COMMISSIONER OF TAXATION
28 June 1990

APPENDIX APPENDIX

SCHEDULE

High Cost Country Centres - Accommodation Expenses

Centre	$	Centre	$
Broome	83.00	Nhulunbuy	75.00
Dampier	68.00	Paraburdoo	68.00
Derby	57.00	Pt Hedland	65.00
Exmouth	56.00	Tom Price	54.00
Halls Creek	75.00	Weipa	80.00
Jabiru	105.00	Wickham	70.00
Kalgoorlie	62.00	Wilpena	64.00
Karratha	90.00	Wollongong	69.00
Kunanurra	70.00	Wyndham	54.00
Marla	56.00	Yulara	178.00
Newman	81.00		

Tier 2 Country Centres

Centre	Centre
Albury	Gosford
Alice Springs	Katherine
Broken Hill	Launceston
Burnie	Maitland
Cairns	Newcastle
Ceduna	Queenstown
Devonport	Tennant Creek
Dubbo	Wagga Wagga