IT 2601 - Income tax: Unvouched travel expenses for long distance truck drivers

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TAXATION RULING NO. IT 2601

INCOME TAX : UNVOUCHED TRAVEL EXPENSES FOR LONG DISTANCE TRUCK DRIVERS

F.O.I. EMBARGO: May be released

REF N.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 1012202	TRAVEL ALLOWANCES	
	LONG DISTANCE	82KU
	TRUCK DRIVERS	82KZ
	MEALS	82KZA

OTHER RULINGS ON TOPIC: IT 2368 IT 2599 IT 2579 IT 2469 MT 2038

PREAMBLE The purpose of this Ruling is to update Taxation Ruling No. IT 2368 on the substantiation rules for travel allowances paid to long distance truck drivers.

2. 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).

3. 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.

4. 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.

5. Accordingly, it was stated 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 (usually remote) areas on the other.

RULING

6. Against that background, a daily travel allowance up to the amount of the food and drink component of the APS travel allowance payable in respect of "Other Country Centres" will be treated as reasonable. The daily rate in respect of "Other Country Centres" as set out in Taxation Ruling No. IT 2599 is $41 for salaries below $55,999 and $45 for salaries of more than $55,999.

7. It follows that the substantiation requirements will not apply in respect of claims of up to these respective amounts. 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. However, where an amount above the relevant ceiling amount in paragraph 6 is claimed, the full amount of the claim must be substantiated.

8. Similarly, where an employee driver who has incurred the expenditure in respect of accommodation whilst away from home is able to substantiate that expenditure, a deduction may be claimed for that expenditure.

9. 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 $45 per day.

COMMISSIONER OF TAXATION
28 June 1990