IT 2686 - Income tax: reasonable allowances for the 1992-93 income year

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Taxation Ruling
Income tax: reasonable allowances for the 1992-93 income year

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Income Tax Rulings do not have the force of law. Each decision made by the Australian Taxation Office is made on the merits of each individual case having regard to any relevant Ruling.

What this Ruling is about

1. Subsections 82KZ(4) and (5) of the *Income Tax Assessment Act 1936* provide that the substantiation requirements relating to overtime meal expenses, domestic travel expenses and overseas travel expenses do not apply where the taxpayer has received an allowance in respect of those expenses (whether or not the allowance was paid under an industrial instrument) and the Commissioner of Taxation considers the allowance to be reasonable.

2. This Ruling sets out the amounts which the Commissioner considers to be reasonable, for the purposes of subsections 82KZ(4) and (5), in relation to:

(a) overtime meal allowances;

(b) domestic travel allowances;

(c) travel expenses for long distance truck drivers; and

(d) overseas travel allowances.

Ruling

A. Overtime meal allowances

3. Overtime meal allowances up to an amount of $15 per meal are considered to be reasonable for the 1992-93 income year.

B. Domestic travel allowances

Employees with annual salaries below $99005

Daily travel allowances

4. Daily travel allowances (ie those requiring an overnight stay) that do not exceed the rates of daily travel allowances set for members

of the Australian Public Service (APS) by more than five dollars are considered to be reasonable for the 1992-93 income year. APS daily travel allowances are payable according to salary level and are as follows for the 1992-93 income year:

(a) if an employee's annual salary is between $59121 and $99005

Place	Accomm. $	Food and drink $	Incidentals $	Total $
Sydney	129	61.05	15.20	205.25
Melbourne	128	61.05	15.20	204.25
Brisbane	100	61.05	15.20	176.25
Canberra	84	61.05	15.20	160.25
Adelaide	88	61.05	15.20	164.25
Darwin	84	61.05	15.20	160.25
Hobart	81	61.05	15.20	157.25
Perth	92	61.05	15.20	168.25
High cost country centres	see note (a) below	61.05	15.20	see note (a) below
Tier 2 country centres (see note (b) below)	67	48.60	15.20	130.80
Other country centres	52	48.60	15.20	115.80

(b) if an employee's annual salary is below $59121

Place	Accomm. $	Food and drink $	Incidentals $	Total $
Sydney	97	51.15	10.70	158.85
Melbourne	96	51.15	10.70	157.85
Brisbane	75	51.15	10.70	136.85
Canberra	63	51.15	10.70	124.85

Place	Accomm. $	Food and drink $	Incidentals $	Total $
Adelaide	66	51.15	10.70	127.85
Darwin	63	51.15	10.70	124.85
Hobart	61	51.15	10.70	122.85
Perth	69	51.15	10.70	130.85
High cost country centres	see note (a) below	51.15	10.70	see note (a) below
Tier 2 country centres (see note (b) below)	56	44.45	10.70	111.15
Other country centres	43	44.45	10.70	98.15

Notes:

(a) High cost country centres accommodation expenses are listed in paragraph 5 of this Ruling.

(b) Tier 2 country centres are listed in paragraph 6 of this Ruling.

5. High cost country centres - accommodation expenses:

Country centre	$	Country centre	$
Broome	82	Norfolk Island	85.50
Jabiru	123	Paraburdoo	68.50
Karratha	82.50	Pt Hedland	67
Kununurra	64.50	Tennant Creek	62
Marla	63	Tom Price	67.50
Newman	83.50	Weipa	85
Nhulunbuy	112	Wilpena	76
		Yulara	166.50

6. Tier 2 country centres

Country centre	Country centre
Burnie	Kalgoorlie
Cairns	Katherine
Dampier	Launceston
Derby	Newcastle
Exmouth	Wickham
Halls Creek	Wollongong

Part-day travel allowances

7. In certain circumstances, APS employees receive an allowance in respect of travel which necessitates their being absent from their workplace on official business for not less than 10 hours but which does not require an overnight absence. APS travel allowances for part-day travel are:

annual salary range	allowance
$59121 -$99005	$39
below $59121	$29

8. These allowances are considered to be reasonable for the 1992-93 income year.

Employees with annual salaries above $99005

9. For employees who receive an annual salary of more than $99005, daily travel allowances set on an independent annual review by the Remuneration Tribunal are considered to be reasonable. For the 1992-93 income year, those rates are:

salary range	overnight		part-day
	capital city	other	
$99005 - $185251	$300	$155	$45

C. Unvouched travel expenses for long distance truck drivers

Employee long distance truck drivers who receive travel allowances

10. Amounts up to the food and drink component of the APS daily travel allowance payable in respect of 'other country centres' are considered to be reasonable. For the 1992-93 income year, the relevant amounts are:

(a) salary below $59121 - $44.45

(b) salary above $59121 - $48.60

11. If the employee claims as a deduction an amount which is greater than the amount considered to be reasonable, the deduction will only be allowed if the full amount of the expense is substantiated.

12. If the employee receives an allowance which is less than the 'reasonable rates', a deduction **up to the amount of the allowance received** may be claimed without the need for substantiation.

Accommodation expenses

13. An employee truck driver is entitled to a deduction for expenditure on accommodation whilst away from home if he or she is able to substantiate that expenditure.

Employee long distance truck drivers who do not receive travel allowances

14. Any claim made by an employee who does not receive any allowance must be substantiated. If, however, it is impracticable for a taxpayer to obtain receipts for various small amounts spent on food and drink, it is sufficient substantiation if:

(a) particulars of the amounts are evidenced in a diary or similar record; and

(b) the total expenditure claimed for food and drink, including any amounts covered by receipts, does not exceed the 'reasonable rates' set out in paragraph 10 of this Ruling (ie, $44.45 for salaries below $59121 and $48.60 for salaries above $59121).

Claims that exceed those rates must be substantiated in full.

Owner-drivers

15. As owner-drivers do not receive any allowance, they are generally required to comply with the substantiation requirements of the law. Under subsections 82KZ(2) and (3), if a taxpayer incurs expenses in respect of extended domestic travel expenses (ie the taxpayer is away from home for more than five nights) a diary or similar document of the business activities that took place during the course of travel must be kept in addition to other receipts. Notwithstanding this, we recognise that it is sometimes impracticable for an owner-driver to obtain receipts for various small amounts spent on food and drink. In those cases, it is 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 $48.60 per day.

D. Reasonable overseas travel allowances

16. If the food, drink and incidentals component of an overseas travel allowance does not exceed the rates of overseas travel allowance 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. Taxpayers must still retain documentary evidence of accommodation expenses and maintain a travel diary. Guidelines on travel diary requirements are contained in MT 2038.

17. The relevant APS rates are detailed in the APS 'Personnel Management Manual, Volume 9 Schedule 2/C/A' [this schedule is updated in a microfiche format on a fortnightly basis and is available on an annual subscription basis from the Australian Government Publishing Service, GPO Box 84, CANBERRA ACT 2601, ph (06) 295 4488]. 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 rates of travel allowances payable as at 21 May 1992 are set out in schedule 1 to this Ruling according to the salary ranges of these three levels of employees. Therefore, schedule 1 contains the Meal and Incidental Allowance rates as follows:-

Column 1 - Applicable to Secretaries of Departments and to employees whose salary exceeds $99005 per annum.

Column 2 - Applicable to Senior Executive Service officers and to employees whose salary is in the range $59121 per annum to $99005 per annum.

Column 3 - Applicable to other officers and to employees whose salary is less than $59121 per annum.

18. If 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 $63 per day (salary in excess of $99005 per annum)
- Senior Executive Service officers $61.05 per day (salary in range $59121 to $99005 per annum)
- Other officers $51.15 per day (salary less than $59121 per annum)

19. The requirement to add a reasonable meal component to the rate of overseas travel allowance at present will only apply if the employee travels to:

(a) 'Sudan'; or

(b) 'other countries' (i.e., a location not specifically described in the Schedule attached to this Ruling).

20. 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.

21. 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.

Date of effect

22. This Ruling applies for allowances paid during the 1992-93 income year.

Explanations

The requirement to substantiate

23. Under sections 82KZ and 82KZA, an income tax deduction is not allowable in respect of an 'eligible expense' in relation to a meal allowance, travel allowance, 'employment-related expense' or a travel expense unless documentary evidence of the expense has been obtained and retained by the taxpayer. Broadly speaking, documentary evidence of an expense is a receipt, invoice or similar document that sets out the particulars outlined in section 82KU. Where expenses are incurred in respect of overseas travel expenses or 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 travel (subsections 82KZ(2) and (3)).

'Reasonable' allowances

24. As a general principle, an allowance will be treated as reasonable if the rate of the allowance has been set by reference to a survey of actual costs in a range of establishments where meals or accommodation can be obtained. That is, the allowance should be set so as to fairly compensate an employee for the average cost of a meal or accommodation, on the basis that when the expense is incurred, the employee would be neither out of pocket nor able to retain appreciable amounts of unspent allowance.

Examples

25. **Calculation of reasonable daily overseas travel allowance**

(a) allowance containing a meals component

An employee travels to Italy on business and is paid a travel allowance of $380 per day ($180 for meals and incidentals and $200 for accommodation). The employee's annual salary is $65000 and, at the time of travel, the exchange rate is 910 lira equals one Australian dollar ($A1). The reasonable daily overseas travel allowance is calculated as follows:

(1) At a salary of $65000 p.a. the daily meals and incidentals allowance payable for Italy is 171863 lira.

(2) Converting the lira allowance to Australian dollars at the exchange rate prevailing at the time of travel provides the reasonable daily overseas travel allowance

$$\frac{171863}{910} = \$A188.86$$

As the employee is receiving a meal and incidentals allowance of $180 per day which is less than the reasonable amount of $188.86 per day, the employee does not need to substantiate expenditure on meals and incidental expenses. The employee is required, however, to maintain a travel diary and to keep receipts or other documentary evidence to substantiate accommodation expenses.

(b) allowance without a meals component

26. An employee travels to the 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 $33000 and the exchange rate at the time of travel is .4126 pounds equals $A1. The reasonable daily overseas travel allowance is calculated as follows:

(1) At a salary of $33000 p.a. the incidentals allowance payable for the 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:

$$\frac{34.5}{.4126} = \$A83.62$$

(3) Add to this the relevant meals component amount (described at paragraph 18): $51.15

(4) The resulting total of $134.77 is the reasonable daily travel allowance for the Sudan at the time of travel.

As the travel allowance paid to the employee does not specify the components of the allowance, the employee is entitled to claim not more than $A134.77 per day for meals (i.e., food and drink) and is required to substantiate any accommodation costs claimed against the allowance.

Commissioner of Taxation

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