TR 95/34 - Income tax: employees carrying out itinerant work - deductions, allowances and reimbursements for transport expenses

This ruling contains references to repealed provisions, some of which may have been rewritten. The ruling still has effect. Paragraph 32 in TR 2006/10 provides further guidance on the status and binding effect of public rulings where the law has been repealed or repealed and rewritten. The legislative references at the end of the ruling indicate the repealed provisions and, where applicable, the rewritten provisions.

This document has changed over time. This is a consolidated version of the ruling which was published on *29 November 2006*

Taxation Ruling
Income tax: employees carrying out itinerant work - deductions, allowances and reimbursements for transport expenses

other Rulings on this topic

IT 112; IT 117; IT 2122; IT 2199; IT 2543; MT 2021; MT 2027; MT 2029; MT 2030; TD 93/113; TD 93/174; TD 94/17; TR 92/15; TR 95/13; TR 95/14; TR 95/15; TR 95/22

contents para

*This Ruling, to the extent that it is capable of being a 'public ruling' in terms of Part IVAAA of the **Taxation Administration Act 1953**, is a public ruling for the purposes of that Part. Taxation Ruling TR 92/1 explains when a Ruling is a public ruling and how it is binding on the Commissioner.*

What this Ruling is about

Class of person/arrangement

1. This Ruling provides guidelines for establishing whether an employee is carrying out itinerant work.

2. This Ruling discusses the tax treatment of transport expenses incurred by employees carrying out itinerant work which are claimed under subsection 51(1) of the *Income Tax Assessment Act 1936* (the Act). Transport expenses include public transport fares and the running costs associated with using motor vehicles, motor cycles, bicycles, etc., for work-related travel.

3. This Ruling discusses the assessability of transport allowances and reimbursements received by employees carrying out itinerant work under subsection 25(1) and paragraphs 26(e) and 26(eaa) of the Act.

4. The substantiation provisions are not discussed in depth in this Ruling.

Date of effect

5. This Ruling applies to years commencing both before and after its date of issue except to the extent that it applies to employees in the building and construction industry, where the date of effect is 1 July 1996 and employee shearers, where the date of effect is 8 July 1996. However, the Ruling does not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before

the date of issue of the Ruling (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

Previous Rulings

6. This Ruling replaces Taxation Ruling IT 2273 to the extent that it applies to employee shearers. To the extent replaced, IT 2273 is withdrawn.

Ruling

When is an employee's work itinerant?

7. There have been a number of cases considered by the Courts, Boards of Review and Administrative Appeals Tribunal where deductions for transport expenses were allowed on the basis of the taxpayers' 'shifting places of work'. 'Shifting places of work' is another term for itinerancy. In these cases the obligation to incur the transport expenses arose from the nature of the taxpayers' work, such that they were considered to be travelling in the performance of their duties from the moment of leaving home. The following characteristics have emerged from these cases as being indicators of itinerancy:

a) travel is a fundamental part of the employee's work (paragraphs 22 to 27 below);

b) the existence of a 'web' of work places in the employee's regular employment, that is, the employee has no fixed place of work (paragraphs 28 to 33 below);

c) the employee continually travels from one work site to another. An employee must regularly work at more than one work site before returning to his or her usual place of residence (paragraphs 34 to 45 below);

d) other factors that may indicate itinerancy (to a lesser degree) include:

   (i) the employee has a degree of uncertainty of location in his or her employment (that is, no long term plan and no regular pattern exists) (paragraphs 47 to 55 below);

   (ii) the employee's home constitutes a base of operations (paragraphs 56 to 62 below);

(iii) the employee has to carry bulky equipment from home to different work sites (paragraphs 63 to 71 below);

(iv) the employer provides an allowance in recognition of the employee's need to travel continually between different work sites (paragraphs 72 to 75 below).

8. Whilst the above characteristics are not exhaustive, they provide guidelines for determining whether an employee's work is itinerant. It is considered that no single factor on its own is necessarily decisive.

9. The question of whether an employee's work is itinerant is one of fact, to be determined according to individual circumstances. It is the nature of each individual's duties and not their occupation or industry that determines if they are engaged in itinerant work. Further, itinerant work may be a permanent or temporary feature of an employee's duties.

Transport expenses

10. A deduction is generally not allowable for the cost of transport between home and the normal work place. However, a deduction is allowable for the cost of travelling between home and work if an employee's work is itinerant (see paragraphs 76 to 86 below).

Allowances

11. The receipt of an allowance does not automatically entitle an employee to a deduction. The term 'allowance' does not include a reimbursement (see paragraphs 13 to 15 below).

12. Allowances paid to cover transport expenses fall into the following categories:

(a) fully assessable to the employee with a deduction possibly allowable for expenses incurred, depending upon individual circumstances;

(b) fully assessable to the employee with no deduction allowable even though an allowance is received;

(c) fully assessable to the employee with a deduction possibly allowable for expenses incurred, depending upon individual circumstances, but subject to special substantiation rules (see **Award transport (fares) payments**, paragraphs 87 to 91 below).

Reimbursements

13. If an employee receives a payment from his or her employer for **actual** expenses incurred, the payment is a reimbursement. In this instance the employer may be subject to Fringe Benefits Tax. Generally, if an employee receives a reimbursement, the amount is not required to be included in his or her assessable income and a deduction is not allowable (see Taxation Ruling TR 92/15).

14. However, if motor vehicle expenses are reimbursed by the employer on a cents per kilometre basis, the amount is included as assessable income of the employee under paragraph 26(eaa) of the Act. A deduction may be allowable in relation to motor vehicle expenses incurred.

15. If a payment is received from an employer for an estimated expense, the amount received by the employee is considered to be an allowance (not a reimbursement) and is fully assessable to the employee (see Allowances, paragraph 11 and 12 above).

Explanations

When is an employee's work itinerant?

16. The Act does not provide a definition of the word 'itinerant'. In the absence of a statutory definition, we must look to the ordinary usage of the word. The *Macquarie Dictionary* defines 'itinerant' as 'travelling from place to place' or 'one who travels from place to place especially for duty or business'.

17. In *FC of T v. Genys* (1987) 17 FCR 495; 87 ATC 4875; (1987) 19 ATR 356 (*Genys*' case), the Federal Court held that the taxpayer's employment was not itinerant. The taxpayer was a registered nurse who used an employment agency to seek relief work with various hospitals. She was not continuously employed by any one hospital. When a hospital was in need of additional staff they contacted the agency which would then contact the taxpayer. It was integral to the decision in this case that the taxpayer did not travel after the commencement of her duties. She merely travelled to work and home again. Northrop J (FCR at 498; ATC at 4879; ATR at 359) described itinerant as 'shifting places of work':

> '...where the taxpayer travels between home and shifting places of work, that is, an itinerant occupation.'

18. The question of whether an employee's work is itinerant is one of fact, to be determined according to individual circumstances. It is the nature of each individual's duties and not their occupation or industry that determines if they are engaged in itinerant work.

Further, itinerant work may be a permanent or temporary feature of an employee's duties.

19. **Example:** Mary is employed as a plumber's labourer and is dispatched to several sites each day. Mary usually travels directly from home to a different site each day to start work. As her duties require her to travel between sites on a regular basis, travel is an inherent part of her employment. Mary's employment is regarded as itinerant.

20. **Example:** Joe is also employed as a plumber's labourer, but normally works at a single site. Joe is temporarily assigned other duties for three months that require him to travel between several sites on a daily basis. As travel is not an inherent feature of Joe's regular duties his usual employment is not itinerant. However, his employment would be considered itinerant for the three months he undertakes the temporary assignment.

21. The existence of the following characteristics would not necessarily be determinative, but would be a strong indication that an employee is engaged in itinerant work.

Travel is a fundamental part of the employee's work

22. Travel must be an essential feature of an employee's duties in order for that work to be classified as itinerant. In *Taylor v. Provan* [1975] AC 194 Lord Simon (discussing the rule established in *Ricketts v. Colquhoun* [1926] AC 1) said at 221:

> '...the obligation to incur the expenses of travelling in question must arise out of the nature of the office or employment itself, and not out of the circumstances of the particular person appointed to the office or employed under contract of employment - two different classes of travelling expenses readily come to mind. The first is where the office or employment is of itself inherently an itinerant one. ...In such cases the taxpayer may well be travelling in the performance of the duties of the office or employment from the moment of his leaving home to the moment of his return there - a visit to any head office might well be purely incidental or fortuitous.'

23. In *FC of T v. Wiener* 78 ATC 4006; (1978) 8 ATR 335 (*Wiener's* case) a teacher was required to teach at a minimum of four different schools ('web' of work places) each day, and comply with a strict timetable that kept her on the move throughout each of these days. Smith J, in the Supreme Court of Western Australia, concluded that travel was inherent in her employment because the nature of the job itself made travel in the performance of her duties essential, and said (ATC at 4010; ATR at 339):

> '...that travel was a fundamental part of the taxpayer's work, is not open to challenge. Viewed objectively, it does not seem to me to be open to question that the taxpayer would not have been able to perform her duties without the use of her motor vehicle. ...it was a necessary element of the employment that on those working days transport be available at whichever school the taxpayer commenced her teaching duties and that transport remained at her disposal throughout each of those days.'

24. In *Genys*' case (FCR at 502-503; ATC at 4882; ATR at 362-363), Northrop J quotes Brightman J's statement of this principle in *Horton v. Young* [1972] 1 Ch 157 at 164:

> '...where a person has no fixed place or places at which he carries on his trade or profession but moves continually from one place to another, at each of which he consecutively exercises his trade or profession on a purely temporary basis and then departs, his trade or profession being in that sense of an itinerant nature, the travelling expenses of that person between his home and the places where from time to time he happens to be exercising his trade or profession will normally be, and are in the case before me, wholly and exclusively laid out or expended for the purposes of that trade or profession. I have used the adverb "normally" because every case must to some extent depend on its own facts.'

25. The very nature of an employee's work must make it necessary to carry out the duties in several places. It is not sufficient for an employee to choose to perform his or her duties in an alternative location for convenience (e.g., a home office). In *Taylor v. Provan*, Lord Wilberforce said at 215:

> 'It is only if the job requires a man to travel that his expenses of that travel can be deducted, i.e. if he is travelling on his work, as distinct from travelling to his work. ...But for this doctrine to apply, he must be required by the nature of the job itself to do the work of the job in two places: the mere fact that he may choose to do part of it in a place separate from that where the job is objectively located is not enough.'

26. **Example:** Concetta has supervisory responsibilities for a chain of fashion stores. Her duties require her to travel to several stores each day to assess each store's performance and to attend head office weekly to file reports. Concetta does not visit the stores in a regular pattern. Travel is a fundamental part of Concetta's employment because the nature of the job itself makes travelling a necessary element of her duties. She is considered to be engaged in itinerant employment.

27. **Example:** Eleni is an agency nurse who travels to several hospitals to relieve staff shortages. She is employed by the hospital for whom she performs the duties. Eleni remains at the one hospital until completion of her shift. Travel is not a fundamental part of Eleni's employment, as she is not required to travel in the performance of her work once she commences duty. Eleni's employment is not considered to be itinerant.

'Web' of work places - employee has no fixed place of work

28. An employee may earn income by performing his or her duties at several work sites. The location of those sites may make it necessary to travel to the various sites. If an employee performs work at a single site and then moves to other sites on a regular basis, it would be considered that a 'web' of work places exists. In *Wiener's* case, the taxpayer was required to attend four to five schools each day. This constituted a 'web' of work places.

29. In *Case U97* 87 ATC 584; *AAT Case 68* (1987) 18 ATR 3491 (*Case U97*), the taxpayer was employed as a fireman. He was attached to a fire station located close to his home in a northern suburb of Sydney, but for some years worked as a relief fireman. In that capacity, he was commonly sent to other fire stations in the Sydney fire district. The only distinguishing feature of his claim was that he travelled to one outer station regularly for a number of days then another outer station for another period. In deciding that the taxpayer was not itinerant, Senior Member McMahon stated (ATC at 588; ATR at 3495-3496):

> 'There is not the web of workplaces that one looks for as a structure for the applicant's working life if that life is to be regarded as itinerant.'

30. **Example:** Elio sells equipment and supplies for a pharmaceutical company. He is required to travel to many clients each day to obtain sales of his company's products. He attends the employer's office monthly to complete paperwork. Elio's work requires him to travel to several workplaces (a 'web' of work places). As he performs his duties at many different locations, his employment would be regarded as itinerant.

31. Although an employee may perform duties at more than one work location, this fact in itself may be insufficient to constitute a 'web' of work places for the purpose of itinerancy. Each work place may be regarded as a regular or fixed place of employment. If the teacher in *Wiener's* case had attended only one school each day, each school would be regarded as a regular place of employment.

32. In *Case U29* 87 ATC 229; *AAT Case 32* (1987) 18 ATR 3181 (*Case U29*), a carpenter was held not to be engaged in itinerant employment. Senior Member Roach said at (ATC at 233; ATR at 3185):

> 'It was argued for this applicant that he too should be characterised as an itinerant worker even though for periods of several months in succession he had as a matter of routine but one place of employment for four days of the week and a second place of employment on a fifth day; and that at intervals of several months, there would be a change in the principal place of duty. Without more I am not satisfied that the applicant should be categorised as an itinerant worker...'

33. **Example:** Leo works for an accountancy firm and attends head office three days a week. He works the remaining two days at a suburban office. Leo's work does not display a 'web' of work places because:

(a) upon commencement he is not required to travel in the course of his duties; and

(b) Leo has two regular places of work.

Continual travel from one work site to another

34. In certain work situations continual unsettled travel from one work place to another is a common factor. In some instances, an employee's ongoing engagement may require him or her to attend various sites in different localities nominated by the employer. In most such cases the need to travel from place to place would be a necessary condition of employment.

35. In *Case T106* 86 ATC 1192; *AAT Case 17* (1987) 18 ATR 3093 (*Case T106*), a taxpayer employed as an 'off-sider' in the building industry was continuously dispatched to sites at various locations. On any one day it was not unusual for the applicant to attend two sites and he often attended different sites on successive days. The Tribunal agreed that the taxpayer's employment was of an itinerant nature.

36. **Example:** Susan works as a repairer for a manufacturer of office equipment. She is advised by mobile phone throughout the day of further clients to visit, and attends the employer's office weekly to complete paperwork and re-stock spare parts. Susan's work involves continuous travel from one location to another and her work is itinerant.

37. Continual travel refers to the frequency with which an employee moves from one work site to another. It envisages that the employee

regularly works at more than one work site before returning to his or her usual place of residence. If an employee stays at a particular work site for a short period (e.g., several days or a few weeks) they may still be regarded as engaged in itinerant employment provided their usual pattern of work involves continual travel to more than one work site before returning to their usual place of residence.

38. In *Case U97* the Tribunal stated that although the taxpayer was not required to serve at the same station for every day during the course of the year, his employment was not itinerant. Senior Member McMahon contrasted the taxpayer's travel with that of the teacher in *Wiener's* case and stated (ATC at 587-588; ATR at 3494-3495):

> '...this was regarded by the court as an essential feature of her employment. Had she not been required to attend at more than one school on any one day, it would seem that the court may well have taken a different view of the expenses claimed. The position of the taxpayer in that situation where "the office or employment is of itself inherently an itinerant one and that the taxpayer may be said to be travelling in the performance of her duties from the moment of leaving home to the moment of return there" may be contrasted with the position of the applicant in the present case. Once having arrived at his outer station, he remained there until the end of his shift before returning home. ...There was no evidence that his duties required him to use his car from an outer station as a base during the course of his shift. The nature of his employment while there certainly could not be said to be itinerant.'

39. Further, in *Genys*' case, Northrop J, in determining that the taxpayer was not required to travel in the course of her duties, said (FCR at 503-504; ATC at 4882-4883; ATR at 364):

> 'The main distinction, which I draw, between this case and the factual situations referred to in *Horton v Young* and *Wiener* is that here, the taxpayer does not travel between two places of work after the commencement of her duties; she simply drives from home to work and back again.
>
> By contrast, in the situations referred to in *Horton v Young*, the taxpayer...travels from home to work, but also travels from that first place of work to *other* places of employment throughout the course of the day before his return home.
>
> ...the mere fact that the taxpayer in this case does not have a regular place of employment in the sense of a permanent employment at one hospital is not sufficient to take her outside the general principles expressed in *Lunney*.'

40. In *Genys*' case, each employment contract undertaken by the taxpayer constituted a separate engagement. However, the nature of a

taxpayer's employment arrangements, i.e., whether they have one employer or several employers, is not sufficient to alter the characterisation of the transport expenses incurred. In both *Genys*' case and *Wiener's* case, consideration of whether the taxpayers travelled during the course of their duties was integral to the Courts' findings. These decisions did not turn upon the significance of the taxpayers' employment arrangements.

41. In *Case R8* 84 ATC 157; (1984) 27 CTBR (NS) 523 *Case 59*, the taxpayer was also a nurse, but was employed by the agency rather than each hospital. The Board held that the taxpayer's travel pattern was not comparable to the facts in *Wiener's* case and could not be distinguished from *Lunney's* case. In *Genys*' case, Northrop J, in considering *Case R8*, stated (ATC at 4882; ATR at 363):

> 'In addition to deciding whether or not the taxpayer's employment involves sufficient travel to warrant giving it the description "itinerant", it is necessary to determine what difference, if any, arises from the fact that the respondent is employed on a casual basis by several employers...
>
> The Board did not explicitly address its reasons to where a taxpayer has more than one employer, but presumably did not accord much weight to this fact.'

42. **Example:** Ryan is a shearer who works at various farms. Ryan is usually contacted at short notice and advised which property he is required to attend. The farms are located at varying distances from his residence. Each day Ryan travels to a single farm and returns to his normal place of residence each night.

Ryan is not engaged in itinerant employment because:

(a) travel is not a fundamental part of his duties; and

(b) there is no continual movement between farms. He merely travels to work and returns home each day.

43. **Example:** Valerie is a fruit picker. She does not have a regular circuit, but organises her next job before completing the work at the current farm. Valerie normally works and lives at many properties before returning home, remaining at each farm for two to three weeks. Valerie is engaged in itinerant employment because:

(a) her employment has a web of work places; and

(b) there is continual travel from one farm to another before returning to her normal place of residence.

44. Although each case must be considered on an individual basis, the frequency of travel between work sites is an important element. What needs to be determined is whether the length of time spent at a

work site qualifies it as a regular or fixed place of employment. This will be a matter of fact.

45. **Example:** Jason is employed as a builder's labourer. He generally works at a single building site for two to three months before moving to another site. Jason is not engaged in itinerant work because:

(a) each work site is considered to be a regular or fixed place of employment;

(b) there is no continual travel between work sites;

(c) travel is not a fundamental part of his duties; and

(d) there is no web of work places in his employment.

Other factors

46. A deduction may be allowable for the cost of transport between home and work if an employee's home is a base of operations or the transport expenses are attributable to carrying bulky equipment. While this applies irrespective of itinerancy, the following factors are often present in itinerant employment:

(i) the employee has a degree of uncertainty of location in his or her employment, (that is, no long term plan and no regular pattern exists) (paragraphs 47 to 55 below);

(ii) the employee's home constitutes a base of operations (paragraphs 56 to 62 below);

(iii) the employee has to carry bulky equipment from home to different work sites (paragraphs 63 to 71 below);

(iv) the employer provides an allowance in recognition of the employee's need to continually travel between different work sites (paragraphs 72 to 75 below).

These factors, on their own, do not establish itinerancy. However, they may support the classification of an employee's work as itinerant.

Uncertainty of location

47. The element of uncertainty of location is generally another distinct characteristic of itinerant employment. Unlike an ordinary worker who makes the daily journey to his or her regular place of work, the itinerant worker often cannot be certain of the location of their work sites.

48. 'Uncertainty' in this context, relates only to uncertainty of location, and not to uncertainty of employment. A deduction is not

allowable for transport or travel expenses incurred in obtaining new employment. This is because the expenditure is:

> '...incurred in getting, not in doing, work as an employee. It would come at a point too soon to be properly regarded as incurred in gaining assessable income.' (see *FC of T v. Maddalena* 71 ATC 4161; (1971) 2 ATR 541 at ATC 4163; ATR 549).

49. **Example:** Hai is a fruit picker who travels around with the view of finding work. When he finds work, he will stay in that location until the work is completed, and then move on in search of other jobs in the industry. Hai is not engaged in itinerant employment and his travelling and transport costs are not an allowable deduction because the expenses are incurred too early to be regarded as being in the course of carrying out the duties of his employment.

50. The concept of uncertainty was highlighted in *Case T106* where the taxpayer was often uncertain about the work site he would be required to attend until the actual day of work. Senior Member Roach said (ATC at 1194; ATR at 3095):

> 'He does not work according to any regular pattern as to work site; there is no long-term plan by which he can predict what will be required of him in the future; and there is no certainty as to the range of work sites he may be called on to attend over a period. In my view his occupation is that of an itinerant worker.'

51. This can be contrasted with a worker who has a fixed place of employment and is aware of the location of the work place.

52. The fireman's duties in *Case U97* did not demonstrate the characteristic of uncertainty, although he was not required to serve at the same station for every day during the year. He was generally aware of his commitments well in advance.

53. Uncertainty of location is a feature that is generally found in itinerant work. However, instances may arise where an employee's work may be itinerant although the degree of uncertainty is minimal or non-existent.

54. In *Wiener's* case there was no uncertainty of location as the taxpayer was aware of the locations and times to attend each school in advance. However, the taxpayer was successful in being characterised as engaged in itinerant work by establishing other fundamental elements relevant to her case, including:

(a) travel was a fundamental part of her work;

(b) there was a 'web' of workplaces in her employment structure and continual movement from one work site to another (she attended at least four schools each day);

(c) she carried bulky teaching equipment in her car; and

(d) her employer paid her an allowance in recognition of the need to travel in the course of her duties.

55. **Example:** Ian is a shearer who has agreements with various property owners and therefore travels on a circuit to the same farms each year returning home only periodically. When he finishes work at a property, he travels directly to the next property on his circuit. Although there is no uncertainty in Ian's employment pattern, his work is considered itinerant. This is because:

(a) travel is a fundamental part of his work;

(b) his work structure displays a 'web' of workplaces; and

(c) he continually moves from one place of work to another before returning home.

Home as a base of operations

56. An employee's home may constitute a base of operations if the work is commenced at or before the time of leaving home to travel to work and the responsibility for completing it is not discharged until the taxpayer attends at the work site. Whether an employee's home constitutes a base of operations depends on the nature and the extent of the activities undertaken by the employee at home.

57. In *FC of T v. Collings* 76 ATC 4254; (1976) 6 ATR 476 the taxpayer was a highly trained computer consultant whose employment required her to be on call 24 hours a day. She was involved in supervising a major conversion of the computer facilities that her employer provided to its clients.

58. The taxpayer was provided with a portable terminal that was connected to the computer through the telephone line. It was common for her to receive telephone calls at home and give advice to workers at the office any time a problem arose. If she was unable to resolve the problem over the telephone or through the portable computer she would return to the office in order to get the computer working.

59. The Court accepted that there were two separate and distinguishable facets of her employment. While she commuted regularly to her work, she was also required to be ready on call at all other times. The Court held that, on the occasions the taxpayer returned to work after hours:

(a) she had commenced performance of her duties before leaving home and travelled to work to complete those duties. Her obligation was more than just being on stand-by duty at home; and

(b) she did not choose to do part of the work in two separate places. The two places of work were a necessary obligation arising from the nature of the special duties of her employment.

60. Rath J said (ATC at 4262; ATR at 484):

> 'I am not concerned with those normal daily journeys that have their sole relation to a person's choice of his place of residence; I am concerned with journeys which begin as a result of performance of the duties of the employment at the taxpayer's home. The journey from home to the office is undertaken, not to commence duty, but to complete an aspect of the employment already under way before the journey commences.'

61. The mere receipt of telephone calls from an employment agency or an employer is not sufficient to allow the home to be classed as a base of operations.

62. In *Genys*' case the taxpayer was contacted by the nursing agency when work was available. The taxpayer argued that her work instructions were received from the agency over her home telephone - the only method of contacting the taxpayer and thus the home constituted a work base. The Court held that the taxpayer's duties did not commence at the time of receipt of the phone calls but upon arrival at the relevant hospital. Northrop J said (FCR at 501; ATC at 4881; ATR at 362):

> 'I am of the opinion that the mere receipt of telephone calls from the agency requesting the respondent to work a particular shift is not sufficient to constitute the respondent's home a place of work. ...Nor does the respondent commence her duties upon receipt of the call, ...the taxpayer's duties did not commence until her arrival at the hospital.'

Requirement to carry bulky equipment

63. A deduction may be allowable if the transport costs can be attributed to the transportation of bulky equipment rather than to private travel between home and work. If the equipment is transported to and from work by the employee as a matter of convenience or personal choice, it is considered that the transport costs are private and no deduction is allowable.

64. A deduction is not allowable if a secure area for the storage of equipment is provided at the work place (see *Case 59/94* 94 ATC 501; *AAT Case 9808* (1994) 29 ATR 1232).

65. In *FC of T v. Vogt* 75 ATC 4073; (1975) 5 ATR 274 the taxpayer was a musician who kept his instruments and related

equipment at home for storage and practice. He would generally transport all of his instruments, including an acoustic bass and electric bass (each with their own amplifying equipment), trumpet and flugel horn, to each place of performance. The Court held that (ATC at 4078; ATR at 279):

> '...in a practical sense, the expenditure should be attributed to the carriage of the taxpayer's instruments rather than to his travel to the places of performance. The mode of his travel was simply a consequence of the means which he employed to get his instruments to the place of performance, that is by carrying them in the motor vehicle which he drove.'

66. The extreme bulk of the equipment was a decisive factor in this case. Justice Waddell considered the analogy of a violinist who kept his violin at home for safe-keeping and practice, and stated (ATC at 4078; ATR at 280) that the cost of travelling from his home to the place of performance:

> '...would not be deductible...it could not be said to arise from, nor could it be attributed to, the necessity of getting the violin to the place of performance.'

67. In *Case 43/94* 94 ATC 387; AAT *Case 9654* (1994) 29 ATR 1031 the taxpayer was a flight sergeant with the Royal Australian Air Force. He was supplied with a locker in which to store various items of uniform clothing and flying equipment. By personal choice, he kept only a full dress uniform in the locker, preferring to keep the equipment in the boot of his car in which he travelled to and from work. The equipment was carried in a duffle bag which, when packed, weighed 20kg. He usually took home a navigational bag containing charts, work manuals and study materials and, on occasions, he carried another bag which weighed 10kg when packed.

68. The Tribunal found that (ATC at 390; ATR at 1034-1035):

- ...all of the items...when removed from the bag, were capable of satisfactory storage in the locker;
- the decision to keep the equipment in the boot of the car was driven by personal choice...;
- the duffle bag with its contents was not of a size or weight to impede facile transportation.'

The Tribunal decided that the cost of the taxpayer's travel to and from work was not incurred in earning his assessable income.

69. The requirement to incur transport expenses to carry bulky equipment is a reflection of the practical necessity for the employee's tools of trade to be readily available at each work site. For example, in *Case T106* the taxpayer was required to transport shovels, a brick-

rake and other minor equipment to each site. The teacher in *Wiener's* case transported paperwork, texts, film cassettes, tape recorders and sometimes a film projector to the various schools attended.

70. **Example:** Enrico is a bricklayer who is employed at a building site for six months. He carries a cement mixer, a ladder, shovels, trowels and other equipment to and from the site each day. A secure storage area is not provided at the work site. Enrico is not engaged in itinerant employment. However, a deduction is allowable for the cost of travelling between home and work due to the carriage of bulky equipment.

71. **Example:** Suzette is employed as an electrician. She travels daily between several work sites, carrying a small tool box. Suzette would not be allowed a deduction for the cost of transport between home and work on the basis that she is required to carry bulky equipment. However, she would qualify for a deduction on the basis that her employment is itinerant. The carriage of equipment may support characterisation of Suzette's employment as itinerant because it arises from the practical necessity for her tools of trade to be readily available for use at each work site.

The employer provides an allowance

72. Official recognition by an employer may indicate that travelling is a necessary element of the employment. However, receipt of an allowance does not, in itself, indicate that the employee's work is of an itinerant nature or that the travel is deductible. A particular employer may pay an allowance irrespective of whether the employee is required to travel in the course of their duties. Alternatively, an allowance may be paid to compensate the employee for the time or distance involved in travelling to and from work, the lack of public transport or for travel at inconvenient times. The payment of an allowance in such circumstances would not indicate that the employment is itinerant in nature.

73. Therefore, the payment of an allowance is, by itself, insufficient to prove itinerancy, and must be considered together with the other characteristics of the employee's work. The deductibility of an expense covered by an allowance is determined by subsection 51(1) of the Act together with the substantiation provisions (see Taxation Ruling IT 2543).

74. In *Wiener's* case the school teacher was paid an allowance for travelling. This was one of the factors that assisted the Court to infer that travelling was an essential part of her duties. In *Case U97*, B J McMahon (discussing Wiener's case) said (ATC at 587; ATR at 3494):

> 'It is to be noted that she was paid an allowance for travelling. From this, inter alia, the court was prepared to infer that travelling was a necessary element of her employment.'

75. In *Case U97* the Tribunal was of the opinion that the taxpayer's employment lacked itinerant characteristics. Among those inherent elements which the Tribunal reviewed in making its decision, the absence of official recognition by the employer, through the provision of a travel allowance, was unfavourable to the taxpayer's claim. The Tribunal said (ATC at 588; ATR at 3495-3496):

> 'There is not the web of workplaces that one looks for as a structure for the applicant's working life if that life is to be regarded as itinerant. There is not the constant unsettled despatch from one workplace to another, the element of uncertainty, the official recognition by the employer through allowances of the essential nature of the travel, or even the requirement to carry tools of trade, all of which have played some part in assisting one to recognise categories of itinerant workers when they arise.'

Transport expenses

76. Transport expenses include public transport fares and the running costs associated with using motor vehicles, motor cycles, bicycles, etc., for work-related travel. They do not include the cost of travel expenses (i.e., accommodation, meals and incidental expenses).

Travel between home and work

77. A deduction is generally not allowable for the cost of transport by an employee between home and his or her normal work place as it is generally considered to be a private expense. The cost of travelling between home and work is generally incurred to put the employee in a position to perform duties of employment, rather than **in the performance** of those duties. This principle is not altered by the performance of incidental tasks en route (paragraph 34 of Miscellaneous Taxation Ruling MT 2027) or use of a car because using public transport is impracticable.

78. The High Court considered transport expenses incurred between home and work in *Lunney v. FC of T* (1957-1958) 100 CLR 478; (1958) 11 ATD 404 (*Lunney's* case). In a joint judgment, Williams, Kitto and Taylor JJ (CLR at 498-499; ATD at 412-413) stated the following:

> 'The question whether the fares which were paid by the appellants are deductible under s.51 should not and, indeed, cannot be solved simply by a process of reasoning which asserts that because expenditure on fares from a taxpayer's residence to his place of employment or place of business is necessary if assessable income is to be derived, such expenditure must be regarded as "incidental and relevant" to the derivation of such income. ...But to say that expenditure on fares is a prerequisite to the earning of a taxpayer's income is not to say that such expenditure is incurred in or in the course of gaining or producing his income.'

79. The fact that the transport is outside normal working hours or involves a second or subsequent trip does not change this principle. For more information see paragraph 6 of Taxation Ruling IT 2543, Taxation Ruling IT 112 and Taxation Determination TD 93/113.

80. **Example:** Graeme is a primary school teacher who travels daily to and from school. Occasionally, he is required to attend parent-teacher meetings at the school outside normal working hours. The cost of this travel between his home and the school is not an allowable deduction.

81. An employee may be regularly employed at one site on some days and another on other days. In both cases, the normal work place is where the employee performs normal duties.

82. **Example:** Rani is a doctor who works at three medical clinics. Over a period of two weeks she works four days at one clinic and three days each at the other clinics. The travel between home and any of these locations is travel to and from her normal work place. It is private and no deduction is allowable.

83. A deduction is allowable for the cost of travelling between home and work for an employee who is engaged in itinerant work as outlined in this Ruling. Lord Wilberforce in *Taylor v Provan*, at 215, stated:

> 'To do any job, it is necessary to get there: but it is settled law that expenses of travelling to work cannot be deducted against the emoluments of the employment. It is only if the job requires a man to travel that his expenses of that travel can be deducted, i.e. if he is travelling on his work, as distinct from travelling to his work. The most obvious category of jobs of this kind is that of itinerant jobs, such as a commercial traveller. ...But for this doctrine to apply, he must be required by the nature of the job itself to do the work of the job in two places: the mere fact that he may choose to do part of it in a place separate from that where the job is objectively located is not enough.'

84. A deduction is also allowable for the cost of transport between an employee's home and the employer's office where the employee is engaged in itinerant work and periodically (e.g., once a week) attends the office to undertake administrative tasks. These would commonly include the completion or filing of reports, collection of supplies or organisation of future trips, etc., (see paragraph 27 of Miscellaneous Taxation Ruling MT 2027).

85. However, a deduction is not allowable for the cost of transport between an employee's home and the employer's office where the employee attends the office at the commencement and end of each day. This travel falls within the general rule of *Lunney's* case.

86. **Example:** Tom is an employee truck driver. He travels to his employer's depot at the beginning and end of each shift to collect and deliver his truck. Although travel is an inherent part of Tom's duties, the cost of transport between his home and the depot is not an allowable deduction. The travel is private because it is between Tom's home and his regular place of employment (see paragraphs 77 to 82 above and Taxation Determination TD 94/17).

Award transport (fares) payments

87. Award transport (fares) payments are allowances paid to employees under an award that was in force on 29 October 1986. These payments recognise that employees may incur transport costs for travel undertaken in the course of performing the duties of employment. Award transport (fares) payments do not cover the cost of accommodation, meals and incidentals incurred when travelling.

88. The receipt of an allowance, whether paid under an award or not, does not mean that an employee is automatically entitled to claim a deduction. Regardless of the level of the claim, the tests of deductibility in subsection 51(1) of the Act must be met (see Taxation Ruling IT 2543 and Taxation Determination TD 93/174).

89. A deduction is allowable only to the extent to which the expenses are incurred by an employee in earning assessable income. A deduction is not allowable for amounts that have not been incurred, or for expenditure that is not incurred in earning assessable income.

90. In addition to the tests in subsection 51(1), the rules of substantiation must be met in relation to claims made for transport expenses covered by award transport (fares) payments.

91. Employees who claim deductions in excess of the amount of the award transport payment payable under the award as at 29 October 1986, must substantiate the whole of the claim, not just the excess. Deductions claimed that do not exceed the award rate as at 29 October 1986 are excluded from the substantiation requirements.

Examples

Example 1

92. Cathy is a bank employee attached to a central branch. Apart from her regular duties she also performs relief work at nominated branches within a given area. Cathy is normally aware of the branches she must attend for relief duties well in advance, although she may occasionally be called at short notice. Cathy is not engaged in itinerant employment because:

(a) travel is not a fundamental part of her employment;

(b) there is no continual travel from one work site to another. Upon commencement of her duties at a branch she is not required to travel;

(c) the uncertainty in her employment is minimal. She is generally aware in advance of the branch she must attend; and

(d) she has several regular places of employment.

Example 2

93. Brian is a bank employee who works at the same branch each day. In addition to his normal duties, Brian is rostered on stand-by duty after hours to attend automatic telling machines (ATMs) within a given area when break-downs occur. If Brian is called to attend an ATM his employer pays him an allowance from the time he leaves home until his return.

94. Brian has two distinct parts of his employment. The first requiring daily travel between his home and his usual branch, and the second requiring travel between his home and the ATMs within his area. Brian's usual pattern of travel involves attendance at several ATMs before returning home.

95. A deduction is not allowable for the cost of transport between his home and his usual branch. It is a private expense and falls within the general rule of *Lunney's* case (see paragraph 77 to 82 above). A deduction is allowable for the cost of transport between Brian's home and the ATMs because this part of his employment is inherently itinerant for the following reasons:

(a) travel is a fundamental part of Brian's stand-by duties;

(b) the various ATMs within Brian's given area are a web of work places;

(c) there is usually continual travel from one ATM to another;

(d) Brian's stand-by duties have a degree of uncertainty; and

(e) an allowance is paid by his employer in recognition of the need to travel.

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subject references
- allowable deductions
- allowances
- assessable income
- car expense
- deductible expenses
- deductions
- employees
- employment
- employment-related expense
- expenses
- transport
- transport expense
- travel

legislative references
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- ITAA 51(1)

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- FC of T v. Vogt 75 ATC 4073; (1975) 5 ATR 274
- FC of T v. Wiener 78 ATC 4006; (1978) 8 ATR 335
- Horton v. Young (1972) 1 Ch 157
- Lunney v. FC of T (1957-1958) 100 CLR 478; (1958) 11 ATD 404
- Ricketts v. Colquhoun [1926] AC 1
- Taylor v. Provan [1975] AC 194
- Case R8 84 ATC 157; (1984) 27 CTBR (NS) 523 Case 59
- Case T106 86 ATC 1192; AAT Case 17 (1987) 18 ATR 3093
- Case U29 87 ATC 229; AAT Case 32 (1987) 18 ATR 3181
- Case U97 87 ATC 584; AAT Case 68 (1987) 18 ATR 3491
- Case 43/94 94 ATC 387; AAT Case 9654 (1994) 29 ATR 1031
- Case 59/94 94 ATC 501; AAT Case 9808 (1994) 29 ATR 1232