TR 96/11 - Income tax: record keeping - taxi industry - guidelines for recording taxi takings

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Taxation Ruling
Income tax: record keeping - taxi industry - guidelines for recording taxi takings

other Rulings on this topic

TR 96/7

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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

1. This Ruling sets out our views on what are sufficient records for the purposes of section 262A of the *Income Tax Assessment Act 1936* ('the Act') to record income from taxi takings.

2. This Ruling should be read in conjunction with Taxation Ruling TR 96/7, 'Income tax: record keeping - section 262A - general principles'. TR 96/7 explains the general application of section 262A to a person, including a company, carrying on a business.

3. Paragraph 7 of TR 96/7 envisages that we may issue further Rulings or Determinations on record keeping as we identify needs. We consider that the taxi industry is an industry which has record keeping issues which need specific explanation.

Class of person/arrangement

4. This Ruling applies to the operators of taxi licences/plates ('operators'). For the purposes of this Ruling, we consider that an operator is a person who either:

(i) owns a taxi licence/plate and conducts a business of plying a taxi cab for hire;

(ii) leases a taxi licence/plate and conducts a business of plying a taxi cab for hire; or

(iii) acquires total operational control of a taxi licence/plate and a business of plying a taxi cab for hire, under an agreement whereby the owner of the taxi licence/plate is

indemnified against all costs and liabilities in respect of the operation of that business.

5. We consider that the responsibility for keeping the records set out in this Ruling rests with the operator as defined in paragraph 4 above.

6. There are also cases where the owner or lessee passes on the management of a business of plying taxi cabs for hire to another person, but that other person does not assume total control of the business. Often the owner or lessee will maintain some operational control of the business. In these cases, the other person may keep the records on behalf of the owner or lessee. However, the responsibility for keeping those records still remains with the owner or lessee.

Definitions

7. For the purposes of this Ruling:

'takings' includes passenger hire fees, tips/gratuities and income arising from courier services;

'taxi lessee' is a person who leases a taxi licence/plate from a taxi licence/plate owner and assumes total responsibility for the taxi operation, the maintenance of all or most of the equipment and total risk of the business operation. The leases would generally be of a long-term nature and be approved/registered by the relevant State or Territory transport licensing authorities;

'taxi owner' is the legally licensed owner and holder of a taxi licence/plate;

'taxi licence/plate' is an authority granted by a State or Territory to ply a taxi cab for hire.

Ruling

8. Section 262A of the Act requires operators to keep records that record and explain all transactions engaged in by them that are relevant for any purpose of the Act. In paragraphs 9 and 10 of TR 96/7 we take the view that a record will 'explain' transactions engaged in by a person if it contains information which will enable Australian Taxation Office ('ATO') staff with accounting skills to understand the essential features of the transactions. The content of the information needed in a record will depend on the circumstances of each case. Our view, generally, is that the minimum information required by ATO staff with accounting skills to understand the essential features of

transactions which relate to a person's income is the date, amount and character of the transactions. We also recognise that, in some circumstances, ATO staff need other information in order to understand the essential features of the transactions.

9. In respect of the taxi industry, we consider that operators should keep the following records:

(i) the full identity details of all persons who derive income from driving the operator's taxis (i.e., name, address, taxi driver licence number);

(ii) the details of each operational taxi shift (i.e., date, identity of driver, distance travelled, shift hours, total takings for each shift, shift expenses); and

(iii) the details of the arrangements between the operator and drivers as to how they will apportion shift takings (i.e., set pay-in, percentage pay-in) and the amounts apportioned to the operator and the drivers for each shift.

10. In paragraph 11 of TR 96/7 we take the view that it is not necessary for a person to keep a record of each individual transaction where any records of the individual transactions provide no additional information about the essential features of the transactions than does a record of the transactions as a group. The following paragraph sets out how we believe this principle applies in the taxi industry.

11. In the taxi industry, generally, drivers record information as to the date, amount and character (i.e., hire charge, tips, etc.) of the takings for their shift on a shift summary such as a pay-in slip, envelope or worksheet. They also record the other information required in paragraph 9(ii) above on these shift summaries. We consider that any record made by a driver of each individual hire transaction provides no additional information about the essential features of the operator's takings than does the information provided on the shift summaries. Where drivers do not fill out shift summaries, operators must make a record of the details that would be on the shift summaries at the end of each shift.

12. All records must be kept for the statutory period (5 years) as set out in subsection 262A(4) of the Act.

Date of effect

13. This Ruling applies as from its date of issue.

Explanations

14. We have explained the purpose of section 262A and the meaning of 'record and explain all transactions' in paragraphs 27 to 35 of TR 96/7.

15. In the taxi industry, we consider that a record which contains only information as to the date, amount and character of a transaction is not sufficient to record and explain the transaction. We consider that it is necessary for us to know the full identity details of all drivers because these details enable us to check whether operators have included takings from all drivers in their income and to verify the details as to how the operators and the drivers split the takings .

16. We consider that the details relating to the date and total takings for each operational shift enable us to ascertain the date, amount and character of the income. The details relating to the identity of the driver, distance travelled and shift hours enable us to be assured as to the accuracy of the takings figures for that shift by determining whether the total shift takings are consistent in relation to the distance travelled and shift hours. The details relating to shift expenses allow us to reconcile the total takings to the net takings.

17. The details in relation to the apportionment of the takings enable us to determine how the transactions affect the amount of each person's liability under the Act.

18. We consider that operators can record and explain all transactions relating to takings from taxi fares as a group rather than individually. This is because the details of each individual passenger and individual fare provide no additional information as to the essential features of the transactions than does a record of these transactions as a group. We consider that the information contained on the shift summaries is sufficient to enable ATO staff to ascertain the income of the operator. The retention of these shift summaries also enables ATO staff to verify the details contained in any consolidated takings records that an operator may keep.

Examples

Example 1

19. Taxi licence/plate owner (Alan) engages a taxi driver (Brian) to drive taxi shifts for a percentage/proportional share of the shift takings.

20. Alan is required to keep records as outlined in this Ruling.

Example 2

21. Taxi licence/plate owner (Alison) leases her taxi licence/plate to a taxi lessee (Barbara) for exclusive use of the taxi licence/plate for one year. The lease is registered with the relevant State transport authority.

22. Barbara is required to keep records as outlined in this Ruling.

Example 3

23. Taxi licence/plate owner (Amir) enters into an arrangement with a taxi driver (Baldev) to use the taxi on specified periodic taxi shifts for which the Amir receives a set amount. The agreement is not registered with the relevant State transport authority.

24. Amir is required to keep records as outlined in this Ruling.

Example 4

25. Taxi licence/plate owner (Adriana) enters into an arrangement with a taxi driver/manager (Bruno) to oversee the business of operating her taxi licence/plate. Bruno engages a taxi driver (Christina) to drive specific taxi shifts.

26. Bruno is responsible only where total operational control for all aspects of the business of operating the taxi licence/plate passes from Adriana, and Bruno indemnifies Adriana against all costs and liabilities in respect of the operation of the business. Where this is so, Bruno is required to keep records as outlined in this Ruling.

27. Where total operational control does not pass, Adriana is responsible, and is required to keep records as outlined in this Ruling.

Example 5

28. Taxi licence/plate owner (Austin) enters into an arrangement with Best Cabs, the local taxi co-operative, to manage the business of operating the taxi licence/plate. Best Cabs engages various drivers to drive taxi shifts and indemnifies Austin against all costs and liabilities in respect of the operation of the business.

29. Best Cabs is required to keep records as outlined.

Commissioner of Taxation

24 April 1996

ISSN 1039 - 0731

ATO references
NO 96/3184-4
BO UMG 0071

Previously released in draft form as
TR 94/D2

Price $0.60

FOI index detail
reference number
I 1016901

subject references
- business records
- record keeping
- records
- taxis

legislative references
- ITAA 262A
- ITAA 262A(4)

case references