


TD 93/D279 - Income tax: if a taxpayer receives a travel allowance which is reasonable in amount in accordance with subsection 82KZ(4) of the Income Tax Assessment Act 1936, is it still necessary for the payer of the allowance to maintain documentation evidencing that the payment of the allowance was warranted?

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Draft Taxation Determination

Income tax: if a taxpayer receives a travel allowance which is reasonable in amount in accordance with subsection 82KZ(4) of the *Income Tax Assessment Act 1936*, is it still necessary for the payer of the allowance to maintain documentation evidencing that the payment of the allowance was warranted?

1. Yes. Documentation should be maintained by the payer of the allowance in sufficient detail to evidence
 - a. the reason for the payment of the allowance;
 - b. the basis of calculation of the allowance paid; and
 - c. the period that the allowance was paid for.
2. Under subsection 82KZ(4), the substantiation requirements do not apply to the payment of a travel allowance, provided that the taxpayer's claim does not exceed the amount of the allowance received and the Commissioner considers the allowance to be reasonable in amount as explained in Taxation Ruling IT 2327.
3. However, although the substantiation rules do not apply in respect of the allowance received in these circumstances, records must still be maintained by the payer of the allowance which demonstrate that the payment of the travel allowance was necessary and that the allowance did in fact satisfy the reasonable allowance guidelines as stated in IT 2327.
4. If on a review of the payer's income tax affairs it is established that proper documentation has not been maintained, the Commissioner would not be able to form an opinion that the travel allowance was reasonable in amount in accordance with subsection 82KZ(4). In these circumstances the substantiation provisions would apply to the taxpayer receiving the allowance.

Commissioner of Taxation

18/11/93

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