IT 2261 - Income tax : allowable deductions : expenditure voluntarily incurred by employee taxpayers : carry bags

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TAXATION RULING NO. IT 2261

INCOME TAX : ALLOWABLE DEDUCTIONS : EXPENDITURE VOLUNTARILY INCURRED BY EMPLOYEE TAXPAYERS : CARRY BAGS

F.O.I. EMBARGO: May be released

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F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1206220	CARRY BAGS	51
	EXPENSES VOLUNTARILY INCURRED BY EMPLOYEE TAXPAYERS	53 54
	DEPRECIATION	

OTHER RULINGS ON TOPIC IT 2198

FACTS Taxation Ruling No. IT 2198 states that, where an employee taxpayer incurs expenditure voluntarily in carrying out the duties of employment, what is decisive in determining claims for income tax deductions under sections 51,53 and 54 is whether the expenditure has been incurred, or the plant or article used, in gaining or producing assessable income. The Ruling goes on to say that the requirement for deduction will be satisfied if the subject of the claim for income tax deduction is something that might ordinarily be expected to occur in carrying out the duties of the employment.

2. The operation of the Ruling has been considered recently in this office in relation to employees of the State Rail Authority of New South Wales, e.g. engine drivers and guards, who are issued with timetables, roster books, rule books, torches and flags, which must be carried by them while on duty. It is usual for such items to be transported in carry bags which must be provided by the employees.

RULING 3. Carry bags, kit bags, brief cases, suitcases etc may be used by employee taxpayers in a number of circumstances which would attract income tax deduction in respect of the expenditure on them. In some cases they are used to carry books and/or equipment which the employer requires the employee to use while on duty. In other cases it is inherent in the duties of the employment that there is some carriage of books and equipment, e.g. the teacher who uses a carry bag to carry teaching notes, examination papers etc. In yet other cases an employee taxpayer who is required to travel in the course of his duties may well use a suitcase to carry clothing etc.

4. In the situations encompassed in the preceding

paragraph the carry bags etc. would qualify as plant or articles for the purposes of section 54 and the employees would be entitled to an income tax deduction by way of depreciation. The precise amount of the deduction would depend upon whether the carry bags etc. are used exclusively for the purposes of the employment or whether they are used for other purposes as well. Where the cost of a carry bag etc. does not exceed $100, a deduction may be allowed under section 51 for the cost in the year in which it is incurred - the smallness of the expenditure involved in such cases suggests that the carry bag etc. does not have the quality of capital that depreciable plant and articles usually have.

COMMISSIONER OF TAXATION
12 February 1986

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