

IT 2430 - Income tax : self-education expenses, travelling expenses

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TAXATION RULING NO. IT 2430

INCOME TAX : SELF-EDUCATION EXPENSES, TRAVELLING EXPENSES

F.O.I. EMBARGO: May be released

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REFERENCE NO: SUBJECT REFS: LEGISLAT. REFS:

I 1206488 SELF-EDUCATION EXPENSES 51(1)
TRAVELLING EXPENSES

OTHER RULINGS ON TOPIC IT 285, IT 312

PREAMBLE In Taxation Ruling No. IT 312 it is stated that the reasoning adopted by the courts in giving meaning to the expression "incurred in gaining or producing assessable income" as that expression applies to deductions for fares to and from work does not apply to the ascertainment of the costs of self-education. The Ruling goes on to say that the cost of travel to and from a place of education is as much a part of the cost of education as the cost of travel to and from a convention or seminar is part of the cost of attending the convention or seminar.

2. A situation dealt with in the Ruling is that where a taxpayer travels directly from his home to the place of education and then to his place of employment or business. The Ruling states the cost of travel to the place of education is part of the cost of self-education and, where the expenses of self-education are allowable as an income tax deduction, the cost of travel will also be allowable. The Ruling goes on to say the cost of travel from the place of education to the place of employment or business should be regarded as of the same nature as the cost of fares to and from work and not deductible.

3. This situation was the subject of consideration in a decision of the Administrative Appeals Tribunal reported as Case U45, 87 ATC 320.

4. The Tribunal expressed the view that, where a taxpayer is entitled to a deduction under sub-section 51(1) for the costs of self-education, the place of education is considered to be a place of work. On this basis income tax deductions are not allowable for the costs incurred in travelling between the taxpayer's home to the place of education. On the other hand income tax deductions are allowable for expenses incurred in travelling from the place of education to his work.

RULING 5. Although the approach adopted by the Tribunal differs from that outlined in Taxation Ruling No. IT 312 the insignificance

of the additional amounts allowed by the Tribunal did not warrant pursuing the matter any further. In many cases there may not be any significant difference between the income tax deductions allowed on the basis of the two approaches.

6. The decision not to pursue the matter any further should not be taken as acceptance of the view that income tax deductions for the costs of travel associated with self-education are only allowable because the place of education is considered to be a place of work. In the majority of cases it is considered that a place of education could not be construed as a place of work. Employees may attend lectures, seminars, field trips, etc. during or outside working hours and in some cases may be entitled to paid leave for absences during working hours. This does not mean that an employee derives any part of his income or performs any part of his duties for which he is paid while at the place of education. Attendance at a place of education is ancillary and in addition to attendance to duties at a place of work.

7. The position is not altered where employees are granted paid study leave to attend a place of education. This is because they are not actually being paid to attend the place of education but rather the employer makes a concession to allow employees to be absent during working hours without any loss of pay.

8. Before an income tax deduction will be allowed for any cost of self-education there must be a real and direct connection between the course of self-education and the activities by which the assessable income is gained or produced. Once the real and direct connection between the course of self-education and the activities by which the assessable income is gained or produced is established it becomes a question of what expenses may be said to be the expenses of self-education. For the reasons given in Taxation Ruling No. IT 312 the cost of travel is regarded as part of the cost of self-education.

9. In paragraph 6 above it is stated that in the majority of cases a place of education could not be construed as a place of work. The statement recognises that situations do arise where a place of education is regarded as a place of work. Trainee teachers are an example. They are required to attend at teacher's colleges during their traineeship. The colleges are regarded as their places of work and the cost of travel between home and the colleges is not an allowable deduction. Reference should also be made to the consideration of this matter in Taxation Ruling No. IT 2412.

10. In the circumstances Taxation Ruling No. IT 312 should continue to be followed in determining the extent to which income tax deductions are allowable for costs incurred on travelling for self-education purposes.

COMMISSIONER OF TAXATION
16 July 1987

