IT 2482 - Income tax : credit card receipts: documentary evidence required to substantiate certain expenses

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TAXATION RULING NO. IT 2482

INCOME TAX : CREDIT CARD RECEIPTS: DOCUMENTARY EVIDENCE REQUIRED TO SUBSTANTIATE CERTAIN EXPENSES

F.O.I. EMBARGO: May be released

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REFERENCE NO:	SUBJECT REF:	LEGISLAT. REFS:
I 1103531	SUBSTANTIATION	82KU
		82KZ
		82KZA

PREAMBLE The Commissioner has been asked whether certain credit card receipts are acceptable for the purposes of the substantiation rules of the income tax law. This ruling sets out the information that is required to be shown on a credit card receipt for that receipt to satisfy those rules.

2. Under sections 82KZ and 82KZA of the Income Tax Assessment Act 1936 an income tax deduction is not allowable after 30 June 1986 in respect of :

(a) an eligible expense in relation to a meal allowance or in relation to a travel allowance; or

(b) an employment-related expense or a travel expense,

unless documentary evidence of the expense has been obtained and is retained by the taxpayer. "Eligible expense", "employment-related expense" and "travel expense" are terms defined in subsection 82KT(1).

3. By subsection 82KU(1), documentary evidence of an expense other than depreciation is a receipt, invoice or similar document - obtained by or on behalf of the taxpayer at the time the expense was incurred or as soon as reasonably practicable thereafter - that contains the following information :

. the date the expense was incurred;

. the name of the person who supplied the relevant goods or services, or if supplied by a person conducting a business, the name of that person or the business name of that business;

. the amount of the expense expressed in the currency in which it was incurred;

. the nature of the goods or services; and

. the date of the document.

4. The document must also be in English, or in the language of the country where the expense was incurred, and must be supplied by or on behalf of the person or business that supplied the relevant goods or services. (The Commissioner accepts, for this purpose, that credit card receipts are supplied on behalf of a supplier).

RULING Bankcard, Mastercard, Visa

5. Traditionally, where a cardholder makes a purchase using either a Bankcard, Mastercard or Visa credit card the cardholder receives a copy of a uniform receipt called a sales voucher. The sales voucher has provision for recording all the information required by subsection 82KU(1) as detailed in paragraph 3 of this ruling. If the sales voucher has been duly completed the copy of the sales voucher will be accepted as documentary evidence of the expense incurred.

6. At times a supplier will simply describe a purchase as 'goods' or 'services' or even 'sales' - for example, when multiple purchases are recorded as a single transaction on the one sales voucher. In such cases it could not be said that the document shows "the nature of those goods or services" as required by subparagraph 82KU(1)(a)(vii). Nevertheless, that deficiency could be remedied if the supplier (not the purchaser) were to annotate the voucher with the required details. For example, multiple purchases from a rural supplies firm described as "farm supplies" would need to be separated into their various components by price and description. Without such separation it would not be possible to determine the extent to which the voucher represented deductible and non-deductible purchases.

7. A supplier may record a sale by running the holder's credit card through a point of sale machine. The resultant receipt is often similar to a cash register receipt but does not record details, or make provision for recording the details, of the nature of the goods or services obtained.

8. Nonetheless, a receipt from a point-of-sale machine will be accepted as documentary evidence if the supplier adds to it details sufficient to describe the nature of the goods or services purchased. A receipt with details added by the supplier will be regarded as documentary evidence of the particular expense.

American Express

9. When a cardholder uses an American Express (Amex) card to acquire goods or services the cardholder receives a copy of a receipt called a record of charges (ROC). The supplier does not, as a general rule, enter a description of goods or services on the ROC. However, space is provided on the reverse of the ROC for the recording of details of expenses. Although the reverse of the ROC is divided into categories of entertainment and travel a ROC will be accepted as documentary

evidence if the supplier uses that space to describe the particular goods or services provided.

Diners Club

10. When a cardholder uses a Diners Club (Diners) card to acquire goods or services the cardholder is issued with a copy of a receipt. It is called the cardholder's receipt.

11. As with the Amex ROC, a supplier issuing a Diners card cardholder's receipt does not, as a general rule, enter a description of goods or services on the cardholder's receipt. The reverse of the cardholder's receipt provides space to enable a cardholder to record details of entertainment expenses. The cardholder's receipt will be accepted as documentary evidence if the supplier uses this space to record details of the particular goods or services provided.

Other credit or debit cards

12. The principles outlined in the preceding paragraphs would apply equally to documents issued when a cardholder uses a credit or debit card other than those specifically referred to in this ruling. If the supplier adds to a document issued in respect of a credit or debit card transaction further information, as set out in paragraph 3 of this ruling, that added information will ensure that the document complies with the requirements of subsection 82KU(1).

COMMISSIONER OF TAXATION
30 June 1988