This cover sheet is provided for information only. It does not form part of *Employees guide for work expenses*

This guide is being reviewed as a result of a recent court decision. Refer to Decision impact statement Commissioner of Taxation v Hall [2026] FCAFC 43 (Published 17 June 2026).

This document has changed over time. This version was published on *5 December 2025*

Australian Government
Australian Taxation Office

Employees guide for work expenses

Relying on the Employees guide for work expenses

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and your obligations.
If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.
Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

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What this Guide is about

This *Employees guide for work expenses* will help you as an employee to decide whether your expenses are deductible and what records you need to keep to substantiate them.

Not all expenses associated with your employment are deductible. This Guide explains:

- how to determine if an expense is deductible against your employment income
- how to apportion your expenses if they are only partly deductible
- how to work out whether you can claim a deduction in the year you incurred the expense or whether you need to claim a deduction for a decline in value over a number of years
- what records you need to keep.

The examples used throughout this Guide assume that the people in them are employees and not in business.

What's new in the 2024–25 income year

- Practical Compliance Guideline PCG 2023/1 *Claiming a deduction for additional running expenses incurred while working from home – ATO Compliance approach* has been updated. From 1 July 2024, the fixed rate for each hour worked from home is 70c.
- Practical Compliance Guideline PCG 2024/2 *Electric vehicle home charging rate – calculating electricity costs when a vehicle is charged at an employee's or individual's home* has been updated. This Guideline now allows individuals who own a plug-in hybrid electric vehicle (PHEV) as well as individuals who own a zero emissions vehicle (electric vehicle) and use the logbook method to rely on the relevant method outlined in the Guideline to calculate their home charging electricity expenses. The Guideline applies to individuals who own an electric vehicle from 1 July 2022 and to individuals who own a PHEV from 1 July 2024.

More detail on changes we have made can be found at the end of each Part of this Guide.

For more information, see:

- Car expenses
- Working from home expenses
- Practical Compliance Guideline PCG 2024/2 *Electric vehicle home charging rate – calculating electricity costs when a vehicle is charged at an employee's or individual's home*
- Practical Compliance Guideline PCG 2023/1 *Claiming a deduction for additional running expenses incurred while working from home – ATO Compliance approach*.

Common myths about work expense deductions

There are many myths about deductions that may lead you to make an incorrect claim. Here are some of the most common.

Myth: Everyone can automatically claim $150 for clothing and laundry expenses, 5000 km under the cents per kilometre method for car expenses or $300 for work-related expenses, even if they didn't spend the money.

Fact: There is no such thing as an 'automatic' or 'standard deduction'. Substantiation exceptions provide relief from the need to keep receipts in certain circumstances. While you don't need receipts if your total claim for work-related expenses (including laundry expenses but excluding car expenses, meal allowance expenses and travel allowance expenses) is $300 or less, if your total claim for laundry expenses is $150 or less (**note:** this is for laundry expenses only and doesn't include clothing expenses) or if you are claiming 5,000 km or less for car expenses using the cents per kilometre method:

- you must have spent the money and not be reimbursed
- it must be related to earning your income, and
- you must be able to explain how you calculated your claim.

For more information, see:

- Laundry expenses
- Car expenses
- Substantiation requirements
- Exceptions and relief from substantiation requirements.

Myth: I don't need a receipt, I can just use my bank or credit card statement.

Fact: To claim a tax deduction, you need to be able to show that you spent the money, what you spent it on, who the supplier was and when you paid. Bank or credit card statements alone don't have this information. The only time you don't need these details is if substantiation exceptions apply.

For more information, see:

- Substantiation requirements.

Myth: I can claim makeup that contains sunscreen if I work outside.

Fact: Cosmetics are usually a private expense and the addition of sun protection doesn't make it deductible. However, it may be deductible if the primary purpose of the product is sunscreen (that is, it has a Australian Register of Therapeutic Goods Identification (AUST ID) number displayed as an AUST L or AUST R number), the cosmetic component is incidental, and your duties require you to spend prolonged periods outdoors in the sun.

For more information, see:

- Sunscreen.

Myth: I can claim my gym membership because I need to be fit for work.

Fact: Very few people can claim gym membership fees. To be eligible, your job would have to depend on you maintaining a very high level of fitness, for which you are regularly tested, for example special operations personnel in the Australian Defence Force.

For more information, see:

- Gym fees and fitness-related expenses.

Myth: I can claim all my travel expenses if I add a conference or a few days' work to my holiday.

Fact: If you decide to add a conference or some work to your holiday, or a holiday to your work trip, you must apportion the travel expenses between the private and work-related components and only claim the work-related component.

For more information, see:

- Conferences, seminars and training courses
- Overnight travel expenses.

Myth: I can claim my work clothes because my boss told me to wear a certain colour.

Fact: Unless your clothing is a uniform that is unique and distinct to your employer, or protective or occupation-specific clothing you are required to wear to earn your income, you won't be able to claim it. Plain clothes, like black pants, aren't deductible even if your employer told you to wear them.

For more information, see:

- Clothing expenses.

Myth: I can claim my pay television, newspaper and magazine subscriptions because I need to keep up to date for work.

Fact: Subscriptions to pay television, newspapers and magazines are not ordinarily deductible. Keeping up to date on news, current affairs and other general matters usually won't have a sufficiently close connection with your employment activities to provide a basis for deducting these subscriptions. They are essentially private expenses. You can only claim deductions for subscriptions which provide knowledge and information directly relevant to your income-earning activities.

For more information, see:

- Pay television and streaming services

- Newspapers and other news services and subscriptions
- Books, periodicals and digital information services.

Myth: I can claim home to work travel because I need to get to work to earn my income.

Fact: For most of us, home to work travel is a private expense. You cannot claim a deduction for private expenditure.

For more information, see:

- Transport expenses.

Myth: I don't need to keep records if I use my ute for work.

Fact: If you own and use a ute **with a carrying capacity of more than 1 tonne** for work you can't use the cents per kilometre or logbook methods to calculate your expenses. You must keep original receipts for all of your ute expenses and provide evidence of how you calculated your work-related use of the ute. The easiest way to demonstrate how you apportioned your usage between work and private use is to use something like a logbook.

For more information, see:

- Car expenses
- Vehicles other than cars.

Myth: I've got a capped phone and internet plan, so I can claim both work and private phone calls and internet usage.

Fact: Unless you only use your phone and internet for work, you have to apportion the cost between work-related and private usage and only claim the work-related portion of your expenses.

For more information, see:

- Phones, other telecommunication devices and phone usage
- Internet expenses.

Myth: I can estimate the hours I worked from home when I use the fixed rate method for claiming my working from home expenses.

Fact: To use the fixed rate method, you must keep a contemporaneous record of all the hours you worked from home over the entire income year. You cannot estimate based on the average number of days per week and hours per day you worked from home.

For more information, see:

- Working from home expenses.

Part A – Claiming a deduction: the basic conditions

The basic conditions – a summary

To claim a deduction against your assessable employment income, the work expense must meet several conditions. This Guide explains these conditions in more detail and gives examples of how they apply.

We refer to expenses related to your employment as *work expenses* or *work-related expenses*.

You can only claim an expense as a general deduction if it meets all of the following conditions:

- you actually incurred the expense
- the expense was incurred gaining or producing your employment income[1]
- it is not capital or capital in nature
- the expense is not private or domestic[2]
- the expense was not incurred in gaining or producing exempt income or non-assessable non-exempt income
- you satisfy the relevant substantiation requirements.

Expenses that are capital or capital in nature may still be deductible but they are claimed as a deduction for the decline in value of a depreciating asset over a period of time. If you have incurred an expense that is related to both earning your employment income and your private purposes, you need to apportion the expense and deduct only the portion that relates to your employment income.

For more information, see:

- Taxation Ruling TR 2020/1 *Income tax: employees: deductions for work expenses under section 8-1 of the Income Tax Assessment Act 1997*
- Decline in value under the capital allowance provisions
- Apportioning work-related expenses.

You must 'incur' the expense

To claim a deduction, you must *incur* the expense yourself. To incur an expense means that you must actually pay, or be obliged to pay, for the good or service. A deduction is not allowed if someone else pays for the good or service or gives it to you for free or as a gift, or you are reimbursed by your employer.

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[1] *Ronpibon Tin NL and Tongkah Compound NL v Federal Commissioner of Taxation* [1949] HCA 15.

[2] *Case T47* 86 ATC 381; *Case No 1409/1985* 29 CTBR (NS) 345.

Example – gifts

Roisin's parents buy her a leather-bound diary for Christmas. She uses it every day for her work. Roisin can't claim a deduction for the expense as she did not incur any amount for the diary.

For more information, see:

- Taxation Ruling TR 97/7 *Income tax: section 8-1 – meaning of 'incurred' – timing of deductions*.

If your employer pays you back for an expense, even if you haven't paid for it yet, this is a reimbursement. You can't claim a deduction for an expense that has been reimbursed.

Example – reimbursement of expense

Ramesh takes a taxi to attend a meeting with clients in another suburb. He spends $46 on the taxi. When he returns to his office, he gives the receipt to his employer who repays him the $46. As this is a reimbursement, Ramesh can't claim a deduction for the taxi expense.

For more information, see:

- Taxation Ruling TR 92/15 *Income tax and fringe benefits tax: the difference between an allowance and a reimbursement*.

Expenses incurred 'in gaining or producing' employment income

For an expense to be incurred *in gaining or producing your employment (assessable) income*, there must be more than just a general or broad connection between the expense and the earning of your assessable income. There must be a real and close connection between the expenditure and your employment activities. In other words, the expense must directly relate to what you do to earn your employment income.

Your employment activities include the duties and tasks that are expected of you by your employment contract, position description or company directives. Incurring expenses to get you ready for duty – such as job searching or obtaining qualifications for a new job – aren't incurred in earning your employment income. Expenses you incur to put you into a position to earn income or are a prerequisite to earning income aren't deductible.

The fact your employer requires you to purchase a good or service doesn't mean the expense is automatically deductible. You still need to demonstrate how the expense has a genuine connection to your employment activities.

Example – gaining or producing assessable income

Joshua works as a sales assistant at a shoe store. His employer requires him to wear shoes of a similar kind to those sold in the store when he is at work but they aren't part of a uniform. The employer also requires Joshua to be well-groomed for his customer service role in the store.

Joshua can't claim deductions for the cost of shoes he purchases, or any items he acquires to maintain his personal appearance. These are conventional clothing and grooming items that put him in a position to work but aren't directly related to the employment activities of selling shoes and maintaining the store through which he earns his income.

The expenses are private in nature.

For more information, see:

- Expenses aren't private or domestic.

Expenses aren't capital or capital in nature

Expenses that are *capital or capital in nature* aren't deductible under the general rules. An amount is capital or capital in nature where the purchase has an enduring or lasting benefit, such as a work tool, computer or motor vehicle. The law recognises that these purchases decline in value over time, so the annual decline in value on purchases of depreciating assets that are used for work purposes may be deductible under the capital allowance provisions.[3]

Example – capital expenditure

Due to the nature of his employment, Ali is rarely in his work office and he needs to be able to write up documents while he is out of the office. He purchases a new laptop for $2,100 to help him with his work on the road. As the laptop provides an enduring benefit, and is therefore a capital expense, Ali can't claim a deduction for its cost under the general provisions. However, Ali should consider whether he is entitled to a deduction for the annual decline in value of his computer under the capital allowance provisions.

For more information, see:

- Decline in value under the capital allowance provisions
- Guide to depreciating assets.

Expenses aren't private or domestic

Private or domestic generally means expenses that are personal or related to the home or household. Expenses like everyday clothing, food, drink and shelter are private or domestic, even if your employer has required you to purchase the items or specified which type to buy.

Example – private expense

Brenton is an employee architect and purchases a coffee and lunch every day at work. Even though he spends the money while he is at work, food and drink is a private

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[3] *Sun Newspapers Limited v Federal Commissioner of Taxation* [1938] HCA 73.

expense. There is nothing specifically about Brenton's work as an architect that requires him to spend money on food and drink.

Example – domestic expense

Charlie is a teacher who often prepares her lesson plans and marks her students' work at home. Even though she works at home, she can't claim any of her rent costs as a work expense. This is because her rent is a domestic expense and therefore not deductible. Merely working at home doesn't make the expense deductible.

For more information, see:

- Working from home expenses.

Gaining or producing exempt income or non-assessable non-exempt income

If the income you receive from your employment is tax exempt or non-assessable, you can't claim a deduction for expenses relating to that employment. This includes some income of Australian Defence Force or Australian Federal Police personnel when they are deployed overseas.

Amendment history

December 2025

Part	Comment
Throughout	Updated 'For more information, see:' and included case references as footnotes.
Common myths about work expense deductions	Minor word changes to improve clarity.
What's new	Updated to include content new to the 2024–25 year.

August 2024

Part	Comment
Throughout	Updated 'See more' to 'For more information, see:'.
Common myths about work expense deductions	Updated to address new common issues.
What's new	Updated to include content on what is new and removed content that is no longer new.

September 2023

Part	Comment
What's new?	Updated to include content on what is new and removed content that is no longer new.

Part B – Apportioning work-related expenses

You can claim only the portion of an expense that relates to your work activities. When you incur an expense for a purpose that is not 100% work-related, you can only claim the work-related percentage.

For some deduction items, there is a specific requirement to keep records to apportion your expenses, such as the logbook method for car expenses (see Logbook method). Otherwise, you need to keep suitable records to show how you have worked out your work-related use. This could take the form of electronic records, data from applications or by keeping a work diary.

Keeping a diary

To help show how you have apportioned your expenses, such as working from home expenses (for example, electricity and internet expenses) and mobile phone expenses, you can keep a detailed diary for a 4-week representative period. This shows the pattern of your usage and the proportion of work to private use, which you can then apply to the rest of the year. You can use a representative period only if your work use proportion is consistent throughout the year. If your usage fluctuates, you will need to keep records for the whole year.

If you are keeping a diary, you should:

- keep it for a continuous 4-week period
- fill it in at the time you undertake the activity, not retrospectively, and
- include sufficient detail to support your calculations.

Where a home office or internet connection isn't just for one person's use, it's important to show other people's usage as well, such as for a home office that is used both for work purposes and as a study area for children.

Example – shared internet connection

Marcus is keeping a diary of his home internet use. On Monday, he works from home and records his internet use from 8:00 am to 12:00 pm and 12:30 pm to 3:00 pm for work purposes. In the afternoon, his children use the internet for schoolwork from 3:30 pm to 5:30 pm. That evening, his family use the internet to stream movies from 6:30 pm to 9:30 pm, and Marcus and his partner browse the internet from 9:30 pm to 10:30 pm.

Marcus records all of these different sessions in his diary and clearly labels them as work-related or private usage. Once he has done this for 4 representative weeks, he can calculate his usage based on either the percentage of time the internet is used for employment activities versus private use or for the amount of data downloaded for each separate use.

Once you have established the proportion of your work and private use over a representative 4-week period, apply this proportion to your working year. Take out any time when you aren't working. For example, if you have a 4-week holiday, you can claim a deduction only for 48 weeks' average usage.

The diary, along with itemised bills from suppliers such as telecommunication companies, will help you identify the usage that relates to your employment activities and your private activities.

Example – mobile phone apportionment

Roz is a full-time real estate agent and uses her personal phone for work. She has a mobile phone plan that costs $60 per month which includes $600 worth of calls and 40 GB of data. She receives a bill which itemises all her phone calls and data usage.

Over the 4-week representative period, Roz makes 428 calls of which she identifies 336 as being for work purposes. Roz decides to work out her work use percentage on the volume of calls rather than the time spent on the calls.

Calls for work purposes

Total work calls ÷ Total number of calls = Work use percentage for calls

336 ÷ 428 = 80%

Roz uses 30 GB of her allocated data and from her bill she estimates that 21 GB is related to her work. She does this by comparing her usage on the bill with her work diary.

Data for work purposes

Total work data use ÷ Total data use = Work use percentage for data

21 ÷ 30 = 70%

Roz takes the average of these to determine her work use percentage.

(Work use percentage for calls + Work use percentage for data) ÷ 2 = Overall work use percentage

(80 + 70) ÷ 2 = 75%

Therefore, Roz can claim 75% of the total bill of $60 for each month she worked as a real estate agent for the same employer.

Total bill for each month × Overall work use percentage = Monthly amount to be claimed

$60 × 75% = $45

As Roz started on 1 April, she claims for the last 3 months of the income year.

Monthly claim amount × Number of months = Total claim amount

$45 × 3 = $135

Roz keeps a record of her bill that shows how she worked out the work-related use of her phone.

For more information, see:

- Law Administration Practice Statement PS LA 2001/6 *Verification approaches for electronic device usage expenses*.

Amendment history

December 2025

Part	Comment
Example – mobile phone apportionment	Minor changes to reflect current mobile phone plans.

August 2024

Part	Comment
Throughout	Updated ‘See more’ to ‘For more information, see:’.

September 2023

Part	Comment
Throughout	Minor wording changes to improve clarity, including updating titles of linked documents.

June 2022

Part	Comment
Throughout	Minor wording changes to improve clarity.

August 2020

Part	Comment
Throughout	Minor wording changes to improve clarity.

Part C – Commonly claimed expenses

This part covers common scenarios where you might consider claiming a deduction. Each deduction you claim must meet either the basic deduction conditions or the requirements of the capital allowance provisions for the decline in value of a depreciating asset. Consider these for each deduction each time.

The deductibility of an expense depends on the specific duties that you do in your employment. This means that an expense that is deductible by one person may not be deductible by another, even if they have similar jobs.

This list is not exhaustive and doesn't cover every situation that may apply to you. If you can't find content that covers your particular circumstances, you can refer to Taxation Ruling TR 2020/1 *Income tax: employees: deductions for work expenses under section 8-1 of the Income Tax Assessment Act 1997* to help you work out if your expense is deductible. It provides a step-by-step instruction on working out deductibility for work-related expenses.

For more information, see:

- Claiming a deduction: the basic conditions
- Decline in value under the capital allowance provisions
- Taxation Ruling TR 2020/1 *Income tax: employees: deductions for work expenses under section 8-1 of the Income Tax Assessment Act 1997*.

Accommodation

Normally accommodation expenses are private and not deductible. Accommodation expenses can only be deductible if you:

- are travelling for work
- sleep away from your home overnight for work, and
- pay for the accommodation expenses yourself (and aren't reimbursed by your employer).

However, you can't claim a deduction for accommodation expenses you incur if you choose to stay overnight at a location that is closer to your usual workplace or you are living at a location away from your home.

Example – accommodation expenses

Shaun is a salesperson working between Geelong and Warrnambool in southern Victoria. Once a month, he is required to visit stores in and around Warrnambool and this requires him to stay overnight away from his home in Little River. The cost of the hotel room Shaun pays for when staying overnight in Warrnambool is deductible, as long as the cost is not reimbursed by his employer.

Example – choice to stay closer to workplace

Alanna works in the Melbourne CBD but lives in Lorne. It takes more than 2 hours to travel between her home and her workplace, so Alanna rents a one-bedroom serviced apartment in the Melbourne CBD to stay in during the working week. Alanna returns to her home in Lorne on weekends.

Alanna can't claim the cost of renting the serviced apartment in the Melbourne CBD because the travel to Melbourne isn't part of her employment duties. The expenses are also private because she has made a choice to live in Lorne while working in the Melbourne CBD.

For more information, see:

- Overnight travel expenses
- Taxation Ruling TR 2021/4 *Income tax and fringe benefits tax: employees: accommodation and food and drink expenses travel allowances, and living-away-from-home allowances*.

Agents and agency fees

This includes, for example, talent agents, employment agents, recruitment agents, modelling agents and booking agents.

You can't claim a deduction for upfront costs of joining or using the services of an employment and recruitment agency or an agent to get work. This is because the expense is incurred before you start the employment.

If your employment contract allows for the renegotiation, review or extending of the contract, the costs of doing so will be an allowable deduction. Such expenses are incurred in gaining your employment income.

Example – agent fees

Zahra joins an acting agency to help further her career. She pays a setup fee as part of joining the agency. Zahra is offered a contract to be one of the leads in a TV series for one year, with a mutual option to extend the contract. The show turns out to be a large success and her agency negotiates to extend the contract for another year.

Zahra can't claim the costs of joining the agency as it enables her to get work. She can claim the costs to renegotiate her contract as it is part of her employment activity.

Annual practicing certificates, professional memberships and accreditations

You can claim a deduction for the cost of renewing an annual practicing certificate, membership or accreditation if you need it to work in your field.

These can include trade licenses for plumbers, electricians and carpenters, crane, hoist and scaffolding licences for construction workers, responsible service of alcohol and gaming licences for hospitality workers and registration for nurses, teachers and doctors.

However, if you're required to have a practicing certificate, professional membership or accreditation before you can be employed in an occupation, the initial cost of obtaining it isn't deductible. This is because you incurred the expense to enable you to start your employment, not during the course of your employment.

Example – ongoing expense

Brenden needs annual registration to work as a nurse. He can claim a deduction for the cost of renewing this each year. He incurs the expense in gaining his employment income.

Example – prerequisite expenses

Drew has finished his legal training in Townsville and is looking to start his career as a solicitor. To practice as a solicitor, Drew needs to apply to the Supreme Court of Queensland to be admitted as a lawyer and then apply for a practicing certificate. Until he is granted both, he can't practice law.

Drew isn't entitled to claim a deduction for the cost of his admission or practicing certificate because he incurs it so he can start earning employment income. Once he is employed, he will be able to deduct the cost of renewing his practice certificate each year, as it allows him to continue earning his employment income.

You can only claim a deduction if the expense is related to your current employment.

For more information, see:

- Union and association fees.

Bags and cases for work items

This also includes, for example, briefcases, laptop bags, luggage and handbags.

If you use a bag or a case to carry items for work, you are entitled to a deduction to the extent that it is used for work purposes. Work items include laptops, tools, client briefs and protective gear but don't include private and domestic items like gym gear, food or a personal phone or tablet. Your job must require you to transport work items and the bag must be suitable for that purpose.

If the bag or case cost you $300 or less, and you use it for work only, you can claim a deduction for the whole cost in the year you purchase it. Otherwise, you can claim a deduction for the decline in its value over its effective life (see Decline in value under the capital allowance provisions).

If you use a bag or case to carry both work and private items, you need to apportion the expense between work-related and private use, and you can only claim the work-related portion.

For more information, see:

- Decline in value under the capital allowance provisions
- Apportioning work-related expenses.

Example – bag for personal items

Francisco is employed as a banker. He buys a holdall bag for $250. He uses it every day to take his lunch, personal tablet and gym clothes to work. Francisco can't claim a deduction for the bag, as he only uses it to transport private items to and from work.

Example – bag for a work laptop

Maria is employed as an account executive. Her job requires her to regularly attend meetings with clients. She has to take her work laptop, phone and the client's file with her to the meetings. She frequently works from home and sometimes goes directly to a client meeting before heading into the office. She buys a bag for $565 that she uses to carry her

work laptop and phone, chargers and client briefs. She carries her cash and cards, personal phone and other personal items in a smaller clutch bag. As Maria's bag is suitable to carry all the items that are necessary for her to transport, Maria can claim a deduction for the decline in value of the bag over its effective life.

Luggage includes items generally used for overnight or longer trips, such as overnight bags, suitcases and carry-ons which tend not to be used on a day-to-day basis. If you use luggage for travel overnight for work you may be able to claim a deduction for the decline in value of the luggage, or if it cost $300 or less, an immediate deduction under the capital allowance provisions. You need to apportion the cost of the luggage if it is used also for private travel.

Example – cabin crew

Ibrahim works as cabin crew on long-haul international flights. He buys luggage to use exclusively for work for $200. He can claim an immediate deduction for the luggage in the income year he purchases it, as it costs under $300.

Bank fees

You can't claim a deduction for account-keeping fees or overdraft fees you incur. These aren't incurred in earning your employment income.

You can claim a deduction for a transaction fee that you are charged when you make a work-related purchase.

For more information, see:

- Interest.

Example – transaction fees

Adrienne buys deductible work-related books from an international retailer and is charged an international transaction fee by her bank. Because the purchase is a work-related expense, Adrienne can also claim the cost of the international transaction fee imposed by her bank.

Books, periodicals and digital information services

This includes, for example, online subscriptions, online resources, library subscriptions, academic journals and database subscriptions.

Books, periodicals and digital information expenses incurred as part of earning your employment income may be deductible (either outright or for their annual decline in value) if the content is sufficiently connected to your employment. Examples include midwifery journals for obstetric nurses, annotated legislation for lawyers, automotive reference manuals for mechanics and subscriptions to online technical journals for engineers.[4]

[4] *Case R70* 84 ATC 493; *Case 142/1983* 27 CTBR (NS) 981.

Example – digital subscription

Amy works as an editor and proofreader for a publishing house. She subscribes to a comprehensive online dictionary service that she uses many times a day. Amy only uses the online dictionary for work purposes. As the subscription is solely used for work, she would be able to claim a deduction for the full cost of her subscription.

Car expenses

In some circumstances, you may be able to deduct car expenses to the extent you use your car for deductible transport. You will first need to check whether you are entitled to claim transport expenses.

What is a car?

Not all vehicles are a 'car' for the purposes of claiming your expenses. A car is defined as a motor vehicle (excluding motorcycles and similar vehicles) designed to carry a load of less than one tonne and fewer than 9 passengers. This includes electric cars that meet this definition.

For more information, see:

- Vehicles other than cars.

If your vehicle is a car, you may claim a deduction using either:

- the cents per kilometre method, or
- the logbook method.

You can choose which method to use in any given year and you can use different methods for different cars.

If your vehicle doesn't meet the definition of a car, you may still be able to claim deductions for your transport expenses.

Expenses for using a car you own or lease

You can claim a deduction for using a car that you owned, leased or hired under a hire purchase agreement using the cents per kilometre or logbook method. You can't claim expenses under these methods for cars owned or leased by other people such as your employer or spouse.

However, if you can show that there is a family or private arrangement that made you the owner or lessee you may still claim expenses even if you aren't the registered owner.

Example – family arrangement

Rory turns 18, and buys a car from her parents for $1,000. She pays for all the insurance, fuel, registration and other running costs. No one else uses the car but her. The registration is not updated and the car is still in her mother's name.

Rory is still eligible to claim her work-related car expenses. Even though the registration is not in her name, she is treated as the owner because she can demonstrate that she

bought the car from her parents and that she is now responsible for all of the ownership and running costs of the car.

If you have access to the car under a salary sacrifice arrangement or a novated lease, it is usually your employer who is leasing the vehicle from the financing company and making it available for your use. As you don't own or lease the car yourself, you aren't entitled to claim any deductions for using the car, but can claim additional expenses, like parking and tolls associated with your work use of the car.

Example – salary sacrifice car under a novated lease

Amy uses a salary sacrifice arrangement to get the use of a car under a novated lease. She starts parking at her office every day, which costs $20. She drives to meetings at a different office and parks in the short-term parking bays which cost $5. She isn't reimbursed for the expense.

Amy can't claim her parking expenses at the main office as these aren't incurred in earning her assessable income. She also can't claim any of the expenses related to the running of her car as it's on a salary sacrifice arrangement. She can claim the $5 parking expense as the expense is incurred in travelling from one work site to another.

Luxury cars

A car is a luxury car if its cost exceeds the car limit in the income year when you purchase it or acquire the lease. If a luxury car is leased, it is treated as if it had been purchased by the lessee. For the purposes of calculating the decline in value of the vehicle, the cost element is limited to the car limit.

For more information, see:

- Car limit.

Using someone else's car

If you use someone else's car for work, you may be able to claim direct costs, such as fuel and car parking fees, to the extent that they relate to your work-related use of the car.

Cents per kilometre method

Under the cents per kilometre method, you can claim a set rate for each work-related kilometre travelled. Work-related kilometres are the number of kilometres that the car travelled in the course of earning your assessable income. The maximum number of work-related kilometres you can claim under this method is 5,000.

You don't need written evidence to show exactly how many kilometres you have travelled but you must make a reasonable estimate calculation. You must be able to show how you worked out your deduction and this may be aided by documents such as calendars and diary records.

Example – reasonable estimate

Once a week, Johan makes a 27 km round trip in his own car travelling from head office in the city to meet with clients. In addition, he makes a 106 km round trip to visit clients at another location, once a month. When Johan consults his diary at the end of the income year, he works out he was at work for 47 weeks but he missed one weekly meeting with clients as he was sick. Although he was on leave for 5 weeks during the income year, he still makes 12 × 106 km round trips to visit clients.

Johan works out his estimated business kilometres as:

Number of weekly trips × Distance of weekly trips = Total weekly trip kilometres

46 × 27 = 1,242 km

Number of monthly trips × Distance of monthly trips = Total monthly trip kilometres

12 × 106 = 1,272 km

Total weekly trip kilometres + Total monthly trip kilometres = Total work-related kilometres

1,242 + 1,272 = 2,514 km

Joint owners

Where a car is owned jointly, each owner can claim up to 5,000 work-related kilometres in respect of the car.

Example – joint owners

Sean and Ashleigh own a car together. While Ashleigh mostly uses the car for her work-related travel as a real estate agent, Sean occasionally uses it for his own deductible work-related travel.

At the end of the income year, Ashleigh works out that she has used the car to travel 4,900 work-related kilometres and Sean works out that he has used the car to travel 450 work-related kilometres. Although the total work-related kilometres the car travelled is over 5,000 kilometres, as joint owners they can each claim their full work-related kilometres, as their own use is each under 5,000 work-related kilometres.

You don’t need to keep written records of all your expenses but you will need to be able to show how you worked out your work-related kilometres.

Logbook method

The logbook method allows you to claim the work-related portion of your actual car expenses. These include deductions such as fuel, repairs and the decline in value of capital costs such as the purchase price and improvements. To use this method, you must substantiate most of your car expenses and keep a valid logbook and odometer records.

For the logbook to be valid you must identify an income year for which you are keeping it, choose a period of at least 12 continuous weeks for the logbook to cover and record the journeys that are related to your work-related activities (work-related journeys). One logbook can be used for up to 5 years.

During the record-keeping period, you must record each journey in the logbook by entering the following:

- the date the journey began and ended
- the car's odometer readings at the start and end of the journey
- how many kilometres the car travelled on the journey
- why the journey was made.

If you make 2 or more work-related journeys in a row on the same day, you can record them as one journey. You need to record each journey at the end of the journey or as soon as possible afterwards. You can't recreate a logbook at a later date.

For more information, see:

- Decline in value under the capital allowance provisions.

Example – journey listing

Camilla drives her own car from her office to a client's premises (Thompson Consulting) to have a sales meeting. She returns to the office straight after the meeting. She records the journey in her logbook as soon as she returns.

18 March 2022	
Odometer reading start	*156,605*
Odometer reading end	*156,638*
Kilometres travelled	*33*
Reason for journey	*Return trip from head office to sales meeting with Thompson Consulting*

Camilla records both trips as one journey as they were in a row.

The logbook must also contain:

- the date the logbook period begins and ends
- the car's odometer reading at the start and the end of the logbook period
- the total number of kilometres that the car travelled during the logbook period
- the number of kilometres that the car travelled in the course of earning your assessable income (work-related kilometres)
- the percentage of use for work-related activities.

In addition to a valid logbook, you must keep a record of the car's odometer reading on the first and last day of the period you own or lease the car during the income year. For example, if you own the car for the whole income year, you must record the odometer reading on 1 July and on 30 June.

You must retain your logbook and odometer records until the end of the latest income year in which you rely on them to support your claim and then for another 5 years after that.

Calculate your work-related use percentage as follows:

Work-related kilometres for the income year ÷ Total kilometres the car travelled in the period you held it = Work-related use percentage

You calculate the work-related kilometres by making a reasonable estimate which must take into account:

- any logbook, odometer records or other records you have
- any variations in the pattern of use of the car, and
- any changes in the number of cars you used to undertake your work-related activities.

Although you are required to calculate work-related kilometres by making a reasonable estimate taking the above factors into account, you can generally apply the work-related use percentage established by your logbook to work out your work-related kilometres if your pattern of use for the period you held the car during the year is consistent with the travel you undertook during that logbook period.

However, if the work-related use of your car has changed (for example, because you have a different job, you have moved house or you have changed the number of cars you use to undertake work-related activities), you will need to calculate your work-related kilometres by making a reasonable estimate and recalculate your work-related use percentage. Depending on how different your use is, you may need to keep a new logbook.

Example – working out the percentage

Tim decides to keep a logbook for an income year. He owns the car for the entire year, so he records the odometer reading on the first and last days of the income year (1 July and 30 June respectively). Tim's odometer records show that he travelled a total of 17,000 km during the year. During the 12-week logbook period, Tim drove 4,000 km, of which 2,400 km was work-related travel.

Tim works out that his work-related travel throughout the year is consistent with the travel he made during the period he kept his logbook. He estimates that he drove 10,200 km for work purposes.

Total logbook work-related kilometres ÷ Total logbook kilometres = Logbook work-related use percentage

2,400 ÷ 4,000 = 60%

Total kilometres travelled × Logbook work-related use percentage = Work-related kilometres

17,000 × 60% = 10,200 km

To work out the work-related use percentage, Tim made the following calculation:

Work-related kilometres ÷ Total kilometres travelled × 100 = work-related use percentage

10,200 ÷ 17,000 × 100 = 60%

If Tim changes jobs part way through the following income year, he can't rely just on his logbook to work out his work-related kilometres. He may need to produce a new logbook if there are changes in how he travels for work.

A logbook is valid for up to 5 years but you may start a new logbook at any time or the Commissioner can request that you start a new one. You must keep a logbook for the first year for which you use the method with a car, but if you get a new car during the 5 years, you can nominate the new car to replace the original car.

When you have worked out the work-related use percentage, you can work out your deduction.

Example – working out deduction

Tim has kept a compliant logbook and worked out that his work-related use percentage is 60%. Tim can claim 60% of his actual expenses, including the decline in value on the car.

Tim's actual expenses	
Decline in value	*$3,500*
Fuel and oil costs	*$1,000*
Registration	*$560*
Compulsory third party insurance	*$340*
Total expenses	***$5,400***

Total expenses × Work-related use percentage = Claimable deduction

5,400 × 60% = $3,240

Tim also spent $800 to improve the muffler system on the car, but as that is a capital expense, he can't claim it as an immediate deduction. Tim is entitled to claim a deduction for the decline in value of the muffler system under the capital allowance provisions.

To claim a deduction under the logbook method, you need to keep written evidence for all of the car expenses you incur, except for petrol and oil, as well as a valid logbook. Written evidence for petrol and oil costs can be kept but they don't need to be as they can be estimated based on the odometer readings and the average price of petrol.

For a zero emissions vehicle (electric vehicle) and a plug-in hybrid vehicle (PHEV), you may be able rely on Practical Compliance Guideline PCG 2024/2 *Electric vehicle home charging rate – calculating electricity costs when a vehicle is charged at an employee's or individual's home* to calculate the cost of charging your electric vehicle at home. If you don't rely on PCG 2024/2 you must keep written evidence to substantiate how much you incurred to charge your electric vehicle at home and at commercial charging stations.

You will need to keep records for any expenses you incur.

For more information, see:

- Substantiation requirements
- Tolls
- Parking fees
- Law Administration Practice Statement PS LA 1999/2 *Calculating joint car expense deductions*
- Taxation Determination TD 97/19 *Income tax: substantiation: car expenses: how do you calculate the cost of fuel and oil when using the*

'one-third of actual expenses' method or the 'logbook' method, if you have not kept written evidence of the expense?

- Practical Compliance Guideline PCG 2024/2 *Electric vehicle home charging rate – calculating electricity costs when a vehicle is charged at an employee's or an individual's home*.

Child care

You can't claim a deduction for the cost of child care or before or after school care. It is a private expense that doesn't have the relevant connection with earning your employment income.[5]

Clothing expenses

With a few exceptions, clothing is a private expense. Conventional clothing can't be deducted as a work-related expense. 'Conventional clothing' is ordinary everyday clothing worn by people regardless of their occupation.[6]

However, some types of clothing are deductible when they have sufficient connection with your employment activities. These types include:

- protective clothing
- compulsory uniforms
- registered non-compulsory uniforms
- occupation-specific clothing.

Each category has different criteria that must be met for the clothing to be deductible.

Protective clothing

You can claim a deduction for the cost of clothing and footwear you wear to protect yourself from specific risks of injury or illness at work. The clothing has to have features or functions that take it out of the class of conventional clothing. These sorts of items could include:

- heavy-duty occupational wet-weather gear
- protective boots such as steel-capped boots or rubber boots for concreters
- boiler suits that protect ordinary clothing
- fire-resistant clothing
- non-slip nurses' shoes.

There has to be a link between your work-related activities, the risk presented by your work environment and the form and function of the clothing to mitigate that risk.

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[5] *Lodge v Commissioner of Taxation (Cth)* [1972] HCA 49.
[6] *Case K2* 78 ATC 13; *Case 21* 22 CTBR (NS) 178.

Example – lack of risk

Wade is an accountant who works in a suburban office. He buys steel-capped boots, which he wears only to work. While the boots provide protection, his office environment doesn't require the protection that the boots provide. Wade can't claim a deduction for the boots.

Ordinary clothes you wear at work (such as jeans, drill shorts, closed shoes and socks) aren't protective clothing if they lack protective qualities designed for the risks of your work environment. Protective clothing needs to be able to cope with more rigorous conditions where conventional clothing would be inadequate. Examples of this include chainsaw-proof pants and abrasion-resistant clothing.

Example – changing to protective clothes

Ryan starts work on a building site which involves him spending prolonged periods in the sun. Ryan wears cotton drill pants and a drill safety shirt to work every day. He wears them as they are comfortable to work in and, though they aren't very durable, they provide some protection.

Ryan wears them at work and never in his private time. He can't claim a deduction for the expense of buying them, because the clothing only provides a small amount of protection from injury and they are mostly fulfilling the private need of having to be clothed.

After a couple of weeks on the site, Ryan notices he is getting sunburnt through his shirt and that his pants are getting ripped and exposing his legs to potential harm. He buys some UPF 50 work shirts and some heavy-duty abrasion-resistant work trousers and starts wearing them to work. Ryan can claim a deduction for these expenses as they are specifically protecting him from harm at work.

For more information, see:

- Taxation Ruling TR 2003/16 *Income tax: deductibility of protective items*
- Taxation Ruling TR 97/12 *Income tax and fringe benefits tax: work related expenses: deductibility of expenses on clothing, uniform and footwear*
- Protective items.

Compulsory uniform

You can claim a deduction for the cost of a compulsory uniform. A compulsory uniform must be sufficiently distinctive to your particular organisation so that a casual observer can clearly identify you as working for a particular employer or identify the products or services provided by your employer. To be considered compulsory, you must be expressly required to wear it by a workplace agreement or policy, which is strictly and consistently

enforced. Conventional clothing isn't a compulsory uniform even if your employer requires you to wear it, or you pin a name badge to it.[7]

Shoes, socks and stockings are private, except in very limited circumstances such as where the employer has express guidelines that stipulate specific characteristics of the colour, style and type of those items and other accessories as an integral and distinctive part of the uniform. This differentiates them from ordinary clothing as they have become an integral part of a compulsory uniform.

Example – conventional clothes worn with a uniform

Rick works at a supermarket. He is required to buy and wear a shirt with the supermarket's logo embroidered on it. The employee guidelines include a requirement to wear black pants and closed black shoes but don't stipulate any other qualities of those items. Rick can claim a deduction for the cost of the shirts as they are a compulsory uniform, but he can't claim the cost of the pants or shoes. Even though his employer requires him to wear a specific colour, they aren't distinctive enough to make them part of his uniform and are still conventional clothes.

Non-compulsory uniforms

If wearing a uniform is not compulsory, you won't be entitled to a deduction for the cost of the clothing items comprising the uniform unless the full non-compulsory uniform is approved and registered on the Register of Approved Occupational Clothing and you wear the uniform at work.

A full body item, such as a dress or overalls, can be registered for these purposes, however single items of clothing, such as a shirt, won't be registered. Shoes, socks, and stockings also won't form part of a registered non-compulsory uniform. These items aren't deductible.

Occupation-specific clothing

You can claim a deduction for the cost of occupation-specific clothing that distinctively identifies you as a person associated with a particular profession, trade, vocation, occupation or calling.

Clothing that is considered occupation specific are items like a cleric's ceremonial clothing, a judge's robes or a chef's chequered pants. The fact an item may be traditionally worn in a profession doesn't make it occupation specific if it may be worn by a number of professions.

Example – occupation-specific clothing

Joe is a chef with 2 jobs. When working at a restaurant, he wears the traditional chef's uniform of chequered pants, white jacket and chef's toque. He also works on a food truck but wears jeans and a t-shirt. Joe can claim the cost of his traditional chef's uniform but

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[7] *Case R55*84 ATC 411; *Case No M 208/1983* 27 CTBR (NS) 867 and *ST86/633 and Commissioner of Taxation* [1987] AATA 567; *Case U95* 87 ATC 575.

not his other outfit. The chef's clothing is particular and relevant to his profession but the jeans and t-shirt are conventional clothes.

Conventional clothing

The cost of conventional clothing is ordinarily not deductible. The fact that your employer requires you to wear specific clothing doesn't make the clothing expense deductible. In most cases, the cost of conventional clothing is a private expense that doesn't have the relevant connection with earning your employment income.[8]

Example – conventional clothing

Matt works as a sales assistant in a clothing store. His employer requires him to wear clothes of the kind available in the store. Matt earns his employment income mostly from the activity of selling clothes.

Although he must wear clothing in accordance with his employer's requirements, this is not sufficient to make the cost of the clothing he has purchased deductible. There is no direct connection between his clothing expenditure and his work-related activity of selling clothes.

For more information, see:

- Taxation Ruling TR 94/22 *Income tax: implications of the Edwards case for the deductibility of expenditure on conventional clothing by employees*.

Commissions

If you pay your agency a commission for work you've gained, you can deduct the commission you actually incur. In other words, if your agency charges you a commission for work they have obtained for you, you may be entitled to a deduction. To claim the deduction, you must either pay the commission to the agency separately or the agency must deduct the commission from the fee you receive.

Example – agency commission

Geoff is employed as an agency nurse. He works one night at a hospital and is paid $600. Geoff must pay $48 commission to the agency. Geoff's assessable income includes the $600 but the $48 commission is an allowable deduction. Geoff incurs these fees in the course of earning his wages as an agency nurse.

Computers and software

This includes, for example, laptops, desktop computers, apps, subscriptions, anti-virus and anti-spyware software, virtual private networks and programs.

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[8] *NT85/4959 and Commissioner of Taxation* [1987] AATA 575; *Case U80* 87 ATC 470.

You can claim a deduction for the decline in value when you purchase and use a computer for your employment. You need to apportion expenses if you use the computer for work and private purposes.

If software is included as part of your purchase price for the computer system, you don't need to break up the costs to calculate the decline in value.

Additional software you purchase, or software that is separately purchased can be deducted if it costs $300 or less. If it is more than $300, you can deduct its decline in value.

Software includes physical CDs, apps that you pay to download and annual subscriptions to software or services. You need to apportion expenses if you use the software for work and private purposes.

You can also claim a deduction for the cost of repairs to your computer. However, you need to apportion the cost of repairs if you use the computer for work and private purposes.

Example – deductible expense

Mateo works from home 2 days a week. He buys a computer which comes with the operating system already installed. He pays for an annual subscription for antivirus software and uses gift cards that he has previously bought to buy some software that he needs for his work.

Mateo can claim a deduction for the decline in value of the computer and operating system. He can also claim a deduction for the anti-virus software and the software he buys using the gift cards. If Mateo also uses the computer or software for personal use, he will need to apportion the expense and claim a deduction only for the percentage of his work use.

For more information, see:

- Apportioning work-related expenses
- Self-education and study.

Conferences, seminars and training courses

You can claim a deduction for the cost of attending conferences, seminars, training courses and other events to maintain or increase the knowledge, capabilities or skills you need to earn your income in your current employment.

The costs you can claim include fares to attend the venue where the conference, seminar or course is held and registration costs. If you need to travel and stay away from home overnight to attend a conference, seminar, training course or other event, you can also claim the cost of accommodation and meals.[9]

If there is a non-work component to attending the conference, seminar, training session or other event, then you may not be able to claim all of your expenses. If the non-work component is incidental to the course (such as catered lunches or a reception for delegates), then you can still claim all of the expenses you incurred to attend the

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[9] *Commissioner of Taxation (Cth) v Finn* [1961] HCA 61.

conference, seminar or course. However, if the dominant purpose is non-work, and the conference, seminar or course is merely incidental, you can only claim the direct costs for the conference, seminar or course.

Example – dominant purpose – holiday

Jodie is holidaying in Cairns when she becomes aware of a half-day work-related seminar nearby. Jodie attends the seminar and can claim the cost of attending, but she can't claim her airfares to and from Cairns, or her accommodation and meals, as the primary purpose of her travel is private.

Example – dual purpose

Megan flies to London for a 10-day international, work-related conference. Megan stays over for an extra 15 days to sightsee. As the sightseeing is not an incidental part of the conference or the trip as a whole, Megan can only claim the work-related portion of the airfares (10 days ÷ 25 days) and the accommodation and meals for the 10 days she attends the conference. Megan can't claim the cost of accommodation and meals for the 15 days of private travel.

Example – dominant purpose – work-related

Gary, a qualified architect, attends an 8-day work-related conference in Hawaii on modern trends in architecture. One day of the conference involves a sight-seeing tour of the island and a networking game of golf is held on the final afternoon of the conference. As his main purpose is work-related, Gary can deduct all of the expenses he incurred for the conference (air fares, accommodation and meals).

For more information, see:

- Accommodation
- Meals (food and drink)
- Overnight travel expenses
- Self-education and study
- Taxation Ruling TR 2024/3 *Income tax: deductibility of self-education expenses incurred by an individual*.

COVID-19 tests

From 1 July 2021, you can claim a deduction for the cost of a COVID-19 test if you:

- use the test for a work-related purpose to determine if you can attend or remain at your workplace
- get a qualifying COVID-19 test, being a
  - polymerase chain reaction (PCR) test
  - test listed in the Australian Register of Therapeutic Goods for testing COVID-19, including rapid antigen test (RAT) kits

- pay for the test yourself (that is, your employer doesn't give you a test or reimburse you for the cost), and
- keep a record to show that you incurred the cost (usually a receipt) and were required to take the test for a work purpose.

You can't claim the cost of a COVID-19 test you buy if any of the following apply:

- you use the test for private purposes – for example, to test your children before they return to school or day care
- you receive a reimbursement for the expense from your employer or another person
- you receive a free COVID-19 test
- you work from home and don't attend another place to either gain or produce your assessable income, or to carry on a business for that purpose.

You also can't claim a deduction for the travel or parking expenses you incur to buy your COVID-19 test. It doesn't form part of the cost of the test and is private in nature.

You can only claim the work-related portion of the cost of the COVID-19 tests you buy. For example, if you buy a multipack of COVID-19 tests and use some for work-related purposes and some for private purposes, you must only claim the cost of the tests you use for work-related purposes.

Example – personal and work-related use and deductibility

In May 2022, Vinh buys a box of 2 COVID-19 tests at the local pharmacy for $20. He uses one test to confirm he doesn't have COVID-19 before attending a local sporting event. A week later, he realises that he has been exposed to COVID-19 and uses the other test to check his COVID-19 status before attending his place of work.

As Vinh used only one of the tests to determine whether he could attend work, he can only claim a deduction of 50% of the purchase price he paid for the pack of 2 COVID-19 tests, being $10.

Dental expenses

This also includes preventative and cosmetic dental treatment and dental products.

You can't claim a deduction for dental expenses. The expenses are not incurred in the course of earning your employment income and they are private in nature. This is the case even if your employer expects you to maintain a certain appearance or you work in a client facing role.

Example – dental expenses not deductible

Jane works as an executive assistant at a law firm. She is required to be well groomed at work and her employer has advised that her presentation will be regularly monitored.

Jane chips her tooth and requires dental treatment to have it fixed. She pays for this treatment herself.

Even though Jane's employer expects her to be well presented for work, she can't claim a deduction for the dental treatment. The expenses are not incurred in earning her assessable income and the expenses are also private in nature.

In very limited circumstances, there may be sufficient connection between the expenditure and earning your employment income to make the expenditure deductible.

Example – dentures for an acting role

Terry is a professional actor. He has an upcoming role that requires him to purchase removable dentures for the appearance of old, oversized teeth. In addition to purchasing the dentures, he will also need to pay to maintain them for the duration of his employment for this role.

As there is a direct connection between these costs and the way he is earning this income, Terry can claim a deduction for the purchase and maintenance of the dentures.

Example – teeth straightening expenses

Jemima is employed as a model. She thinks she will get more assignments if her teeth are straight, so she pays to have clear aligners fitted to her teeth.

Jemima can't claim a deduction for the cost of having her teeth straightened. The expenses are not incurred in the course of earning her employment income and they are also private in nature.

For more information, see:

- Medical expenses
- Personal appearance and grooming.

Drivers licences

You can't claim a deduction for the cost of acquiring or renewing your drivers licence.[10] Drivers licences are a private expense, even if driving is an essential part of your employment and you must have a licence as a condition of your employment. You can, however, claim a deduction for additional costs you incur to obtain a special licence or condition on your licence in order to perform your duties.

Example – heavy vehicle licence

Rhonda is a long-haul truck driver who needs a drivers licence and a heavy vehicle permit to work. Her drivers licence renewal costs her $45 per year and it costs $73 to apply for the heavy vehicle permit. The $45 to renew her licence isn't deductible because it is a private expense. The cost of the heavy vehicle permit ($73) is deductible as it is an

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[10] *Case R49* 84 ATC 387; *Case No B 162/1982* 27 CTBR (NS) 836.

additional expense Rhonda incurs which is directly related to her employment duties and is not a private expense.

Fines

You can't get a deduction for the cost of any fines you get when you travel to work, or during work, including parking fines, speeding fines or penalties (for example, for overloading your truck).

First aid courses

You can claim a deduction if it is necessary for you, as a designated first aid person, to undertake first aid training to assist in emergency situations at work.

You can't claim a deduction if your employer pays for the training or reimburses you.

Example – first aid course

Leanne is required to hold a first aid qualification to be a flight attendant as she is required to use these skills and knowledge in the event of an emergency while in flight. Leanne can claim a deduction for the cost of the first aid course.

Functions and entertainment

You can't claim the cost of attending functions or participating in entertainment involving food, drink or recreation. This includes events, dinners, dances and cocktail parties, even if they are attended exclusively by your work colleagues, you discuss work at the functions and they are compulsory. These aren't deductible expenses.[11]

Example – cost of attending work functions not deductible

Leroy, a business development manager, attends a number of functions such as lunches, cocktail parties and dinners where he engages with potential new clients as part of a strategy to build the customer base of the company that employs him.

Despite the fact that Leroy conducts work-related discussions at these functions, he can't claim a deduction for the cost of attending these functions. The expense is for entertainment (food and drinks).

Glasses and contact lenses

Prescription glasses and contact lenses

You can't claim a deduction for the cost of buying or repairing prescription glasses or contact lenses. These are private expenses.

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[11] *Frankcom, Terrence James v Commissioner of Taxation* [1982] VicSC 469.

Sunglasses, photochromatic glasses and anti-glare glasses (including prescription)

You can only claim a deduction for the cost of sunglasses, and glasses with filtering and glare-reducing qualities similar to sunglasses (such as photochromatic glasses or anti-glare glasses) if wearing them:

- has the necessary connection with earning your employment income, and
- protects you from the risk of illness or injury at work.

You need to apportion expenses if you use the glasses for work and private purposes.

Example – prescription sunglasses and glasses

Sergei works as a landscaper and spends most of his days outdoors in the sun. He gets prescription sunglasses to help protect his eyes from the glare. When he is working in his office, he wears his regular prescription glasses.

Sergei can claim a deduction for his prescription sunglasses as they protect him from the risk of illness or injury while performing his work-related activity. The prescription glasses he wears in the office offer no protection and have the character of a private expense so he wouldn't be able to claim a deduction for the cost of those glasses.

As Sergei wears his prescription sunglasses on his days off, he apportions the cost of his sunglasses to account for his private use.

For more information, see:

- Taxation Ruling TR 2003/16 *Income tax: deductibility of protective items*
- Taxation Ruling IT 2477 *Income tax : deductibility of tinted eye glasses used by a visual display unit (VDU) operator*
- Protective items
- Apportioning work-related expenses.

Gym fees and fitness-related expenses

Except in very limited circumstances, gym fees and other fitness expenses (such as skipping ropes, weights and other fitness equipment) are private expenses and can't be claimed as a deduction.[12] This is the case even if you're required to pass medical examinations and fitness tests to maintain your employment.

Members of the regular Australian Defence Force, police officers and firefighters can't claim their fitness expenses.

However, there are very limited circumstances where employees who require an extremely high level of fitness can claim a deduction for these expenses. This will be the case where strenuous physical activity is an essential and regular element of your work. No deduction is available in any circumstances in respect of expenditure on items of conventional clothing which may be used in the course of keeping fit. This would include such things as tracksuits, running or aerobic shoes, socks, T-shirts or shorts.

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[12] *Case N72* 81 ATC 383; *Case No M 282/1979* 25 CTBR (NS) 200 and *Case P17* 82 ATC 72; *Case Nos M 309/1980, M 216/1981* 25 CTBR (NS) 608.

Example – private fitness expense

Mahendra is an intelligence officer for the Royal Australian Navy. He prepares intelligence briefings and generally carries out intelligence analysis tasks. Most of this work is done at his desk. Mahendra has a membership at a private gym and goes there 3 times a week to maintain the fitness levels required for his employment in the Navy.

Mahendra can't claim the costs of his gym membership as it is a private expense. While Mahendra needs to keep a level of fitness for his employment, his role doesn't entail strenuous physical activity as part of the performance of his duties.

Example – deductible fitness expense

Nola is a trapeze artist and tumbler with a circus. She has a gym membership and takes regular Pilates and yoga classes. She also trains and rehearses with her company to develop new trapeze and tumbling routines and performs 6 nights a week.

Nola would be able to claim her fitness costs. Her job is to rehearse and perform trapeze and tumbling acts for the circus which is a strenuous physical activity that is an essential and regular part of her duties. Maintaining an extremely high level of physical fitness is essential to her job.

Example – deductible expense and private expense

Bill is a police academy physical training instructor. Strenuous physical activity is an essential and regular part of his duties. He regularly attends a commercial gym to ensure that he can perform his specific duties. Bill's fitness expenses for the year include gym fees and the cost of a tracksuit. As Bill's ordinary duties require regular strenuous physical activity, he can deduct his gym fees but not the cost of the tracksuit. The tracksuit is conventional clothing, so the expense is private in nature.

If Bill was a general duties police officer, he wouldn't be entitled to claim a deduction for his gym fees. Although he would have to maintain a standard level of fitness, his role would not involve regular strenuous physical activity. Bill's expenses in these circumstances would be private.

For more information, see:

- Taxation Determination TD 93/114 *Income tax: is a police officer, who is required to maintain an adequate level of physical fitness in order to undertake police duties, entitled to claim a deduction for fitness related expenditure?*

Insurance

Some employment-related insurance policies may be deductible, depending on what the policies cover.

Income protection

You can claim the cost of premiums you pay for insurance against the loss of your employment income. If the policy provides a benefit of an income nature during a period of

disability (income protection or continuing salary cover) as well as a capital sum to compensate for injury, only the expense related to the income portion of the policy is deductible. You can't claim a deduction for policies that are taken out through your superannuation where the premiums are deducted from your contributions.[13]

Example – apportioned deduction

Dee takes out an income protection and personal injury policy through her insurer. She pays $250 a month, of which $175 is for the income protection cover and $75 is for the personal injury cover. Dee can claim $175 a month for the insurance policy. The remaining $75 is not deductible, because it is capital in nature.

Professional indemnity insurance

You can deduct the cost of professional indemnity insurance for work-related purposes. If the insurance fee is paid by your employer or later reimbursed, you can't claim the deduction.

Example – professional indemnity insurance not deductible

Ezra is required to have professional indemnity insurance in his role as a financial planner. As part of his salary package, his employer has agreed to pay his insurance each year he is employed at the firm. As Ezra didn't incur the expense, he is unable to claim a deduction.

Interest

You can claim a deduction for interest incurred on money borrowed to pay for work-related expenses. This includes the purchase of tools, equipment and other items or services. You must be able to show that the interest relates specifically to the work-related expenses you have paid for and claimed as a deduction. You can deduct the interest only to the extent that the expenses are deductible.

For more information, see:

- For further information on the general principles regarding the deductibility of interest expenses, refer to paragraphs 2 and 3 of Taxation Ruling TR 95/25 *Income tax: deductions for interest under section 8-1 of the Income Tax Assessment Act 1997 following FC of T v. Roberts; FC of T v. Smith*
- For examples on how to do the calculation, refer to paragraphs 53 to 73 in Taxation Ruling TR 2000/2 *Income tax: deductibility of interest on moneys drawn down under line of credit facilities and redraw facilities*

Internet expenses

You can claim a deduction for the cost of your internet use to the extent it relates to your employment activities. You need to apportion the expenses if you use the internet for work

[13] *Commissioner of Taxation (Cth) v Smith* [1981] HCA 10.

and private purposes. You work out your work and private use by keeping records showing a detailed usage pattern by you and other members of your household.

Keeping a diary for a 4-week representative period is the easiest way to determine the extent of your deduction. If you don't have a representative period, you will need to keep records for the full year. You can't claim a deduction for installation or set-up costs.

If you used the fixed rate method to claim your working from home expenses, you can't claim a separate deduction for your internet expenses.

For more information, see:

- Apportioning work-related expenses
- Law Administration Practice Statement PS LA 2001/6 *Verification approaches for electronic device usage expenses*
- Working from home expenses.

Example – apportioning internet expenses

Sometimes, Sam works from home connecting to his office via a virtual desktop. He keeps a work diary for a 4-week period and compares it to his data usage on his home internet. Sam calculates his work use percentage on either the time used or download amounts for the work and private use.

Sam chooses to calculate his deduction based on the download amounts. His household uses 240 GB of data in the 4-week period, and Sam calculated that he used 48 GB while he was on work duty. This gives him a work use percentage of:

Data used for work ÷ Total data use = Work use percentage

48 ÷ 240 = 20%

Sam's internet costs $60 per month, so the total claim he could make in a month would be:

Total bill for each month × Work use percentage = Monthly amount to be claimed

$60 × 20% = $12

As Sam took all of December off, he wouldn't be able to claim a deduction for that month, so his total deduction at the end of the year would be:

Monthly amount to be claimed × Number of months = Total claim amount

$12 × 11 = $132

Laundry expenses

You can claim a deduction for the cost of cleaning and maintaining clothing that falls into one or more of the categories of deductible clothing (see Clothing expenses). You can also deduct laundry expenses for clothing supplied by your employer. If your employer launders your clothing or reimburses you, you can't claim a deduction.

When working out your laundry expenses (including washing, ironing and drying), we consider that a reasonable basis for working out your laundry claim is:

- $1 per load if the load is just made up of work-related clothing, or
- 50c per load if other laundry items are included.

Repair and dry-cleaning expenses are based on the actual cost you incurred for those services.

You don't require written evidence for your laundry expenses (apart from dry-cleaning and repair expenses) if your claim is $150 or less. This is so even if your total claim for work-related expenses is more than $300. However, this $150 substantiation exception doesn't increase the $300 work-related total expenses substantiation exception to $450.

Example – laundry expenses

Jelani is provided with a uniform from her employer which is compulsory for her to wear when she is working. She washes, dries and irons her uniforms in a separate load of washing twice a week. Jelani works 48 weeks during the income year. Her claim of $96 for laundry expenses is worked out as follows:

Number of claimable laundry loads per week × Number of weeks
= Total number of claimable laundry loads

2 × 48 = 96

Total number of claimable laundry loads × Reasonable cost per load = Total claim amount

96 × $1 = $96

Jelani also claims $250 in union fees for her job but no other work-related expenses. As her total claim for laundry expenses is under $150 ($96), she doesn't have to provide written evidence of her laundry expenses. As her total claim for work-related expenses is over $300 ($346), Jelani will have to keep written records of her other work expenses (that is, her union fees). Although Jelani isn't required to substantiate her claim for laundry, if asked she will still be required to explain how she calculated her claim.

For more information, see:

- Taxation Ruling TR 98/5 *Income tax: calculating and claiming a deduction for laundry expenses*
- Substantiating laundry expenses.

Lunch boxes, travel mugs, coolers and similar

You can't claim a deduction for the cost of items that you use to take your food or drink to work, or use at work, even when travelling overnight for work. These are private expenses.

Example – travel mug

Olivia is a train driver. As the train sways, she uses a travel mug to drink out of while she is driving. Olivia isn't entitled to claim a deduction for the cost of her travel mug. It is a private expense. This would be the case even if Olivia used the travel mug on a shift where she was required to sleep away from home overnight.

Meals (food and drink)

With limited exceptions relating to overnight travel and overtime, the cost of food and drink is private and not deductible.

Example – purchasing food at work

Scarlett works evenings at the candy bar in a movie theatre. She gets a long break on which she buys dinner and she usually buys some peanuts and water to snack on throughout her shift. Scarlett can't claim a deduction for the cost of snacks or her evening meal. The cost of the food and drink she has bought is private and has no relevant connection to her employment activities.

Similarly, you can't claim the cost of a meal purchased when you are going between different jobs.

Example – moving between jobs

Owen is a bank teller. He finishes work at 5:00 pm and commences work at a liquor store at 6:00 pm. Before starting work at his second job, Owen buys an evening meal. The cost of the food and drink is private and has no relevant connection to his employment activities.

You can generally claim the cost of meals you incur when you travel and stay away from your home overnight for work in the course of performing your employment duties.

For more information, see:

- Overnight travel expenses
- Conferences, seminars and training courses
- Taxation Ruling TR 2021/4 *Income tax and fringe benefits tax: employees: accommodation and food and drink expenses, travel allowances, and living-away-from-home allowances*.

You may also be able to claim a deduction for the cost of a meal you buy and eat while working overtime.

For more information, see:

- Overtime meal expenses.

Medical expenses

This also includes general practitioner (GP), specialist or surgeon fees, medical aids and appliances, hospital admission fees and private hospital excess.

You can't claim a deduction for medical expenses. The expenses are not incurred in earning your employment income and they are also private in nature. Such expenses are incurred to put you in the position to earn your income.[14]

Example – medical expenses not deductible

Denise is employed as an accountant. Denise develops a bad back which makes it difficult for her to sit at her desk for extended periods of time.

Denise visits her GP, who refers her to a physiotherapist. After several visits to the physiotherapist, Denise's back improves.

Denise can't claim a deduction for the cost of visiting her GP or for the fees charged by her physiotherapist. Even though Denise needs to sit at her desk for extended periods of time to carry out her employment duties, the expense isn't incurred in the course of earning her assessable income as an accountant. The expenses are also private.

For more information, see:

- Dental expenses
- Personal appearance and grooming.

Newspapers and other news services and subscriptions

The cost of newspapers, news services and other news subscriptions are private, and you generally can't claim a deduction for them. The benefits of staying informed on news matters will usually be no more than incidental to your work and the expense too remote from your income earning activities to be deductible.

You can claim a deduction if you can show there is sufficient connection between your specific employment duties and the content of the specific publication. You need to apportion expenses if you use the publication for work and private purposes.[15]

You can also claim a deduction for the cost of buying or subscribing to magazines that have content specifically related to your employment and that aren't general in nature.

Example – newspaper

Judy is a real estate agent who subscribes to the local paper to keep abreast of real estate. As the real estate section only appears in the Wednesday and weekend editions, Judy can claim a portion of the cost of the Wednesday, Saturday and Sunday newspapers.

Example – deductible professional journal

Jason is a civil engineer who subscribes to an engineering technical journal. Jason can claim a deduction as the content specifically relates to his work.

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[14] *Case P31* 82 ATC 141; *Case Q17* 83 ATC 62.
[15] *Case P30* 82 ATC 139; *Case No M 99/1981* 25 CTBR (NS) 696 and *Case P114* 82 ATC 586; *Case No 5/1982* 26 CTBR (NS) 365.

For more information, see:

- Pay television and streaming services.

Overnight travel expenses

You can claim accommodation (see Accommodation), meals (see Meals (food and drink)) and incidental expenses you incur when you travel in the course of performing your employment duties and are required to sleep away from your home overnight for work.

Receiving an allowance from your employer doesn't automatically entitle you to a deduction for overnight travel expenses.

You will generally be travelling away from your home overnight for work in the course of performing your employment duties if:

- there is no change to your regular place of work (the usual or normal place where you start and finish your work duties for your employer)
- you are away from your home for short periods of time
- you stay in short term accommodation, such as a hotel, and
- you aren't, and can't be, accompanied by family or visited by family and friends.

Example – attending an interstate meeting

Beth is an executive in a large banking company. She travels from her usual workplace in Melbourne to Sydney for a 3-day meeting with some clients. Beth pays for her flights between Melbourne and Sydney, her hotel and all of the meals she has while she is in Sydney. She also incurs some incidental expenses, including the cost of taxi fares from her hotel to her clients' offices. Beth has receipts for all of these expenses and her employer doesn't reimburse her.

As Beth's regular place of work remains her usual workplace in Melbourne, she is in Sydney for a short period of time and she stays in a hotel, Beth is travelling away from her home overnight in the course of performing her employment duties. As such, Beth can claim a deduction for the cost of her flights, accommodation, meals and incidental expenses.

You won't be travelling away from home overnight for work in the course of performing your employment duties if:

- because of your personal circumstances, you live a long way from where you work
- you are living at a location where you are working, or
- you have relocated.

Example – living a long way from work

Michelle lives in Brisbane with her family but her job is located in Canberra. Early on a Monday morning, Michelle catches a flight to Canberra and on Friday afternoon she

returns to Brisbane. On Monday to Thursday nights, Michelle stays in a serviced apartment near her office in Canberra. Michelle's travel to Canberra is explained by her personal circumstances of living in Brisbane while working in Canberra. The expenses Michelle incurs for flights, taxis, accommodation and meals are private and domestic in nature and she can't claim a deduction for them.

Example – living at a location

Maria works in Adelaide and lives close to the office with her family. Maria's employer is setting up an office in Perth and has assigned her to that office for 6 months to assist in establishing it. During the 6-month period, Maria lives close to the Perth office in a 2-bedroom unit, which is big enough to accommodate her family when they visit her. As the Perth office has become her regular place of work and she is staying away from home for a relatively long period in long-term accommodation, Maria is living in Perth for the 6-month period. The expenses Maria incurs for her accommodation and meals while she is working in Perth aren't deductible. They are private and domestic expenses.

For more information, see:

- Removal and relocation expenses.

Incidental expenses

Incidental expenses are minor but necessary expenses associated with your work-related travel. They might include a car parking fee, a bus ticket or a charge for using the phone or internet for work-related purposes at your overnight accommodation. These are deductible to the extent that your accommodation and meals are deductible.

Apportionment

Only those expenses you incur while travelling for work purposes are deductible. You need to apportion your accommodation, meal and incidental expenses if the travel is for work and private purposes. If you add a few days onto a work trip to visit a relative you can't claim the cost of your transport, accommodation, meals and incidentals during that time.

Substantiation rules

There are special substantiation rules for accommodation, meals and incidental expenses.

For more information, see:

- Substantiation requirements.

On duty while away from home

Employees who are on duty while sleeping at a workplace near their home, such as a personal carer living on site or an overnight supervisor at a boarding house, aren't sleeping away from home overnight for work. This is also true of employees who choose to sleep near their workplace rather than return home between shifts. Accommodation and meal costs in these instances aren't deductible.

For more information, see:

- Taxation Ruling TR 2021/4 *Income tax and fringe benefits tax: employees: accommodation and food and drink expenses, travel allowances, and living-away-from-home allowances*.

Overtime meal expenses

Although meals are a private expense, in limited circumstances meals eaten while working overtime can be deductible. You can claim a deduction for the cost of a meal you buy and eat while working overtime if you receive an overtime meal allowance under an industrial award or enterprise agreement and the allowance is reported on your income statement and declared in your tax return.

An amount for overtime meals that has been folded or included into normal salary or wages (for example, under a workplace agreement) isn't considered to be an overtime meal allowance.

There are special substantiation rules for overtime meals – refer to Substantiating overtime meals.

Example – overtime meal

Moana completes her 8-hour shift and is asked to work for an additional 3 hours. She is given a meal break and paid a meal allowance of $20 under her enterprise bargaining agreement. Moana buys and eats a meal costing her $21 during her overtime. Moana can claim a deduction for $21 as the expenditure on meals she eats while on duty for extended hours is incurred in earning her employment income and is not private in nature.

Example – food consumed after overtime

Michael is asked to work 3 hours overtime after finishing his normal shift. He is given a meal break and paid a meal allowance of $20 under his enterprise agreement. Michael takes his break but doesn't buy any food. After his overtime shift finishes, he buys some food on the way home. Michael can't claim a deduction for this food as he didn't incur the expense as part of earning his assessable income.

Parking fees

You can't claim a deduction for parking expenses that you incur to go to your workplace. This is a private expense.[16]

You can claim a deduction for parking expenses when they relate to a work journey and aren't reimbursed by your employer.[17]

For more information, see:

- Transport expenses.

[16] *Case C47* 71 ATC 219; *Case 44* 11 CTBR (NS) 207.
[17] Re Taxation Appeals [1991] AATA 197; *Case 7273* 22 ATR 3402.

Example – non-deductible parking expense

Carissa is an engineer working in the city centre. There is no parking for employees in her building, so Carissa pays for car parking nearby. Carissa can't claim a deduction for the cost of the car parking.

Example – deductible parking expense

Karlyn works for a suburban law firm. She has to rush some legal documents to the court before it closes for the day. Karlyn drives and parks directly in front of the court and pays a fee for parking. Karlyn can claim the cost of the car parking.

Passport expenses

You can't claim a deduction for the cost of acquiring or renewing your passport even if you are required to travel overseas for work purposes. The expenses relate primarily to your personal right to travel to any overseas destination and are private.

Example – non-deductible passport expenses

Carsten is a project manager for a company with overseas clients. He is required to travel overseas regularly to oversee certain projects. Carsten incurs $412 renewing his Australian passport. Carsten can't claim a deduction for the cost of renewing his passport. The expense is private.

Pay television and streaming services

You can't claim a deduction for the cost of pay television or streaming services. This is a private expense.

Example – non-deductible pay television

Glenn is a pilot for a domestic airline. He subscribes to a pay television service that has a real-time weather channel. Glenn checks the weather channel in the morning before flights as he does some preliminary planning for his flights that day. Glenn's employer also supplies weather information to him when he arrives at the airport. He is expected to use the information his employer provides to him in his flight planning.

Glenn can't claim any part of the cost of his pay television subscription as the benefit he gains from the subscription is too remote and the proportion that relates to his work is incidental.

Personal appearance and grooming

Generally, the costs related to personal appearance, including cosmetics or makeup, skin care, shaving products, haircuts, hairdressing and hair products, aren't deductible as they are private expenses. The fact that your employer expects you to maintain certain

standards of grooming or pays you an allowance to cover your grooming expenses doesn't make the expense deductible.[18]

Example – cosmetics not deductible

Isabella works as an executive assistant to the managing director of a large international company. She is always required to be well groomed at work and her employer has advised that her presentation will be regularly monitored. In recognition of the importance of grooming to her employer, Isabella is paid a grooming allowance of $50 a week.

Even though Isabella buys cosmetics that she uses solely for work with the allowance she receives, and her employer expects her to be well groomed, she can't claim a deduction. The connection between Isabella's expenditure on cosmetics and her employment activities is insufficient. The character of the cosmetics remains private.

Example – haircuts not deductible

Hugo is in the army and is required to maintain a short hairstyle. Hugo can't claim a deduction for the cost of haircuts, as this is a private expense.

In limited circumstances, there may be sufficient connection between personal appearance expenditure and earning your employment income to make the expenditure deductible.

Example – performer incurring hairdressing and makeup expenses

Johannes is employed to perform in a touring production that runs for 6 months. The role requires him to keep his hair in a short buzz cut and he buys makeup to age his appearance by 20 years. As the makeup and hairdressing expenses have a sufficient connection to the earning of his employment income, Johannes can claim a deduction.

For more information, see:

- Taxation Ruling TR 96/18 *Income tax: cosmetics and other personal grooming expenses*.

Phones, other telecommunication devices and phone usage

You can claim a deduction for the cost of phones and other telecommunication devices if you use the devices for work purposes. If the device cost more than $300, you can only claim its decline in value as a deduction. You can also claim a deduction for the cost of any work-related phone calls or work-related data.

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[18] *Case L61* 79 ATC 488; *Case No 69/1978* 23 CTBR (NS) 680; *TT87/8*, *TT 87/168 and Commissioner of Taxation* [1987] AATA 863 and *ST87/36 and Commissioner of Taxation* [1987] AATA 424.

You need to apportion the decline in value and usage expenses if you use your phone or devices for work and private purposes. You can't claim a deduction for installation and set up costs.

If you used the fixed rate method to claim your working from home expenses, you can't claim a separate deduction for the cost of phone calls and data you incur regardless of whether you only use the phone or telecommunication device when you are working from home.

Example – connection expense

Mark is transferring his home phone and internet connection to the National Broadband Network. He must pay a one-off fee for the cost of the modem and connection. He can't claim a deduction for this fee. The expense is capital in nature.

You can't claim a deduction for obtaining or maintaining a silent number. Obtaining and maintaining a silent number preserves anonymity and privacy and is therefore private in nature.

Example – silent number

Hunter is an employee lawyer who works on criminal cases. He maintains a silent home telephone number because he doesn't wish to expose his family to threatening calls. The additional cost of maintaining the silent telephone number isn't deductible. The expense is not incurred in the course of earning his employment income. It is a private expense.

For more information, see:

- Decline in value under the capital allowance provisions
- Apportioning work-related expenses
- Working from home expenses
- Law Administration Practice Statement PS LA 2001/6 *Verification approaches for electronic device usage expenses*.

Protective items

This also includes, for example, hardhats, helmets, safety glasses, safety goggles, ear plugs, gloves, face masks or face shields and sanitiser or anti-bacterial spray.

You may be able to claim a deduction for protective items you purchase and use at work. To be deductible **both** of the following must apply:

- you must have incurred the expense yourself
- the expense must have a sufficient connection with the earning of your assessable income, which means
  - you are exposed to the risk of illness or injury in the course of carrying out your income-earning activities
  - the risk is not remote or negligible

- the protective item is of a kind that provides protection from that risk and would reasonably be expected to be used in the circumstances
- you use the item in the course of carrying out your income-earning activities.

Example – helmet and safety visor

Wiremu works on a building site. He is required to wear a helmet and safety visor on site and if he doesn't wear them, he is at risk of being injured. There is a connection between the expense he incurred on the helmet and safety visor and the protection the items provide for him during his employment. Wiremu can claim a deduction for the cost of the helmet and safety visor.

Example – non-deductible protective item

Kate is a manager who works in an air-conditioned building. She applies moisturiser to her face and hands while at work. The risk of illness from Kate's work environment is not sufficient to make it necessary for her to use moisturiser to counter that risk. Kate can't claim a deduction as there is no connection between her expenditure and her employment activities.

Removal and relocation expenses

You can't claim a deduction for expenses you incur to transfer to a new work location for an existing job or when taking up a new job. This is the case even if relocating is a condition of your employment. Where you choose to live and the expenses related to it never have a sufficient connection to earning your employment income and remains private or domestic.[19]

Example – relocation due to transfer

Cailyn, a Commonwealth public servant, is transferred by her department from a state office to the central office in Canberra. Cailyn can't claim a deduction for her removal or relocation costs, as the move is private in nature and doesn't have the necessary connection with earning her employment income.

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[19] *Fullerton, L.W. v Commissioner of Taxation* [1991] FCA 702; *AT85/98 and Commissioner of Taxation* [1987] AATA 145.

Example – relocation due to promotion

Otto is a regional sales manager for Tasmania. His employer offers him a promotion to become the national sales manager for Australia. A condition of accepting the job is that he moves to the head office in Sydney. Otto isn't able to claim for any of his removal or relocation expenses as his decision to move is private in nature and doesn't have sufficient connection with earning his employment income.

School fees (including university and TAFE fees)

You can't claim a deduction for the cost of educating your children (or any other students), including school fees, university fees and TAFE fees. This has no relevant connection with earning your employment income and is a private expense.

Example – private school fees

Troy, a single father, works 2 jobs so that he can afford private school fees for his twins Yasmine and Jasmine. Troy can't claim a deduction for the school fees. The expense has no connection to Troy's employment income and is private in nature.

For more information, see:

- Self-education and study.

Self-education and study

Self-education and study include courses undertaken at an educational institution (whether it leads to a formal qualification or not), attendance at work-related conferences or seminars, self-paced learning and study tours.

For more information, see:

- Conferences, seminars and training courses.

You can claim a deduction for study and self-education expenses you incur when the education or study has a sufficient connection to your current employment activities and it either:

- maintains or improves the specific skills or knowledge you need to perform your current employment activities, such as a trainee accountant studying commerce part-time at university
- results in, or is likely to result in, an increase in your income from your current employment, such as a lawyer upgrading their Bachelor of Laws to a Master of Laws.

Example – maintains or improves specific skills or knowledge

Cyril is employed as a communications officer at a large company. He enrols in a weekend seminar on emergency communications, which is part of the duties he performs at work. The course deepens his knowledge on communications issues and it directly ties into his day-to-day work activities and is therefore deductible.

Example – doesn't maintain or improve specific skills or knowledge

Brunhilda works at the university computer labs. Her duties consist of mostly making sure the labs are kept tidy, setting up new computers and providing some minor technical support for students. She is studying a Master of Computer Science – Data Science. Even though there is some minor connection between the work she performs and her study, the duties she undertakes with her job and the specific knowledge she gains from her study are unrelated. She can't, therefore, claim a deduction for the costs of obtaining the master's degree.

You can't claim a deduction for self-education or study expenses that:

- you incur when you aren't employed
- don't have a sufficient connection with your current employment activities, such as undertaking an engineering degree when you are employed as a primary school teacher
- relate only in a general way to your current employment or profession, such as undertaking a full-time fashion photography course and working as a casual sales assistant on the weekends, or
- may enable you to get employment or change employment, such as moving from employment as a personal care assistant to a nurse or from employment as a nurse to a doctor.[20]

Example – different work activities

Terry works as an orderly in a hospital. He is also studying a Bachelor of Nursing to become a registered nurse. The duties of an orderly are to ensure the wards are kept tidy, to lift and turn patients and transport them in wheelchairs and moveable beds, to make beds and serve food. An orderly doesn't administer medication or maintain medical records for patients.

Terry's employer promises him a job as a registered nurse (which would lead to an increase in pay) if he successfully completes the course. The duties of a registered nurse include assessing and evaluating patients, working in consultation with doctors and specialists to care for patients, maintaining medical records, administering medication and monitoring for side effects and implementing nursing care plans.

While Terry works with nurses when he is carrying out his duties, becoming a registered nurse would significantly change his work activities. When he completes the degree, although he will be engaged with the same employer, he will change jobs and have significantly different responsibilities. He will also enter into a new employment contract.

While the study to become a registered nurse will allow Terry to obtain a new job and increase his income, there isn't a sufficient connection with his current employment as an orderly. Therefore, Terry can't claim a deduction for the expense of his study.

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[20] *Federal Commissioner of Taxation v Maddalena* 71 ATC 4161; 2 ATR 541.

Example – deductible study expense

Renee is employed as a senior manager in a business consulting firm. Her employer offers an increase in pay grade for staff members who gain a Master of Business Administration. Renee enrols in the course and, once she completes it, receives the pay increase. Renee can deduct her self-education expenses as it has led to increased income from her current employment activities.

Expenses you can claim

If your self-education expenses are deductible, you can claim expenses such as course fees, student and amenities fees, textbooks, academic journals and stationery expenses. If any of the assets cost over $300, you may be able to claim the decline in value of the asset. You may also be able to claim your additional running expenses for heating, cooling and lighting if you study at home, but not occupancy expenses.

For more information, see:

- Course fees
- Working from home expenses
- Decline in value under the capital allowance provisions.

Travel, meals and accommodation

Meals and accommodation are private in nature and not deductible, except in very limited circumstances. However, if you are required to travel away from home for one or more nights for your self-education, you may be able to claim your transport, meal and accommodation costs.

For more information, see:

- Transport expenses
- Accommodation
- Overnight travel expenses.

Example – interstate study travel

Renee is studying her Master of Business Administration at an interstate university. The successful completion of the course will result in an increase in her income from her current employment and her self-education expenses relating to the course are deductible. She completes most of the course online but there are mandatory parts to the course where she needs to attend the university in person.

Renee needs to attend a 4-day workshop to complete a subject. She flies in on the morning of the first day and flies out on the evening of the last day. The cost of the flights, meals and accommodation while she is studying are deductible, as she has had to spend 3 nights away from home.

You may also be able to claim your daily travel from your home to your place of education and back, and from your place of work to your place of education and back.

However, you can't claim the cost of the last leg of your journey if you go from your home to your place of education and then to work, or your place of work to place of education and then home.

Example – daily travel for study

Arjun is a solicitor who is studying his Master of Laws. Arjun has to attend 2 classes each week. One is on Saturday morning and one is on Tuesday afternoon. He drives from home to class on Saturday morning and then drives straight back home. Arjun can claim both trips between home and the university when he attends a class on a Saturday as a self-education expense.

On Tuesdays, Arjun drives to work. He then drives to university and heads home straight after. He would only be able to claim the cost of the trip from work to university on those days.

If you receive a taxable scholarship and you aren't employed by the scholarship provider, you are unable to claim the cost of travel from your home to your normal place of education and back.

It is important to keep records of travel related to self-education.

Course fees

While course fees may be deductible, fees incurred under the Higher Education Contribution Scheme Higher Education Loan Program (HECS-HELP) scheme aren't deductible. HECS-HELP is the Australian Government loan scheme that covers degrees at universities and other higher education providers that offer Commonwealth supported places. These are usually at the undergraduate level.

You can claim a deduction for course or tuition fees paid using a FEE-HELP loan or a VET Student loan (formerly VET-FEE-HELP). However, you can't claim a deduction for any repayments you make (whether compulsory or voluntary) of these loans.

You also can't claim a deduction for repayments you make (whether compulsory or voluntary) to your HECS-HELP loan, Australian Apprenticeship Support Loans (AASL) (formerly Trade Support Loans (TSL)), Student Financial Supplement Scheme (SFSS) loans, Student Start-up Loan (SSL), ABSTUDY Student Start-up Loans (ABSTUDY SSL), OS-HELP and SA-HELP loans.

With other deductible course fees, you claim the deduction when the debt is incurred, not when the repayment is made. Debts are generally incurred when they become a legal obligation you need to pay back.

Example – when the expense is incurred

Tara enrols in 2 subjects for her Master of Business Administration course. The subjects have a census date of 22 March, meaning if she withdraws prior to that date she doesn't have to pay the course fees. Due to an unexpected increase in her workload, Tara withdraws from one subject on 17 March. On 22 March, Tara incurs the cost of the one subject she is still enrolled in, even though she has deferred payment through the FEE-HELP system. Tara can claim a deduction for one subject at the time it is incurred.

For more information, see:

- Taxation Ruling TR 2024/3 *Income tax: deductibility of self-education expenses incurred by an individual*.

Stationery

You can claim a deduction for the cost of diaries, pens, logbooks or other stationery that has the necessary connection with earning your employment income.

Example – diary

Phillip is a salesperson. His duties require him to meet with several different clients every day. Phillip prefers to keep a paper diary to record his meetings with clients, so he buys one at the start of each year. Phillip is entitled to a deduction for the cost of the diary.

Sunscreen

You can only claim a deduction for the cost of sunscreen if wearing it:

- has the necessary connection with earning your employment income, and
- protects you from the risk of illness or injury at work because your employment duties require you to spend prolonged periods outdoors.[21]

You need to apportion your expenses for sunscreen if you use it for work and private purposes.

You can't claim a deduction for sunscreen if:

- your work doesn't require you to perform your duties in the sun, or
- you purchase a cosmetic with added sunblock protection.

If a product is safe and effective as a sunscreen, it is given an Australian Register of Therapeutic Goods (ARTG ID) number by the Therapeutic Goods Administration, which is displayed on the product as an AUST L or AUST R number.

Any product with an ARTG ID and an AUST L or AUST R number on the label will be accepted as sunscreen. The AUST L or AUST R number is different to the sun protection factor (SPF) number.

For more information, see:

- To find out whether a product has been given an ARTG ID, visit the Therapeutic Goods Administration website.

Example – deductible sun protection

Jackie, a teacher, buys a bottle of high-protection sunscreen to wear once a week at the school sports afternoons held outdoors, which she is required to attend. She also wears a sunhat and sunglasses to protect herself from exposure to the sun. She doesn't wear that sunscreen at any other time. Jackie can claim a deduction for the cost of the sunscreen,

[21] *Morris v Commissioner of Taxation* [2002] FCA 616.

as well as the sunglasses and sunhat. If Jackie uses the sunglasses and sunhat for private purposes as well, she will have to apportion her deduction for those items.

For more information, see:

- Taxation Ruling TR 2003/16 *Income tax: deductibility of protective items*.

Tolls

You can claim a deduction for tolls you incur when they relate to a work journey.

Example – deductible toll

Kath, an employee hairdresser, is required by her employer to travel from her usual salon to one of their other salons for a meeting. She drives her car and uses a tollway to get to the other salon. Kath can claim a deduction for the cost of the road toll as she is undertaking a work-related journey.

For more information, see:

- Car expenses
- Transport expenses.

Tools and equipment

Purchasing tools and equipment

You can claim a deduction for the cost of tools or equipment if you use them for a work-related purpose. You need to apportion the cost of the tools or equipment if you use them for work and private purposes.

Example – private use of tools

Deric works as an aircraft maintenance engineer and buys a coupler kit to use at work. He also occasionally uses the coupler kit to maintain his personal plane on the weekends. Deric calculates that during the income year, he uses the kit for his personal plane for 10% of the time. He therefore reduces his deduction by this amount.

Tools and equipment are generally depreciating assets. If it is a depreciating asset and it cost you more than $300, or is a part of a set that cost you more than $300, you need to claim a deduction for its decline in value over the effective life of the asset.

For more information, see:

- Apportioning work-related expenses
- Decline in value under the capital allowance provisions
- Depreciating assets.

Insuring tools and equipment

You can claim a deduction for the cost of insuring tools and equipment to the extent of their work-related use.

Example – insuring tools

Mark, an employee carpenter, has an extensive collection of tools that he uses solely at work. He has portable and valuable items cover in case his tools are ever lost, damaged or stolen at work. Mark can claim a deduction for the cost of the insurance for the tools.

Repairs to tools and equipment

You can claim a deduction for the cost of repairs to tools and equipment to the extent of their work-related use.

Example – repairs to tools

Rod is a tree lopper. The chainsaw that Rod uses solely for work breaks down and needs to be repaired. Rod can claim the entire cost of repairing the chainsaw.

Transport expenses

This includes, for example, car expenses, flights, taxis, ride-share and ride-sourcing costs and other public transport costs.

You can claim transport expenses when you travel in the course of performing your employment duties. This includes the cost of driving your car, flying or catching a train, taxi or bus.

Home to work travel

You can't claim a deduction for transport expenses incurred in travelling between your home and your regular place of work (the usual or normal place where you start and finish work) as this is a private expense.[22] This doesn't change even if:

- you do incidental tasks on the way, such as stop at the post office to collect mail for your employer, or
- you work outside usual business hours or are on call.

Example – private travel to work

Tim works at his local cinema. He is often required to work late into the night. The only available bus doesn't operate past 7:00 pm, so Tim has to drive to and from work. The cost of Tim's travel between the cinema and his home isn't deductible as it is private in nature. The expense is incurred to put Tim in the position to earn his employment income.

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[22] *Lunney v Commissioner of Taxation* [1958] HCA 5.

For more information, see:

- Trips you can and can't claim
- Car expenses
- To determine if the vehicle you use is a car, refer to What is a car?
- Taxation Ruling TR 2021/1 *Income tax: when are deductions allowed for employees' transport expenses?*

Bulky tools and equipment

Where the nature of your job creates a practical necessity to transport bulky tools or work equipment by car between home and work, the journey may be a deductible work journey rather than ordinary private travel to and from work.[23] This will only apply if:

- the tools or work equipment are essential for the performance of your employment duties
- the tools or work equipment are bulky, meaning they are of such large size or weight that transportation by car or other private vehicle is the only realistic option, and
- transporting the items between home and work is a practical necessity (for example, there is no appropriate storage for such items at the workplace, or the items need to be transported to a different work site on a subsequent day).

These requirements are necessary for the cost of the trip to be deductible. It won't be sufficient if you transport items merely as a matter of choice. For example, if your employer provides reasonably secure storage, your decision to transport items home will be a matter of choice and not a practical necessity. The cost of the trip won't be deductible.[24]

Example – bulky equipment

Masahito is employed to play double bass in an orchestra. The orchestra plays in a number of locations and he often travels directly from home to the various venues. He practices regularly at home, which is also the only place available to store his instrument when not being used. When the double bass is in its case, it is over 2 m tall and 75 cm wide and is awkward to transport. Masahito can claim a deduction for the car travel between home and his workplaces. The need to transport his cumbersome double bass by car to the different workplaces means that the journeys aren't ordinary home to work travel.

Example – non-bulky tools

Yandi works at a mobile phone repair booth in the shopping mall. There is no room to store her tools at the kiosk, so her employer expects her to bring her tools to and from work. Yandi keeps her tools in a toolbox that is 30 cm by 20 cm by 10 cm. The toolbox is

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[23] *Commissioner of Taxation (Cth) v Vogt* [1975] 1 NSWLR 194.
[24] *Re Taxation Appeals* [1994] AATA 315.

easy to carry in her backpack when she takes it home each day. While there is no place to store the tools and she needs them to do her work, the tools themselves aren't bulky and would not affect the way she travels to and from work. Those journeys still have the character of private home to work travel and the travel expenses wouldn't be deductible.

Example – transport of tools due to personal choice

Marcus is a short-haul truck driver who decides it is important to take his truck repair tool kit with him on every trip. The tool kit needs 2 people to move it and there is nowhere for him to store the tools safely at the home depot. His employer supplies a basic tool kit for minor repairs in each truck and, if the trucks break down, employees must call the duty mechanic to come out and do the repairs. While the tools would be considered bulky and there is no safe space to store them at work, Marcus doesn't require the tools to perform his job. Marcus wouldn't be able to claim a deduction for his travel to work as it is his personal choice to carry tools that aren't relevant to his driving duties. His employment hasn't created a need to transport bulky tools between home and work. The costs of travelling between home and work are private expenses.

Example – secure storage available

Merinda works as a fitter and turner on a mine site. She drives to work every day. Her work depot is surrounded by a fence and people need to go through a security gate in order to enter the premises. There is a building supplied for staff to store their tools when not on duty. The staff have their own personal tool lockers which have combination locks.

Merinda requires a number of tools to do her job, so her toolkit is large and heavy. While there is room to store her toolkit in her work locker, she chooses to take it home every day. Although her toolkit would be considered bulky, Merinda has a secure place to store it at the work depot and it is her personal decision to transport it between home and work each day. Her work has not created a practical need to transport the bulky toolkit between home and work, and so the daily trips to and from work remain ordinary private journeys. She wouldn't be able to claim a deduction for this travel.

For more information, see:

- Taxation Ruling TR 2021/1 *Income tax: when are deductions allowed for employees' transport expenses?*
- Taxation Ruling TR 95/34 *Income tax: employees carrying out itinerant work – deductions, allowances and reimbursements for transport expenses*.
- Taxation Ruling IT 2543 *Income tax : transport allowances : deductibility of expenses incurred in travelling between home and work*.

Itinerant work

If your work is itinerant, you will be entitled to claim a deduction for transport expenses incurred in travelling between home to work. Your work is itinerant if you have shifting places of work. The following factors may indicate you do itinerant work:

- travel is a fundamental part of your work
- you have a web of workplaces you travel to throughout the day; that is, you have no fixed place of work

- you continually travel from one work site to another[25]
- you are often uncertain of the location of your worksite
- your home is a base of operations – that is, you start work at home and must go to another site to complete it
- your employer provides an allowance in recognition of the need to travel between different work sites.

Example – work that is not itinerant

Chloe is a substitute teacher, who travels to different schools when teachers are away. She sometimes attends a school for just one day and at other times for a few weeks. Chloe is not carrying out itinerant work. While she may not know where she is going to teach each day, she will only ever work at one location during the day. She can't claim a deduction for the cost of the transport between home and work.

Example – work that is itinerant

Mitchell works as an apprentice roof tiler and is dispatched to various sites each day. He travels to the first location from his home and returns home at the end of the day from the last site at which he has worked. Mitchell is carrying out itinerant work as he is travelling between sites all day and can claim a deduction for the transport expenses he incurs when he travels between home and work each day.

Mitchell can also claim the cost of his transport to travel between each site during the day. However, if Mitchell only attended one site and worked there for several days until the job was finished, he wouldn't be carrying out itinerant work.

It is important to also note that the travel needs to be fundamentally tied to your employment income. If the travel is merely a matter of convenience for you or the employer, it will still be considered a private expense and therefore not deductible.

For more information, see:

- Taxation Ruling TR 95/34 *Income tax: employees carrying out itinerant work – deductions, allowances and reimbursements for transport expenses*.

Home as a base of employment

Your home may be a base of employment if:

- you commenced work at or before the time of leaving home to travel to work, and
- the responsibility for completing that work is not discharged until you attend the worksite.

Undertaking the work in 2 locations must be a necessary obligation arising from the nature of your duties, not merely a matter of convenience.

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[25] *Commissioner of Taxation (Cth) v Wiener* 8 ATR 335.

If you do small tasks at home or work at home as a matter of convenience, you can't claim that your home is a base of employment.[26]

Example – home is a base of employment

Tom is the IT Security Director of a data storage company. He is on call 24 hours a day. His employer has installed a secure terminal so he can work from home if he receives a call out of hours. Normally, Tom would provide advice over the phone to the staff on site, and sometimes he would log into the secure terminal at his home to correct the issue.

At times, Tom needs to drive into head office out of hours so he can resolve the issue on site. On those occasions when he starts working from his home terminal but then is required to drive into work to resolve the issue, the transport expenses incurred for this journey are deductible, as his home has become a base of employment. However, his regular daily drive into work isn't deductible.

Example – home is not a base of employment

Una is employed as a copywriter at an advertising agency. She often works from home as it is more convenient for her. Occasionally, she starts the day working at home but drives into the office in the afternoon to meet with her colleagues or check in with her manager. As she chooses to work from home and it isn't generally necessary for her to go to her office, her home isn't a base of employment and the journey to work remains private. She can't claim a deduction for the transport expenses she incurs when travelling from her home to work.

Travel to earn your income

You can claim a deduction for your transport expenses when they are incurred in the course of earning your employment income. This is when:

- you travel directly between 2 separate places of employment, as long as one of them is not where you live
- you attend work-related conferences or meetings away from your usual workplace
- you travel from your regular place of work to an alternative place of work (a place of work you don't regularly work) and back to your regular place of work
- you travel to and from your home to an alternative place of work.

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[26] *Case N44* 81 ATC 216; *Case No B 247/1980* 24 CTBR (NS) 915.

Example – regular workplace

Brock works for a large company with 2 offices in Melbourne. He usually works from the city location but occasionally he is required to attend training at the office in Box Hill. Brock can claim a deduction for the cost of driving to and from the Box Hill office as it is an alternative place of work. However, if Brock works from the city location every Monday to Thursday and from the Box Hill office every Friday as a standard arrangement, then the city office is his regular place of work on Monday to Thursday and the Box Hill office is his regular place of work on Friday. Brock can't get a deduction for his travel from home to his regular places of work.

Example – direct travel between two separate workplaces

Ahmit works primarily as a drafter but has another part-time job as a security guard. On Tuesdays and Thursdays, he drives directly from his job as a drafter to his job as a security guard. As the travel is between 2 separate workplaces, he can claim a deduction for that travel.

Example – non-deductible travel

Michelle is a piano teacher who offers lessons from her home after work and on weekends. Monday to Friday she works as a receptionist at the local doctor's surgery. Michelle can't claim a deduction for travel to and from the doctor's surgery, as this is home to work travel, even though she earns income as a piano teacher at home.

For more information, see:

- Taxation Ruling TR 2021/1 *Income tax: when are deductions allowed for employees' transport expenses?*
- For car expenses when you undertake self-education, see Self-education and study.

Travel

Travel includes transport expenses (refer to Transport expenses) and overnight travel expenses, being accommodation (refer to Accommodation), meals (refer to Meals (food and drink)) and incidental expenses (refer to Overnight travel expenses).

Travel insurance

You can't claim a deduction for travel insurance even if you are required to travel for work purposes. The cost of purchasing travel insurance is private and domestic in nature.[27] This is because travel insurance covers items that are generally private in nature, for example, baggage theft, damage to belongings or medical expenses.

[27] *B636/1985 and Commissioner of Taxation* [1986] AATA 318; *Case T78* 86 ATC 1094.

Union and association fees

You can claim a deduction for the cost of union, trade, business or professional association fees for the industry in which you are employed.

You can also claim up to $42 per income year for each subscription you incur for membership of a trade, business or professional association that is not directly related to the earning of your assessable income.

Example – union fees

Justin is an employee high school teacher in Cairns. He belongs to the Queensland Teachers Union. Each year, Justin pays an amount to the Queensland Teachers Union to be a member. Justin can claim a deduction for the fees he pays.

Example – subscriptions

Michael is an accountant and pays $700 a year for membership of his professional accounting body. He is also studying actuarial science and decides to join that professional body as a student member, which costs $200 per year.

Michael can claim the full amount of $700 for the accounting body membership as that relates to his employment. He can claim $42 of the actuarial professional membership, as it is not related to his employment activity.

Vehicles other than cars

This includes, for example, motorcycles, bikes, bicycles, scooters, trucks, heavy vehicles and buses.

If the vehicle you drive while travelling for work is not a car as defined, you can claim the actual expenses related to your work travel. Vehicles other than cars include motorcycles, a vehicle with greater than one tonne carrying capacity or a van with capacity for 9 or more passengers.

These expenses include fuel, oil, and repair and maintenance costs. You can't claim the purchase of the vehicle but you can claim the decline in value of the vehicle over its effective life.

You need to keep records of all your expenses to prove deductions you claimed, as well as records that show how you have calculated your work-related travel as a percentage of your overall travel. While it is not a requirement to keep a logbook, it is the easiest way to show how you have calculated your work-related use of the vehicle.

Example – claimable expenses

Samid buys a motorcycle that he uses for his work making local deliveries. He also uses his motorcycle when he's not working. To help work out his work-related use he decides to keep a record, similar to a logbook, that shows his work-related and private trips.

Samid's logbook shows he travelled a total of 3,000 km during the income year and, during the 12-week logbook period, he travelled 800 km in total with 600 km being work-related kilometres. He calculates his work-related use percentage as 75%.

Total logbook work-related kilometres ÷ Total logbook kilometres = Work-related use percentage

600 ÷ 800 = 75%

Samid keeps receipts for his expenses. These were for:

Fuel and oil	*$560*
Repair	*$400*
Registration	*$540*
CTP	*$300*
Decline in value	*$1,800*
Total	***$3,600***

Samid multiplies his work-related use percentage by the total expense to get his deduction.

Total expenses × Work-related use percentage = Claimable deduction

$3,600 × 75% = $2,700

For more information, see:

- Logbook method.

Wages

If you are an employee who earns commission-only income, you may be able to claim a deduction if you pay someone to provide you with services and assistance directly relating to your employment activities. You need to demonstrate that the arrangement is not a private arrangement and that hiring the person allows you to earn additional income from your employment activities.

Example – deductible expense

Claire is employed as a regional wine sales executive and works on a commission-only basis. She hires Jake as an administration support person who works 4 hours a day, 5 days a week. Jake ensures Claire's sales orders are processed and sent to her customers. He also books her appointments with clients and undertakes other administrative tasks. Hiring Jake allows Claire to earn more income from selling wine as she has more time to see potential customers and promote the product she is selling. Claire can claim a deduction for Jake's wages expense as there is a clear connection with her employment activity.

Example – non-deductible expense

Pawel is employed as a computer systems salesperson and he only receives commission income. He pays his son $100 a week to answer the home phone when he isn't around. Pawel doesn't expect his son to be at home at certain times and if his son doesn't answer the phone, it will divert to Pawel's mobile. He rarely gives his home phone number out to clients. Pawel can't deduct the expense of paying his son as there is no connection between the expense and his employment activities.

If you are paying wages to a relative, a deduction is only available to the extent it is no more than a reasonable payment for the service performed. A reasonable payment is the amount the employee would be expected to pay to an unrelated person who had similar skills and experience in the same role.

Example – overpayment

Verity is employed as a real estate agent on a commission-only basis. She pays her son $50 an hour to deliver advertising leaflets in the region in which she operates. The market rate for such a service is $21 an hour. Therefore, Verity can only claim a deduction of $21 an hour for the wage expenses.

Watches

A deduction isn't allowable for the cost of purchasing or repairing an ordinary wristwatch as the expense is generally considered private or domestic.[28] However, you may be able to deduct the cost of purchasing or repairing a speciality watch that has the necessary connection with your work.

If the watch cost more than $300, you can only claim its decline in value as a deduction.

You need to apportion expenses if you use the watch for work and private purposes

Smart watches

Similarly to ordinary watches, a smart watch (that connects to a phone or other device to provide notifications, apps and GPS, for example) is a private expense and not deductible under ordinary circumstances.

However, if you require some of the smart watch's functions as an essential part of your employment activities you may be able to apportion the expense between your private and work use. In order to show your work-related use of the watch, you will need to keep a diary or similar record of your use of the device for a representative period.

For more information, see:

- Phones, other telecommunication devices and phone usage
- Apportioning work-related expenses
- Decline in value under the capital allowance provisions.

Example – specialty watch deductible

Alastair is employed as a nurse in a hospital. He buys a nurses' fob watch for $150, which he wears only during work hours. Alastair can't wear a wristwatch at work for hygiene reasons. Alastair can claim a deduction for the expense.

[28] *Case S82* 85 ATC 608; *Case No 97/1985* 28 CTBR (NS) 678.

Example – specialty watch apportioned for private use

Bianca works on the police Diving Squad. She buys a diving watch that she uses every day for work. She also uses the watch when she goes diving recreationally. As the watch cost more than $300, she is entitled to claim the decline in value of the watch as a deduction. However, Bianca would need to apportion the decline in value amount between her work and private use and claim only the portion that relates to her work.

Example – ordinary watch not deductible

Carlos is a travelling salesman. He buys a watch so he can make sure he is on time for his appointments. Carlos can't claim a deduction for his expense as it isn't a speciality watch and the expense is private and domestic in nature.

Example – smart watch not deductible

Dianna is a police officer who primarily works on bicycle patrol. As part of her role, she needs to keep GPS records of where she travels. The department has provided her with a GPS for this purpose. Dianna purchases a smart watch so it is easier for her to keep personal GPS records and to check messages sent to her phone while she is on patrol. She receives both private and work-related messages via the smart watch. Dianna can't claim a deduction for the smart watch because her employer provides her with the necessary tools to fulfil her work functions. The ability to check messages on her phone with her watch isn't a part of her employment duties and the cost of the watch is not a deductible expense for her work.

Working dogs

Generally, the cost of acquiring and taking care of dogs or other pets is a private expense. However, if your dog has a necessary connection to earning your employment income, you may be able to claim a deduction for the purchase and care of the dog. Working dogs are trained for their role from a young age and aren't treated like pets.

Example – working dog connected to employment

Greg is a truck driver who exclusively transports cattle. He owns Hamish, an Australian cattle dog, which is a breed developed for droving cattle. Hamish has also been raised and trained as a cattle dog. Greg takes Hamish on his cattle runs and Hamish herds the cattle in and out of the truck. Because of the connection with Greg's employment, he can claim a deduction for the costs incurred with maintaining Hamish to the extent of the work-related use of the dog.

Example – companion dog not connected to employment

Sammy works as a long-haul truck driver who hauls a variety of goods around Australia. She owns Buster, who is an Australian kelpie, a breed that was developed for herding livestock. Sammy takes Buster on her trips as a companion and guard dog, but he is never used for herding livestock. There is no connection between Buster and Sammy's employment and therefore Sammy can't claim a deduction for expenses for Buster's upkeep.

Example – guard dog not connected to employment

Gabby is a police officer who owns a German shepherd as a guard dog for her protection at home. Gabby can't claim a deduction for maintaining the dog as it is a private expense.

Working from home expenses

Working from home expenses may also be referred to as home office expenses.

You can claim the additional running expenses you incur as a result of working from home. This may include heating, cooling, lighting, cleaning and the decline in value of home office furniture and equipment.[29]

Expenses relating to the use or ownership of a home (occupancy expenses) are domestic and are generally not deductible.[30] However, in specific cases, some expenses may be allowed as a deduction if there is a sufficient connection with your employment activities.

Example – working from home

Calvin is employed as a software developer by ABC Co, a company based in the Melbourne CBD. Calvin lives in a rented property in Geelong and wants to limit his need to commute to the office in the Melbourne CBD. His employer gives him permission to work frequently from home but he needs to come into the office for team meetings and on other days as required.

Calvin sets up a spare room as his work office and he doesn't use it for any other purpose. Calvin would be able to claim additional running expenses in respect of his home office but he wouldn't be able to claim any portion of his rent as it is a cost of maintaining a place to live and is domestic in nature (that is, an occupancy expense).

Example – additional running expenses

Ian occasionally works from home and has a dedicated room to work from. He is entitled to claim the additional running expenses that he incurs as a result of working from home during the day. This would include the cost of lighting, heating and cooling the room he works in for the time he spends working there.

If Ian had instead worked from his dining room or living room when other family members were present, he would not be entitled to claim a deduction for running expenses such as the cost of lighting or heating and cooling as he incurs no additional cost as result of working from home in those circumstances.

Running expenses

If you are entitled to claim running expenses, you can claim the work-related portion of the following expenses:

- electricity or gas (energy expenses) for heating, cooling and lighting

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[29] *Commissioner of Taxation v Faichney* [1972] HCA 67.
[30] *Thomas v Commissioner of Taxation (Cth)* [1972-73] ALR 368; *Handley v Commissioner of Taxation (Cth)* [1981] HCA 16; *Commissioner of Taxation (Cth) v Forsyth* [1981] HCA 15.

- cleaning costs (if you have a room set aside as a home office)
- computer consumables (such as printer paper and ink), and stationery
- home office equipment such as computers, printers, furniture and telephones – for these, you can claim the
  - full cost for items up to $300
  - decline in value for items over $300.

Internet expenses and phone expenses incurred as a direct result of working from home will also be deductible as running expenses.

You can either claim the actual additional running expenses you incurred as a result of working from home or you can use the fixed-rate method to calculate your deduction for running expenses.

Fixed-rate method for running expenses

Instead of calculating and keeping records of all of your actual expenses for heating, cooling, lighting, home and mobile internet expenses, home and mobile phone usage expenses, stationery and computer consumables, you can claim a deduction of a fixed rate for every hour you work at home.

For the 2024–25 income, the fixed rate is 70 cents per work hour. However, for the 2022–23 and 2023–24 income years the fixed rate was 67 cents per work hour.

To use this method, you must keep a record of the actual hours you spend working at home over the income year along with one record for each of the expenses included in the rate per hour that you incurred. For example, if you incur internet and electricity expenses, keep one bill for each expense. A diary or similar record for a 4-week period that represents your usage over the income year will not be accepted as evidence of the hours you worked from home.

You don’t need to have a dedicated work area, such as a home office, that you use when you work from home.

A separate deduction can’t be claimed for any expenses included in the rate per hour. For example, if you use your mobile phone while working from home and while working elsewhere, you can’t claim a deduction for your other work-related use.

Any additional expenses you incur as a result of working from home which are not covered by the rate per hour, can be claimed as a separate deduction, including:

- the decline in value of depreciating assets used while working from home, for example, a desk, laptop computer or mobile phone handset
- repairs and maintenance of depreciating assets
- the cost of cleaning a separate home office if you have one.

You still need to have documents to substantiate the expenses you claim as a separate deduction.

Example – fixed-rate method

Rosemary keeps a record of the total number of hours she worked from home for the entire 2024–25 income year. This record shows that Rosemary worked from home for a total of 1,236 hours.

Rosemary uses her personal mobile phone, which she purchased for $1,349 on 1 July 2024, while working from home and when she is working at the office. Based on the records that Rosemary kept of use for work and private purposes, she works out her work-related use of the phone is 60%. She also incurs expenditure to heat, cool and light the area she works from.

Rosemary uses a work-supplied computer and her own desk and chair. Rosemary has had her desk and office chair for a period longer than the effective life of those items.

The receipt for the purchase of the mobile phone, a mobile phone bill and an electricity bill have been kept by Rosemary.

Using the fixed-rate method, Rosemary calculates her working from home expenses as follows:

Hours worked × rate per hour = 1,236 hours × 70 cents per hour = $865

Rosemary can't claim a decline in value deduction for her computer because it has been provided by her employer. No deduction for the decline in value of Rosemary's desk and chair can be claimed either because Rosemary has owned them for longer than their effective life and they have completely declined in value. However, Rosemary can claim a deduction for the decline in value of her mobile phone which she calculates using the prime cost method as:

$1,349 × (365 days ÷ 365 days) × (100% ÷ 3 years) = $450 x 60% work-related use = $270

Rosemary's total deduction for working from expenses = $1,135 ($865 + $270).

As Rosemary has used the fixed rate method to claim her working from home expenses, she can't claim a separate deduction for the cost of using her mobile phone for work purposes when she is not working from home.

For more information, see:

- Practical Compliance Guideline PCG 2023/1 *Claiming a deduction for additional running expenses incurred while working from home – ATO compliance approach*
- Phones, other telecommunication devices and phone usage
- Decline in value under the capital allowance provisions.

Actual expenses

You can claim additional running expenses incurred as a result of working from home. If you don't have a dedicated work area, such as a home office, you will generally only incur minimal additional running expenses.

To calculate the cost of lighting and heating or cooling you need to use the following formula:

A × B × C

Where:

- A is the cost per unit of power used
- B is the average units used per hour
- C is the total annual hours the area is used for work-related purposes.

Written evidence for cleaning, the purchase of depreciating assets used for work purposes and any other expenses claimed such as internet will also be required to claim the actual cost. Only the actual cost of cleaning a dedicated work area can be claimed. If you are claiming a deduction for the decline in value of the depreciating assets or any other expenses such as internet, you need to apportion the expenses if you use these assets or services for work and private purposes. Records of how you worked out your work-related use percentage should also be kept.

Occupancy expenses

Generally, you can't claim a deduction for occupancy expenses because they are private and domestic in nature. Occupancy expenses are expenses you pay to own, rent or use your home. They include:

- mortgage interest
- rent
- council and water rates
- land taxes
- house insurance premiums.

You can only claim a portion of your occupancy expenses if your employer did not provide you with a place of work, part of your home is a place of business and all of the following apply:

- it is a requirement inherent in the nature of your income-earning activities that you need a place of business
- there is no alternative place of business and it is necessary for you to work from home
- the area of your home that you use for work is exclusively or almost exclusively used for work purposes.

A place of business is not merely a place where work is done. Whether part of your home is a place of business is determined by considering whether the area is:

- clearly identifiable as a place of business
- not readily suitable or adaptable for use for private or domestic purposes in association with your home generally
- used exclusively or almost exclusively for carrying on a business
- used regularly for visits of clients and customers.

None of these characteristics of a place of business is conclusive on its own.

Not being provided a place of work by your employer doesn't always mean that part of your home is a place of business.

If you are entitled to claim occupancy expenses, the amount you can claim as a deduction depends on your individual circumstances. In most cases, the most appropriate method for apportioning your total occupancy expenses is on a floor area basis. If you only meet the criteria above for part of the year, you must also apportion your total occupancy expenses on a time basis.

The calculation is:

Total occupancy expenses × floor area percentage × time used for work purposes

If your mortgage interest expenses are deductible, there will be capital gains tax implications when you sell your home. In particular, you won't be entitled to claim the full main residence exemption for your home. This will be the case regardless of whether you claim a deduction for your mortgage interest expenses in your tax return. This means that if you are entitled to claim interest expenses, but you don't, you still won't be able to claim the full main residence exemption.

Example – deduction for a portion of occupancy expenses

Abdul works for a company who decides to permanently close all their offices. The company still requires Abdul to provide services to their clients, which includes meeting with clients face-to-face and keeping their files secure. When they close his office, Abdul sets aside a room in his house as an office to use when he is working and meeting with clients. His employer provides him with the equipment necessary to fulfil his work functions and they pay for a workplace health and safety check to be done on the room he uses for working at home. Abdul's home address is listed on the employer's website as an address for his employer's company. Abdul doesn't use his office for private purposes and keeps it locked when he is not working. Abdul can claim a deduction for a portion of his occupancy expenses. If Abdul starts working at home part way though the income year, he will have to apportion his expenses on a time basis as well.

For more information, see:

- Phones, other telecommunication devices and phone usage
- Internet expenses
- Decline in value under the capital allowance provisions
- Apportioning work-related expenses
- Taxation Ruling TR 93/30 *Income tax: deductions for home office expenses*
- Law Administration Practice Statement PS LA 2001/6 *Verification approaches for electronic device usage expenses*.

Amendment history

December 2025

Part	Comment
Throughout	Minor wording changes to improve clarity Case references added as footnotes
Dental expenses	Content added to address deductibility of these expenses.
Medical expenses	Content added to address deductibility of these expenses.
Passport expenses	Content added to address deductibility of these expenses.
Travel insurance expenses	Content added to address deducibility of these expenses.
Working from home	Content updated to incorporate the fixed rate for the 2024–25 income year.

August 2024

Part	Comment
Throughout	Minor wording changes to improve clarity.
Throughout	Updated for accessibility.
Working from home expenses	Content updated to incorporate changes made to PCG 2023/1 *Claiming a deduction for additional running expenses incurred while working from home – ATO compliance approach.* Content added to running expenses and to occupancy expenses to improve clarity.
Self-education expenses	Content updated to incorporate the new name for Trade Support Loans – now Australian Apprenticeship Support Loans.
Phone, other telecommunication devices and phone usage	Heading updated to include phone usage as it isn't covered elsewhere. Content updated to include information on work-related phone usage and the inability to claim a separate deduction for phone expenses if working from home expense have been claimed using the fixed-rate method.
Internet expenses	Content updated to include information regarding inability to claim a separate deduction for internet expenses if working from home expenses have been claimed using the fixed-rate method.
Conferences, seminars and training courses Self-education expenses	See more content updated to incorporate TR 2024/3 *Income tax: deductibility of self-education expenses incurred by an individual.*
Clothing expenses	Content updated to correct the name of the Register non-compulsory uniforms are required to be registered on and to clarify when a single item can be registered.
Car expenses	Content included under logbook method to incorporate the electric vehicle home charging rate outlined in PCG 2024/*2 Electric vehicle home charging rate – calculating electricity costs when a vehicle is charged at an employee's or individual's home.*

September 2023

Part	Comment
Throughout	Minor wording changes to improve clarity
Self-education	Information about reducing allowable expenses by $250 removed due to repeal of section 82A of the ITAA 1936.
Working from home	Content updated to incorporate the revised fixed-rate method outlined in PCG 2023/1 *Claiming a deduction for additional running expenses incurred while working from home – ATO compliance approach*.

June 2022

Part	Comment
Throughout	Minor wording changes to improve clarity.
Accommodation	Content updated to incorporate ATO view outlined in TR 2021/4 *Income tax: employees: accommodation and food and drink expenses travel allowances, and living-away-from-home allowances.*
Car expenses – What is a car?	Content updated to include an electric car in the definition of a car.
COVID-19 tests	Content included on when an employee can claim a deduction for the cost of a COVID-19 test.
Home office expenses	Heading changed to 'Working from home expenses' and moved, along with the content, into alphabetical order.
Overnight travel expenses	Content updated to incorporate ATO view outlined in TR 2021/4 *Income tax: employees: accommodation and food and drink expenses travel allowances, and living-away-from-home allowances.*
Protective items – COVID-19	Content updated to clarify when employees can claim a deduction for items purchased and used to protect themselves from COVID-19 while carrying out their employment duties.
Working from home expenses	Content included on the limited circumstances when an employee can claim occupancy expenses.

February 2021

Part	Comment
Gym fees and fitness-related expenses	Content amended to clearly set out the ATO view, which is outlined in Taxation Determination TD 93/114 *Income tax: is a police officer, who is required to maintain an adequate level of physical fitness in order to undertake police duties, entitled to claim a deduction for fitness related expenditure?*, regarding gym clothes and other items of conventional clothing and footwear used in the course of keeping fit.

August 2020

Part	Comment
Introduction	Reference added to TR 2020/1.
Home office expenses	Detail of shortcut method available to calculate running expenses for a defined period of time relating to COVID-19 added. Additional example showing operation of the shortcut method included.
Protective items	Detail relevant to potential items purchased as a result of the COVID-19 pandemic added.
Sunscreen	Updated to include detail in relation to the ARTG ID.
Throughout	Minor wording changes to improve clarity.

Part D – Substantiation requirements

To claim a deduction for a work expense, including the decline in value of a depreciating asset (see Decline in value under the capital allowance provisions), you must substantiate it by getting written evidence. This evidence can be in paper or electronic form. For most work expenses, written evidence will be a receipt or similar document from the supplier that shows all the following:

- the name or business name of the supplier
- the amount of the expense or cost of the asset
- the nature of the goods or services that you purchased
- the date you purchased the goods or services
- the date the document was produced.

Example – valid receipt

Carla, who works on a construction site, buys a new pair of steel-capped boots from an online store. She gets a receipt by email that shows that she ordered and paid $229 for the boots from Workwear Online on 23 January 2019, and that the receipt was generated on 25 January 2019, when the boots were posted. The receipt is suitable substantiation, as it has all the information required, even though it was in electronic form.

If you don't get, or can't get, written evidence such as a receipt, you can provide other forms of evidence for your expenditure which might include, for example, bank statements, invoices or purchase orders. Together, the other forms of evidence need to show all of the items of information described above that must be shown on written evidence.

Example – alternative substantiation

Amy pays her annual professional association fees but doesn't get the receipt. She has the letter from the organisation showing the amount due and payable and a credit card statement that shows she paid the organisation the same amount for 'Professional fees' a few days later. The combination of documents is sufficient for Amy to substantiate her expenses.

Example – insufficient substantiation

Mark buys some tools from a hardware store but he doesn't keep the receipt. He paid with cash that he had withdrawn that day. While he has bank records that show he made the withdrawal and the date the withdrawal was made, the bank statements don't show the name of the hardware store, the nature of the goods purchased or the cost of the tools he purchased. Mark has not substantiated the cost of the tools and he can't claim a deduction for this expense.

For more information, see:

- Law Administration Practice Statement PS LA 2005/7 *Substantiating an individual's work-related expenses*.

Additional requirements for depreciating assets

As well as written evidence that meet the substantiation requirements, such as the original purchase documents, you will need to keep additional records in respect of the depreciating assets you wish to claim. These records must show:

- the rate or effective life you used to work out the decline in value and how you calculated it if you didn't use the Commissioner's rate or effective life
- the method you used to calculate the decline in value
- your work-related percentage and how you calculated it.

Substantiating overnight travel expenses

If you meet the criteria to claim overnight travel expenses (accommodation, meals (food and drink), or expenses incidental to the travel) as a work-related expense, generally you need to keep written evidence for all of the overnight travel expenses you have incurred and intend to claim. This can include receipts for meal purchases, accommodation and other incidental expenses.

The specific records you need to keep depend on a number of factors including whether:

- you receive a travel allowance
- the allowance is reported on your payment summary or income statement
- the travel allowance is to cover domestic or overseas travel
- your travel away from home is for 6 nights or more in a row.

If the travel is longer than 6 nights away from home, you need to keep a travel diary, unless an exception applies.

Travel diary

A travel diary is a record of your work trip where you record the dates, places, times and duration of your activities and travel. The diary allows you to accurately calculate the work-related and private parts of the trip. You can only claim the work-related part of the trip.

There may be some exceptions from substantiation for your overnight travel expenses. Please refer to Exceptions for overnight travel for further information.

- For more information on how to keep a travel diary, see Travel diary or record of your activity.

Substantiation of car expenses

Work-related car expenses have some additional requirements for substantiation and how you calculate your deduction. For information on these requirements, see Car expenses.

Amendment history

December 2025

Part	Comment
Substantiation of car expenses	Link updated.

August 2024

Part	Comment
Throughout	Updated ‘See more’ to ‘For more information, see:’.

June 2022

Part	Comment
Throughout	Minor wording changes to improve clarity.

August 2020

Part	Comment
Throughout	Minor wording changes to improve clarity.

Part E – Exceptions and relief from substantiation requirements

There are some exceptions from the substantiation requirements for work-related expenses. However, it is important to keep a record of how you calculated your claim even if you aren't required to keep written evidence of the actual expenses. You can only claim the expenses you actually incurred.

Exceptions for overnight travel

When you receive an allowance to cover your overnight travel expenses, you may not have to obtain or keep receipts and a travel diary (see Substantiation requirements – quick guide for when that will be the case). You can still only claim expenses you actually incurred.

The exception applies only to substantiating expenses that your allowance covers. For example, if you are paid an allowance for food and drink, you can't rely on the exception for your accommodation or incidental expenses, and you need to provide written evidence for them.

Example – meal allowances

Kim is paid an allowance for dinner and breakfast during an overnight work trip. She also buys lunch before the flight home. As her allowance covers only her dinner and breakfast, she can't rely on the exception from substantiation for her lunch expenses. To claim a deduction for the cost of her lunch, Kim would be required to have written evidence to substantiate its full cost.

Exceptions for substantiation: reasonable amounts

Each year, the ATO publishes reasonable amounts for the exceptions to substantiation for travel expenses. These reasonable amounts are only used to work out the exceptions for substantiation: you can't claim more than the reasonable amount unless you have written evidence such as receipts for all your overnight travel expenses.

For more information, see:

- Record-keeping exceptions for travel allowance expenses provides a link to the taxation ruling which provides the reasonable amounts for the current year.

General travel allowances

For the exception to apply, your allowance must be paid for a specific work journey. It can't be a fixed amount that you receive regardless of how much you travel. In addition, the allowance must be an amount that could be reasonably expected to cover your expenses and not merely a token amount.

An amount for travel expenses folded into your normal salary or wages (for example, under a workplace agreement) isn't considered to be an allowance. If an allowance has been folded into normal salary or wages, the exception from substantiation doesn't apply.

Example – allowance folded into salary – substantiation exception doesn't apply

Malcolm works as a travelling sales representative for a telecommunications company. His employer realises that he travels a great deal for work, so has increased his base salary to account for this travel.

Malcolm can't rely on the exception from substantiation for his travel expenses, as he doesn't receive a separate allowance to cover his costs.

Malcolm can claim a deduction for the expenditure he incurs on accommodation, food and drink and incidentals when he is travelling overnight for work if he has written evidence for these expenses.

Domestic exception

If you receive an allowance from your employer for travel for specific journeys within Australia, and the expenses you incur and therefore claim are up to the reasonable amount, you don't need to keep a travel diary or written evidence for food and drink, accommodation or incidental expenses. However, you still need to be able to show how you calculate your claim.

You can only claim a deduction if the allowance is shown on your income statement and you have declared the allowance as income in your return.

Example – substantiation for domestic travel

Zoran works in Melbourne. His employer requires him to travel to the office in Sydney for a work week. Zoran is paid a $120 meal allowance per day to cover his breakfast, lunch and dinner expenses for the 5 days he is required to be in Sydney.

Zoran's employer pays for the accommodation directly. Zoran spends less than the reasonable amount set by the Commissioner for each of the meals that he buys in Sydney, with the total cost for all his meals being $380.

Zoran isn't required to keep written evidence for his expenses on food and drink for this trip to Sydney as the domestic substantiation exception applies.

If the ATO asks, Zoran still has to demonstrate that he was travelling for work, that he has credit card statements or other records to show he spent the amount of $380 during the work trip and that he declared the $600 allowance as income in his tax return.

Zoran can't claim a deduction for accommodation because his employer paid for it. Zoran must keep written evidence for any incidental work expenses he incurs when in Sydney. As he didn't receive an allowance for incidental expenses, he can't rely on a substantiation exception for those.

International exception

If you travel internationally for work and receive a travel allowance from your employer for that specific journey, you don't need to substantiate the food, drink and incidental expenses you incur if they are up to the reasonable amounts.

Even if your allowance covers accommodation, you must keep written evidence to substantiate your accommodation expenses. If you travel for more than 6 nights, you also need to keep a travel diary.

You can only claim a deduction if the allowance is shown on your income statement or payment summary and you have declared the allowance as income in your tax return.

If you are an aircrew member working on international flights, you don't need to keep a travel diary if:

- your allowance covers travel you undertake as a crew member of an aircraft
- the travel is principally outside Australia, and
- the total expenses you claim for the travel covered by the allowance doesn't exceed the allowance you receive.

Documentation

If you are claiming less than the reasonable amounts and you are relying on the exception from getting and keeping substantiation you must still be able to show:

- that you incurred an expense in the course of performing your work duties
- how you worked out your claim
- that you spent the money yourself and you weren't reimbursed
- that you declared the allowance as income on your tax return.

Substantiation requirements quick guide

Table 1: No travel allowance received

Nights travelled	Written evidence for domestic travel	Travel diary for domestic travel	Written evidence for international travel	Travel diary for international travel
Less than 6 nights in a row	Yes	No	Yes	No
6 or more nights in a row	Yes	Yes	Yes	Yes

Table 2: Travel allowance received but claim exceeds the reasonable allowance amount

Nights travelled	Written evidence for domestic travel	Travel diary for domestic travel	Written evidence for international travel	Travel diary for international travel
Less than 6 nights in a row	Yes	No	Yes	No
6 or more nights in a row	Yes	Yes	Yes	Yes Exception for international air crew: no substantiation required when the claim is less than the allowance

Table 3: Travel allowance received but claim doesn't exceed the reasonable allowance amount

Nights travelled	Written evidence for domestic travel	Travel diary for domestic travel	Written evidence for international travel	Travel diary for international travel
Less than 6 nights in a row	No	No	Accommodation – Yes Food, drink and incidentals – No	No
6 or more nights in a row	No	No	Accommodation – Yes Food, drink and incidentals – No	Yes Exception for international air crew: no substantiation required when the claim is less than the allowance

For more information, see:

- Keeping travel expense records.

Substantiating overtime meals

If you receive an overtime meal allowance under an award or enterprise agreement, you may not be required to keep written evidence of your expenses. If the expenses you intend to claim for your overtime meals are no more than the reasonable amount, you don't need to keep written evidence.

However, you can only claim a deduction for the amount you have actually spent on food and drink that was consumed during the overtime. The allowance must also be shown on your income statement or payment summary and you must have declared the allowance as income in your tax return to claim a deduction for an overtime meal.

If you claim more than the reasonable amount, you need to keep written evidence for the whole amount, not just the excess.

For more information, see:

- Overtime meal expenses to see if you are eligible to claim a deduction.

Substantiating laundry expenses

If laundry expenses for your deductible work-related clothing are $150 or less, you can claim the amount you incur on laundry expenses without providing written evidence. You need to be able to show how you have come up with the total of your claim.

For more information, see:

- Laundry expenses
- Clothing expenses.

Total work-related expenses $300 or less

If the total of your work expenses is $300 or less (including laundry expenses but excluding car, travel and overtime meal allowance expenses), you can claim the amount expended without keeping written evidence. You can only claim the amount you spend and you need to show how you have come up with the total of your claim.

Relief from substantiation

If you fail to provide substantiation, the Commissioner may grant you relief from substantiation in some limited circumstances. This may occur where:

- there is sufficient evidence to indicate that you incurred the expense and it is deductible
- there is a reasonable expectation that you wouldn't have needed to substantiate the expense
- documents have been lost or destroyed despite your taking reasonable precautions.

For more information, see:

- Taxation Ruling TR 2004/6 *Income tax: substantiation exception for reasonable travel and overtime meal allowance expenses*
- Taxation Ruling TR 97/24 *Income tax: relief from the effects of failing to substantiate*.

Amendment history

December 2025

Part	Comment
All	Minor wording changes to improve clarity.

August 2024

Part	Comment
International exception	Minor wording changes to improve clarity.
Throughout	Updated for accessibility.

June 2022

Part	Comment
All	Minor wording changes to improve clarity.

August 2020

Part	Comment
Throughout	Minor wording changes to improve clarity.

Part F – Decline in value under the capital allowance provisions

Assets that have a longer life, normally more than one income year, may be capital assets. This includes items such as tools, computers and books. The expense incurred to purchase these items is capital expenditure and it can't be claimed under the general deduction provisions (see Claiming a deduction: the basic conditions). Instead, it may be possible to claim the decline in value of the capital expenditure each year under the capital allowance provisions.

For the cost of a capital asset to be deductible in this way, it needs to be a depreciating asset. A depreciating asset is an asset that has a limited effective life and can reasonably be expected to decline in value over the time it is used.

Example – asset categories

Rosa buys a replacement arc welder to use as part of her work. She also buys some disposable welding helmet lens covers. The arc welder is a capital asset as it has a useful life longer than a year. As it has a limited effective life and will decline in value over time, it is a depreciating asset that may be deductible under the capital allowance provisions.

The disposable welding helmet lens covers aren't a capital asset, as their effective life is very short. The general rules for claiming a deduction must be applied when claiming a deduction for the lens covers.

Depreciating assets

You can claim a deduction for capital expenditure if you hold a depreciating asset during the income year, and you use it in earning your employment income. For an employee, holding an asset usually means that you are its legal owner. There are 2 different treatments for depreciating assets, depending on whether they cost more or less than $300.

Assets costing $300 or less

An immediate deduction for assets costing $300 or less may be available under the capital allowance provisions if your use the assets more than half the time for work purposes. You need to apportion the expense if you use the asset for work and private purposes.

To be able to claim the immediate deduction, you need to meet all 4 of the following tests:

- the asset costs $300 or less
- you use the asset mainly to produce non-business assessable income
- the asset isn't a part of the set costing more than $300
- the asset isn't one of a number of items that are identical or almost identical costing more than $300.

We consider each of these in more detail below.

Test 1 – the asset costs $300 or less

The cost of the asset is generally what you pay for it. Where the asset cost $300 or less, you may be able to claim an immediate deduction for the full purchase price. If you hold an asset jointly with others, your interest in the asset (that is, the portion you own) is considered the relevant asset for the test. Therefore, if the cost of your interest in the asset is $300 or less then you can claim the immediate deduction, even if the total cost is above $300.

Example – jointly held assets

Yousef and Giovani purchase a laptop for $1,000, with Yousef contributing $750 and Giovani contributing $250. They therefore own 75% and 25% of the laptop respectively. Giovani may be able to claim an immediate deduction because the cost of his interest in the laptop doesn't exceed $300. Yousef can't claim an immediate deduction as the cost of his interest exceeds $300, but he can claim the deduction for the decline in value of the asset.

Test 2 – you use the asset mainly to produce non-business assessable income

To claim the immediate deduction, you must use the asset mainly (more than 50% of time) for the purpose of producing assessable income that is not from carrying on a business.

You must still reduce your deduction if you use the asset for a non-income producing or private purpose.

If you don't use the asset mainly to produce non-business assessable income, you can still claim a deduction for the decline in value of the depreciating asset over its effective life. You calculate your deduction in the same way as assets costing more than $300.

Example – multiple use asset

Rob buys a calculator for $150. He uses the calculator 40% of the time in his sole-trader business and 60% of the time for his job as an employee bookkeeper. As the calculator is used more than 50% of the time for producing assessable income in his employee role, Rob can claim an immediate deduction of $150.

If Rob used his calculator 40% of the time for private purposes and 60% of the time for his job, he is still using the calculator more than 50% of the time for producing non-business assessable income. However, his deduction would be reduced by 40% to reflect his private use of the asset, that is, Rob's deduction would be $90 ($150 × 60%).

Test 3 – the asset not part of a set costing more than $300

Assets that form part of a set that cost more than $300 aren't eligible for the immediate deduction. You must decide on a case-by-case basis whether items form a set. Items are part of a set if they are:

- interdependent
- marketed as a set, or
- designed and intended to be used together.

Example – set of books

Anh works as a lawyer at a suburban firm. She discovers a series of 3 books about conveyancing that would greatly help in her work. The series is marketed as a set, and each volume builds on the knowledge of the previous one. The 3 books are a set.

The 3 books cost $600 together but can be bought separately for $200 each. Anh buys one book each month for 3 consecutive months in the same income year for a total cost of $600.

Although the cost of each book is less than $300, Anh can't claim an immediate deduction for the books, because they are a set and the cost of the set is over $300.

A group of assets acquired in an income year may be a set in themselves. This is the case even if they also form part of a larger set acquired over more than one income year. Assets acquired in another income year aren't considered when working out whether items form a set or the total cost of a set.

Example – set of items part of a larger set

Paula, a primary school teacher, hears about a series of 12 progressive reading books. The books are designed to develop children's reading skills in stages. Pupils move on to the next book only when they have successfully completed the previous book. The first 6 books are at a basic level while the second 6 books are at an advanced level.

Paula buys one book a month beginning in January and by 30 June she holds the first 6 books (the basic readers) at a total cost of $240. Because of the interdependency of the books, these 6 books are a set even though they can be purchased individually and form part of a larger set. An immediate deduction is available for each book because the cost of the set Paula acquired during the income year was not more than $300 (that is, $240).

If Paula acquires the other 6 books (the advanced readers) in the following income year, they would be regarded as a set acquired in that year.

Example – items not forming part of a set

Mary buys some new tools for her work as a carpenter. She buys a shifting spanner, a boxed set of screwdrivers and a hammer for her toolkit. Each item costs $300 or less.

While these tools may comprise or add to Mary's toolkit, they're not a set because they aren't interdependent or designed to be used together. It would make no difference if Mary purchased the items at the same time and from the same supplier or manufacturer.

An immediate deduction is available for all the items, including the screwdrivers. The screwdrivers are a set, as they are marketed as a set. However, as the cost is $300 or less the deduction is available.

A set needs to have more than one depreciating asset. In some cases, a single depreciating asset may be made up of more than one item.

Example – multiple items that aren't a set

Shelley works as editor and buys a 3-volume dictionary for her reference library. Although she calls it a 'set' of dictionaries, it is a single edition, with the 3 volumes having a single integrated function. It is a single depreciating asset and the set test doesn't apply.

Test 4 – asset not one of a number of items that are identical or substantially identical

If you acquire more than one depreciating asset that is identical or substantially identical, you need to work out whether their total cost is more than $300. Items are identical if they are the same in all respects. Items are substantially identical if they are the same in most respects even if there may be some minor or incidental differences. Factors to consider include colour, shape, function, texture, composition, brand and design.

Example – identical or substantially identical items

Tahir is employed as a cabinet maker and he supplies his own tools for work. He buys 10 300 mm F-clamps for $40 each. They are all from the same manufacturer. Each clamp is sold separately and comes in its own packaging. They have a total cost of $400.

Tahir's 300 mm F-clamps are all identical as they are all from the same brand and have the same design, manufacturer and use. They aren't eligible for immediate deduction.

Assets costing over $300

If your work-related asset cost more than $300, you can claim its cost over its effective life.

You need to apportion the expense if you use the asset for both private and work purposes.

For more information, see:

- Apportioning work-related expenses.

Effective life

An asset's effective life is how long it can be expected to last considering how it is used. The ATO publishes the effective life of most assets, which you may use to calculate the decline in value. These were updated and published annually but are now in Tables A and B in the *Income Tax Assessment (Effective Life of Depreciating Assets) Determination 2025*. Alternatively, you can use your own estimate based on your expected usage pattern.

You can recalculate the effective life of an asset if you make an improvement to the asset that increases its cost by 10% or more in the income year or if circumstances arise that result in your initial estimate of the effective life being inaccurate.

For more information, see:

- Effective life of depreciating assets
- Income Tax Assessment (Effective Life of Depreciating Assets) Determination 2025.

Start time

The start time of a depreciating asset is when you first use it or install it to use for any purpose, including a private purpose. The asset declines in value from its start time, but you can only claim a deduction for the decline in value when you start using it to earn employment income. If you initially purchase an asset for private use, then later use it to earn employment income, you need to work out the decline in value from the start time.

Example – start time before use to earn employment income

Stacey purchases a laptop computer on 1 July 2017 and uses it for private purposes only, until 1 July 2018, when she starts using it partially for work.

Laptop computers have a 2-year effective life, so Stacey needs to work out the decline in value from 1 July 2017 onwards, but she can start claiming a deduction for the decline in value from 1 July 2018. This means Stacey can only claim the decline in value for the last year of the effective life of the laptop.

The amount she can claim will need to be apportioned for the amount of time she uses the laptop for work and private purposes.

The elements of cost

To work out the decline in value of a depreciating asset, you also need to know its cost, which has 2 elements.

Generally, the first element of cost is the amount you have paid to hold the asset. This is most commonly the purchase price, but also includes any other expenses you incur to acquire the asset (such as shipping).

The second element of cost is generally the amounts you have paid after you have acquired the asset. These costs include those to bring the asset to its present condition and location, including improvements to the asset.

Example – first and second elements of cost

Tom is employed as an arborist and he buys a new chainsaw for $2,300 online. It costs an additional $50 to get the chainsaw delivered to his house. After one month, Tom spends $150 to upgrade the muffler on the chainsaw.

The first element of the cost is $2,350. This amount includes the purchase cost of the chainsaw and the delivery cost. The delivery cost is included in the first element of the cost as it is directly connected with Tom starting to hold the chainsaw.

The $150 Tom spent to upgrade the muffler is added to the second element of the cost of the chainsaw as it was incurred after he began to hold the asset.

Prime cost and diminishing value methods

To claim the decline in value of a depreciating asset, you use either the prime cost method or the diminishing value method. You can choose whichever method you prefer. However, once you make the choice, you can't change the method in future years. If you acquire the asset from an associate, such as your spouse or a business partner, you have to continue using the same method that they chose to depreciate the asset.

Prime cost method

The prime cost method assumes that the value of a depreciating asset decreases uniformly over its effective life. The formula for calculating the annual decline in value using the prime cost method is:

Asset's cost × (Days held ÷ 365) × (100% ÷ Asset's effective life)

If the depreciating asset is used for work-related purposes and private purposes, you can only claim the work-related use percentage of the decline in value as a deduction.

Diminishing value method

The diminishing value method assumes that the value of a depreciating asset decreases faster earlier in its effective life. The formula for working out the annual decline in value using the diminishing value method in the income year where the asset's start time occurs is:

Base value × (Days held ÷ 365) × (200% ÷ Asset's effective life)

If the depreciating asset is for work-related purposes and private purposes, you can only claim the work-related use percentage of the decline in value as a deduction.

The base value for the income year in which the asset's start time occurs is the asset's cost. In future years, the base value is the asset's opening adjustable value for that year, plus any amount included in the asset's second element of cost, such as costs to improve the asset, incurred in the year.

For more information, see:

- For help with the calculation of the annual decline in value you can use the depreciation and capital allowances tool.

Example – depreciating asset

Ben installs a new desktop computer on 5 February 2019 that he bought for $3,000. He uses it 40% for work and 60% privately. It has an effective life of 4 years. Ben calculates the decline in value using both methods to work out which suits him better.

Ben calculates the decline in value using the prime cost method for the first year as below:

$3,000 × (146 ÷365) × (100% ÷ 4) = $300

As he only uses the computer 40% for work, he calculates his deduction for the decline in value as follows:

Decline in value × Work use percentage = Claim amount

$300 × 40% = $120

Ben uses the calculator on ato.gov.au to work out the decline in value for future years and records the following results. He is aware that he needs to adjust for any second element costs, such as costs to improve the asset, or if he disposes of the asset.

Table 4: Example decline in value schedule (Ben)

Income year	***Decline in value***	***Taxable use***	***Deductible decline in value***
2018–19	*$300.00*	*40%*	*$120.00*
2019–20	*$752.05**	*40%*	*$300.82*
2020–21	*$750.00*	*40%*	*$300.00*
2021–22	*$750.00*	*40%*	*$300.00*
2022–23	*$447.95*	*40%*	*$179.18*

**The decline in value is higher in 2019–20 year as it is a leap year.*

Ben calculates the decline in value using the diminishing value method for the first year as follows:

$3,000 × (146 ÷ 365) × (200% ÷ 4) = $600

As he only uses the computer for work for 40% of the time, he calculates his deduction for the decline in value as follows:

Decline in value × Work use percentage = Claim amount

$600 × 40% = $240

Ben needs to calculate the adjustable value of the asset on 30 June 2019. This is the asset's cost less the decline in value:

Base value − Decline in value = Adjustable value

$3,000 − $600 = $2,400

This amount (along with any second element costs) forms the base value of the asset for the next year.

Ben uses the calculator on ato.gov.au to work out the decline in value for the future years and records the following results. He is aware that he will need to do an adjustment if he has any second element costs or if he disposes of the asset.

Table 5: Example decline in value schedule – future years (Ben)

Income year	*Opening adjustable value*	*Decline in value*	*Taxable use*	*Deductible decline in value*	*Adjustable value at end of year*
2018–19	*$3,000.00*	*$600.00*	*40%*	*$240.00*	*$2,400.00*
2019–20	*$2,400.00*	*$1,203.28*	*40%*	*$481.31**	*$1,196.72*
2020–21	*$1,196.72*	*$598.36*	*40%*	*$239.34*	*$598.36*
2021–22	*$598.36*	*$299.18*	*40%*	*$119.67*	*$299.18*
2022–23	*$299.18*	*$149.59*	*40%*	*$59.84*	*$149.59*
2023–24	*$149.59*	*$75.00*	*40%*	*$30.00**	*$74.59*
2024–25	*$74.59*	*$37.30*	*40%*	*$14.92*	*$37.29*
2025–26	*$37.29*	*$18.65*	*40%*	*$7.46*	*$18.64*
2026–27	*$18.64*	*$9.32*	*40%*	*$3.73*	*$9.32*
2027–28	*$9.32*	*$4.67*	*40%*	*$1.87**	*$4.65*

Income year	*Opening adjustable value*	*Decline in value*	*Taxable use*	*Deductible decline in value*	*Adjustable value at end of year*
2028–29	*$4.65*	*$2.33*	*40%*	*$0.93*	*$2.32*
2029–30	*$2.32*	*$1.16*	*40%*	*$0.46*	*$1.16*
2030–31	*$1.16*	*$1.16*	*40%*	*$0.46*	*$0*

Ben ultimately chooses to use the prime cost method as he thinks that method will suit him best.

** The days held are 366 in a leap year if the asset is held for the whole year.*

For more information, see:

- Guide to depreciating assets.

Amendment history

December 2025

Part	Comment
Effective life	Link to 2025 determination provided

August 2024

Part	Comment
Throughout	Updated for accessibility.
Throughout	Minor wording changes to improve clarity
Effective life	Content updated to incorporate changes to the way effective life determinations are accessed.

June 2022

Part	Comment
Prime cost and diminishing value methods	Content separated – new sub-heading for prime cost method and diminishing value method.

August 2020

Part	Comment
Throughout	Minor wording changes to improve clarity.

References

Rulings and determinations:
IT 2477; IT 2543; TR 92/15; TR 93/30; TR 94/22; TR 95/25; TR 95/34; TR 96/18; TR 97/7; TR 97/12; TR 97/24; TR 98/5; TR 2000/2; TR 2003/16; TR 2004/6; TR 2020/1; TR 2021/1; TR 2021/4; TR 2024/3; TD 93/114; TD 97/19

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