TD 93/49 - Income tax: is an employee who receives an allowance to compensate for the inconvenience, isolation and discomfort encountered during the course of employment, automatically entitled to any deduction against the allowance?

This cover sheet is provided for information only. It does not form part of *TD 93/49 - Income tax: is an employee who receives an allowance to compensate for the inconvenience, isolation and discomfort encountered during the course of employment, automatically entitled to any deduction against the allowance?*

This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVAAA of the *Taxation Administration Act 1953*, is a public ruling for the purposes of that Part . Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. Unless otherwise stated, this Determination applies to years commencing both before and after its date of issue. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

Taxation Determination

Income tax: is an employee who receives an allowance to compensate for the inconvenience, isolation and discomfort encountered during the course of employment, automatically entitled to any deduction against the allowance?

1. No. The mere receipt of an allowance which is described as a form of compensation for working in abnormal or difficult environmental conditions does not entitle an employee to a deduction. Such allowances are not intended to reimburse work related expenditure or additional private costs incurred by the employee as a result of his/her employment. (See Taxation Ruling TR 92/15 for an explanation of the income tax and fringe benefit tax implications of reimbursements.)

2. An employee is entitled under subsection 51(1) of the *Income Tax Assessment Act 1936* to a deduction for expenditure incurred in gaining or producing assessable income other than expenditure of a capital, private or domestic nature. A deduction is not allowable if an employee incurs expenditure of a private or domestic nature in order to cope with the working conditions that exist.

Example 1

A road worker camps out at a base camp as a member of a road gang and receives an allowance to compensate for isolation, inconvenience and discomfort.

The employee purchases food and drink, cooking utensils and provides his/her own bedding. The employer provides for all the other items necessary for the employee to camp out, such as a caravan with a stove and an amenities structure for washing etc.

The allowance is included in the employee's assessable income but no deduction is allowable against the allowance received. The employee's expenditure is not allowable as a deduction because it is expenditure of a private or domestic nature.

Example 2

A mining company employee camps out to undertake land surveys and is paid a ***site allowance*** *to compensate for the inconvenience, isolation and discomfort of remote job sites. The employer provides all items necessary for the employee to camp out.*

The allowance is included in the employee's assessable income. As the employee has not incurred any work related expenditure in relation to this allowance, no deduction is allowable.

Example 3

An employee receives a ***height allowance*** *of $1740 from his employer because of harsh and difficult working conditions. The allowance is included in the employee's assessable income. The employee is not entitled to a deduction of $1740.*

Commissioner of Taxation
25/3/93

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