



TR 94/23 - Income tax: reasonable allowances for the 1994-95 income year

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Taxation Ruling

Income tax: reasonable allowances for the 1994-95 income year

other Rulings on this topic

IT 2686; TR 93/22

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*This Ruling, 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 Ruling is a public ruling and how it is binding on the Commissioner.*

What this Ruling is about

1. Subsections 82KZ(4) and (5) of the *Income Tax Assessment Act 1936* provide that the substantiation requirements relating to overtime meal expenses, domestic travel expenses and overseas travel expenses do not apply where the taxpayer has received an allowance in respect of those expenses (whether or not the allowances, except in the case of the overtime meal allowance, were paid under an industrial instrument) and the Commissioner of Taxation considers the allowance to be reasonable.

2. This Ruling sets out the amounts which the Commissioner considers to be reasonable, for the purposes of subsections 82KZ(4) and (5), in relation to:

- overtime meal allowances;
- domestic travel allowances;
- travel expenses for long distance truck drivers; and
- overseas travel allowances.

Ruling

Overtime meal allowances

3. Overtime meal allowances up to an amount of \$15 per meal are considered to be reasonable for the 1994-95 income year.

TR 94/23**Domestic travel allowances*****Daily travel allowances***

4. Daily travel allowances (ie those requiring an overnight stay) that do not exceed the rates of daily travel allowances set for members of the Australian Public Service (APS) by more than five dollars are considered to be reasonable for the 1994-95 income year. APS daily travel allowances are payable according to salary level and are as follows for the 1994-95 income year:

(a) if an employee's annual salary is in the range \$62064 and \$103935

Place	Accomm. \$	Food and drink Bfast Lunch Dinner 13.45 18.30 27.20 \$	Incidentals \$	Total \$
Sydney	129	58.95	15.50	203.45
Melbourne	113	58.95	15.50	187.45
Brisbane	97	58.95	15.50	171.45
Canberra	83	58.95	15.50	157.45
Adelaide	85	58.95	15.50	159.45
Darwin	104	58.95	15.50	178.45
Hobart	83	58.95	15.50	157.45
Perth	99	58.95	15.50	173.45
High cost country centres	see note (a) below	58.95	15.50	see note (a) below
Tier 2 country centres (see note (b) below)	68	B L D 10.75 11.65 24.40 46.80	15.50	130.30
Other country centres	55	46.80	15.50	117.30

(b) if an employee's annual salary is below \$62064

Place	Accomm. \$	Food and drink Bfast Lunch Dinner 12.40 13.25 24.05 \$	Incidentals \$	Total \$
Sydney	97	49.70	10.95	157.65
Melbourne	85	49.70	10.95	146.65
Brisbane	73	49.70	10.95	133.65
Canberra	62	49.70	10.95	122.65
Adelaide	64	49.70	10.95	124.65
Darwin	78	49.70	10.95	138.65
Hobart	62	49.70	10.95	122.65
Perth	74	49.70	10.95	134.65
High cost country centres	see note (a) below	49.70	10.95	see note (a) below
Tier 2 country centres (see note (b) below)	57	B L D 9.40 11.65 21.65 42.70	10.95	110.65
Other country centres	46	42.70	10.95	99.65

Notes:

- (a) High cost country centres accommodation expenses are listed in paragraph 5 of this Ruling.
- (b) Tier 2 country centres are listed in paragraph 6 of this Ruling.

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5. High cost country centres - accommodation expenses:

Country centre	\$	Country centre	\$
Broome	98	Norfolk Island	91.50
Halls Creek	85	Paraburdoo	85
Jabiru	109	Pt Hedland	68
Karratha	90	Tom Price	65
Kununurra	69.50	Weipa	90
Newman	93.50	Yulara	168
Nhulunbuy	80		

6. Tier 2 country centres

Country centre	Country centre
Albury	Katanning
Alice Springs	Marla
Burnie	Mount Magnet
Cairns	Newcastle
Devonport	Northam
Exmouth	Wagga Wagga
Kalgoorlie	Wilpena

(c) Part-day travel allowances

7. In certain circumstances, APS employees receive an allowance in respect of travel which necessitates their being absent from their workplace on official business for not less than 10 hours but which does not require an overnight absence. APS travel allowances for part-day travel are:

annual salary range	allowance
\$62064 - \$103935	\$39
below \$61147	\$29

8. These allowances are considered to be reasonable for the 1994-95 income year.

(d) Employees with annual salaries above \$103935

9. For employees who receive an annual salary of more than \$103935, daily travel allowances set on an independent annual review by the Remuneration Tribunal are considered to be reasonable. For the 1994-95 income year, those rates are:

salary range	overnight		part-day
	capital city	other	
\$103935 - \$195381	\$300	\$155	\$45

Unvouched travel expenses for long distance truck drivers***Employee long distance truck drivers who receive travel allowances***

10. Amounts up to the food and drink component of the APS daily travel allowance payable in respect of 'other country centres' are considered to be reasonable. For the 1994-95 income year, the relevant amounts are:

- (a) salary up to \$62064 - \$42.70
- (b) salary above \$62064 - \$46.80

11. If the employee claims as a deduction an amount which is greater than the amount considered to be reasonable, the deduction will only be allowed if the full amount of the expense is substantiated.

12. If the employee receives an allowance which is less than the 'reasonable rates', a deduction **up to the amount of the allowance received** may be claimed without the need for substantiation.

Accommodation expenses

13. An employee truck driver is entitled to a deduction for expenditure on accommodation whilst away from home if he or she is able to substantiate that expenditure.

Employee long distance truck drivers who do not receive travel allowances

14. Any claim made by an employee who does not receive any allowance must be substantiated. If, however, it is impracticable for a taxpayer to obtain receipts for various small amounts spent on food and drink, it is sufficient substantiation if:

- (a) particulars of the amounts are evidenced in a diary or similar record; and
- (b) the total expenditure claimed for food and drink, including any amounts covered by receipts, does not exceed the 'reasonable rates' set out in paragraph 10 of this Ruling (ie., \$42.70 for salaries up to \$62064 and \$46.80 for salaries above \$62064).

Claims that exceed those rates must be substantiated in full. In cases where no allowance is paid, claims for the cost of meals incurred by long distance truck drivers will only be allowable where the employee is required to sleep away from home (see TR 94/18).

Owner-drivers

15. As owner-drivers do not receive any allowance, they are generally required to comply with the substantiation requirements of the law. Under subsections 82KZ(2) and (3), if a taxpayer incurs expenses in respect of extended domestic travel expenses (ie the taxpayer is away from home for more than five nights) a diary or similar document of the business activities that took place during the course of travel must be kept in addition to other receipts. Notwithstanding this, we recognise that it is sometimes impracticable for an owner-driver to obtain receipts for various small amounts spent on food and drink. In those cases, it is sufficient substantiation if particulars of the amounts are evidenced in a diary or similar record and the total expenditure claimed for food and drink (including any amounts covered by receipts) does not exceed \$46.80 per day.

Reasonable overseas travel allowances

16. If the food, drink and incidentals component of an overseas travel allowance does not exceed the rates of overseas travel allowance paid to members of the APS and public office holders for short term travel, that component of the overseas travel allowance will be treated as reasonable. Taxpayers must still retain documentary evidence of accommodation expenses and maintain a travel diary. Guidelines on travel diary requirements are contained in MT 2038.

17. The relevant APS rates are detailed in the APS 'Personnel Management Manual, Volume 9 Schedule 2/C/A' [this schedule is updated in a microfiche format on a fortnightly basis and is available on an annual subscription basis from the Australian Government Publishing Service, GPO Box 84, CANBERRA ACT 2601, phone (06) 295 4411]. Schedule 2/C/A comprises 3 parts: A, B and C which deal with overseas travel allowances paid to Secretaries of Departments, Senior Executive Service officers and other officers respectively. The rates of travel allowances payable as at 2 June 1994 are set out in schedule 1 to this Ruling according to the salary ranges of these three levels of employees. Therefore, schedule 1 contains the Meal and Incidental Allowance rates as follows:-

- Column 1 - Applicable to Secretaries of Departments and to employees whose salary exceeds \$103935 per annum.
- Column 2 - Applicable to Senior Executive Service officers and to employees whose salary is in the range \$62064 per annum to \$103935 per annum.
- Column 3 - Applicable to other officers and to employees whose salary is less than \$62064 per annum.

18. If an employee travels to a location for which the rate of overseas travel allowance paid to members of the APS and public office holders does not contain a component for food and drink (meals), a reasonable amount for meals may be added to the incidentals component payable to that employee. For the purposes of this Ruling, a reasonable amount for meals that may be added to the incidentals component of an overseas travel allowance rate, is an amount not exceeding by more than \$5 (Australian) the amount of the meals component of the travel allowance paid to members of the APS and public office holders depending on their salary and status, for travel within Australia. The current meals components of the domestic travel allowances paid to these employees are as follows :

- Secretaries of Departments \$63 per day (salary in excess of \$103935 per annum)

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- Senior Executive Service officers \$58.95 per day (salary in range \$62064 to \$103935 per annum)
- Other officers \$49.70 per day (salary less than \$62064 per annum)

19. The requirement to add a reasonable meal component to the rate of overseas travel allowance at present will only apply if the employee travels to:

- (a) 'Sudan'; or
- (b) 'other countries' (ie., a location not specifically described in the Schedule attached to this Ruling).

20. A deduction in excess of the reasonable meal and incidentals allowance, and substantiated accommodation expenses will not be allowable unless the employee obtains and keeps adequate receipts or other documentary evidence to substantiate **all** expenditure claimed against the allowance received.

21. Whilst the rates of overseas allowances payable to members of the APS and public office holders are considered reasonable and will cover most cases, there may be cases where higher rates of allowance can be accepted as reasonable.

Date of effect

22. This Ruling applies for allowances paid during the 1994-95 income year.

Explanations

The requirement to substantiate

23. Under sections 82KZ and 82KZA, an income tax deduction is not allowable in respect of an 'eligible expense' in relation to a meal allowance, travel allowance, 'employment-related expense' or a travel expense unless documentary evidence of the expense has been obtained and retained by the taxpayer. Broadly speaking, documentary evidence of an expense is a receipt, invoice or similar document that sets out the particulars outlined in section 82KU. Where expenses are incurred in respect of overseas travel expenses or extended domestic travel expenses, a further condition of deduction is that a diary or similar document be kept of the business activities that took place during the course of travel (subsections 82KZ(2) and (3)).

'Reasonable' allowances

24. As a general principle, an allowance will be treated as reasonable if the rate of the allowance has been set by reference to a survey of actual costs in a range of establishments where meals or accommodation can be obtained. That is, the allowance should be set so as to fairly compensate an employee for the average cost of a meal or accommodation, on the basis that when the expense is incurred, the employee would be neither out of pocket nor able to retain appreciable amounts of unspent allowance.

Examples**Calculation of reasonable daily overseas travel allowance*****Allowance containing a meals component***

25. An employee travels to Italy on business and is paid a travel allowance of \$300 per day (\$100 for meals and incidentals and \$200 for accommodation). The employee's annual salary is \$65000 and, at the time of travel, the exchange rate is 1153 lira equals one Australian dollar (\$A1). The reasonable daily overseas travel allowance is calculated as follows:

- (1) At a salary of \$65000 p.a. the daily meals and incidentals allowance payable for Italy is 135298 lira.
- (2) Converting the lira allowance to Australian dollars at the exchange rate prevailing at the time of travel provides the reasonable daily overseas travel allowance

$$\frac{135298}{1153} = \$A117.34$$

As the employee is receiving a meal and incidentals allowance of \$100 per day which is less than the reasonable amount of \$117.34 per day, the employee does not need to substantiate expenditure on meals and incidental expenses. The employee is required, however, to maintain a travel diary and to keep receipts or other documentary evidence to substantiate accommodation expenses.

Allowance without a meals component

26. An employee travels to the Sudan on business and is paid a travel allowance of \$300 per day to pay for meals, incidentals and accommodation. The employee's annual salary is \$33000 and the exchange rate at the time of travel is 98.11 Sudanese pounds equals

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\$A1. The reasonable daily overseas travel allowance is calculated as follows:

- (1) At a salary of \$33000 p.a. the incidentals allowance payable for the Sudan is 11342 pounds. (There is no meals component).
- (2) Convert the incidental allowance to Australian dollars at the exchange rate prevailing at the time of travel:
$$\frac{11342}{98.11} = \$A115.60$$
- (3) Add to this the relevant meals component amount (described at paragraph 18): \$49.70
- (4) The resulting total of \$165.30 is the reasonable daily travel allowance for the Sudan at the time of travel.

As the travel allowance paid to the employee does not specify the components of the allowance, the employee is entitled to claim not more than \$A165.30 per day for meals (ie., food and drink) and is required to substantiate any accommodation costs claimed against the allowance.

Commissioner of Taxation

23 June 1994

ISSN 1039 - 0731

ATO references

NO 94/1635-8

BO

Not previously released to the public
in draft form

Price \$1.70

subject references

- domestic travel allowances
- long distance truck drivers
- overseas travel allowances
- overtime meal allowances
- reasonable allowances
- travel expenses

legislative references

- ITAA 82KZ

FOI index detail

reference number

I 1014361

SCHEDULE 1**REASONABLE OVERSEAS TRAVEL ALLOWANCES****Meal and Incidental Allowances**

- Column 1 = Applicable to Secretaries of Departments and to employees whose salary exceeds \$103935 per annum.
- Column 2 = Applicable to Senior Executive Service officers and to employees whose salary is in the range \$62064 to \$103935 per annum.
- Column 3 = Applicable to other officers and to employees whose salary is less than \$62064 per annum.

Country/city	Column 1	Column 2	Column 3	Currency
	Secretaries	SES	Other	
ALGERIA	892	671	610	Dinar
ARGENTINA	178.90	134.50	122.20	US\$
AUSTRIA	1804	1356	1233	Schill
BAHRAIN	46.30	34.80	31.60	Dinar
BANGLADESH	3264	2454	2231	Taka
BARBADOS	303	227.8	207.1	Dollar
BELGIUM	4595	3455	3141	BF
BOLIVIA	58.20	43.80	39.80	US\$
BRAZIL (note a)	107.10	80.50	73.20	US\$
(Rio de Janeiro)				
BRAZIL (note a)				
(elsewhere)	61	46	42	US\$
BRUNEI	177.3	133.3	121.2	B\$
BULGARIA (note a)	68.80	51.7	47	US\$
CAMBODIA (note a)	87.20	65.60	59.60	US\$
CANADA	135.30	101.70	92.50	C\$
CHILE	107.10	80.50	73.10	US\$

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Country/city	Column 1	Column 2	Column 3	Currency
	Secretaries	SES	Other	
CHINA (mainland)	505.20	379.90	345.40	Yuan
CHINA (elsewhere)	3563	2679	2435	NT\$
COLOMBIA	96.50	72.60	66	US\$
COOK ISLANDS	134.90	101.50	92.20	\$NZ
CYPRUS	63.40	47.70	43.40	Pound
CZECHOSLOVAKIA	3226	2426	2206	Kcs(tourist)
DENMARK	1010.90	760.10	691	Krone
ECUADOR	103.70	78	70.90	US\$
EGYPT	312.40	234.9	213.50	LE
ESTONIA	115.90	87.2	79.3	US\$
ETHIOPIA	219.60	165.10	150.10	Birr
FIJI	115.30	87.10	78.80	F\$
FINLAND	794.50	597.40	543.10	Markka
FRANCE	1068.20	803.10	732.10	Franc
FRENCH POLYNESIA	16527	12427	11297	CFP Fr
GERMANY (note a)	178	134	122	DM
GHANA	94.40	71	64.60	US\$
GREECE	35446	26651	24228	Drachma
HONG KONG	1293	972	883	HK\$
HUNGARY (note a)	7041	5294	4813	Forint
ICELAND	11115	8357	7597	Kronur
INDIA(New Delhi)	1705	1282	1165	Rupee
INDIA (elsewhere)	1207	907	824	Rupee
INDONESIA (Galang)	124.90	93.90	85.40	S\$
INDONESIA (Jakarta)	284826	214155	194686	Rupiah
INDONESIA (elsewhere)	210182	158032	143665	Rupiah
IRAN	44349	33345	30314	Rial
IRAQ	47	35	32	Dinar
IRELAND	55.60	41.80	38	Punt

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Country/city	Column 1	Column 2	Column 3	Currency
	Secretaries	SES	Other	
ISRAEL	158.30	119	108.20	US\$
ITALY	179946	135298	122998	Lira
JAMAICA	105.60	79.40	72.20	US\$
JAPAN	22131	16640	15127	Yen
JORDAN	67.20	50.50	45.90	Dinar
KENYA	4366	3283	2984	Shill
KIRIBATI	58.90	44.30	40.20	\$A
KOREA, Republic of	103378	77728	70662	Won
KUWAIT	64.80	48.70	44.30	Dinar
LAOS(Vientiane)	63	55.90	50.80	US\$
LAOS (Elsewhere)	45	33.80	30.70	US\$
LATVIA (note a)	79.30	59.60	54.20	US\$
LESOTHO	133.40	100.30	91.20	Rand
LUXEMBOURG	4813	3619	3290	LF
MALAYSIA				
(Kuala Lumpur)	293.40	220.60	200.50	M\$
MALAYSIA (elsewhere)	251.10	188.80	171.60	M\$
MALTA	33.70	25.40	23.10	Lira
MARSHALL ISLANDS	70.70	53.90	49	US\$
MAURITIUS (note a)	1331	1001	910	Rupee
MEXICO	96.40	72.50	65.90	US\$
MICRONESIA	78.10	58.70	53.30	US\$
MOZAMBIQUE	77.30	58.10	52.80	US\$
MYANMAR	86.30	64.90	59	US\$
NAMIBIA	223.90	168.30	153	Rand
NAURU	103.30	77.70	70.60	\$A
NEPAL	2531	1903	1730	Rupee
NETHERLANDS (note a)	196.90	148.10	134.70	Guilder
NEW CALEDONIA	13510	10158	9234	CFP Fr

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Country/city	Column 1	Column 2	Column 3	Currency
	Secretaries	SES	Other	
NEW ZEALAND	160.70	120.80	109.80	\$NZ
NIGERIA	1834	1379	1253	Naira
NORWAY (note a)	961.30	722.80	657.10	Kroner
OMAN	51.30	38.50	35	Rial
PAKISTAN	1554	1169	1062	Rupee
PALAU	117.50	88.60	80.60	US\$
PAPUA NEW GUINEA	117.10	88	80	Kina
PARAGUAY	56.90	42.80	38.90	US\$
PERU	117.70	88.50	80.40	US\$
PHILIPPINES	3076	2313	2103	Peso
POLAND (note a)	69.20	52	47.30	US\$
PORTUGAL	15807	11885	10814	Escudo
QATAR	429.60	323	293.60	Riyal
ROMANIA (note a)	73.50	55.30	50.30	US\$
RUSSIA (note a, c)	120	90.20	82	US\$
SAUDI ARABIA (Riyadh)	457.80	344.20	312.90	Riyal
SAUDI ARABIA (elsewhere)	409	308	280	Riyal
SINGAPORE	223.80	168.30	153	S\$
SOLOMON ISLANDS	209.60	157.60	143.30	SI\$
SOUTH AFRICA	196.50	147.70	134.30	Rand
SPAIN	18053	13574	12340	Peseta
SRI LANKA	2900	2406	2187	Rupee
SUDAN	16593	12476	11342	Pound
SWAZILAND	172.80	129.90	118.10	Rand
SWEDEN (note a)	926	696	633	Krona
SWITZERLAND	274.60	206.50	187.70	Franc
SYRIA	4323	3251	2955	Pound
TANZANIA	12475	9380	8527	Shill

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FOI status may be released

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Country/city	Column 1 Secretaries	Column 2 SES	Column 3 Other	Currency
THAILAND	3186	2395	2177	Baht
TONGA	75	56	50	Pa'anga
TUNISIA	86.80	65.30	59.30	Dinar
TURKEY	139.40	104.80	95.20	US\$
TUVALU	81.10	61	55.40	A\$
UGANDA	81875	61560	55964	USH
UNITED ARAB EMIRATES (note a)	433.30	325.80	296.20	Dirham
UNITED KINGDOM	90.80	68.30	62.10	Pound
USA (note b) Chicago	120.90	90.90	82.70	US\$
USA Guam	143.20	107.70	97.90	US\$
USA (note b) Honolulu	128.40	96.60	87.80	US\$
USA (note b) Houston	100.40	75.50	68.60	US\$
USA (note b) Los Angeles	124	93	84	US\$
USA (note b) Miami	84.25	63.18	58.22	US\$
USA (note b) New York	161.60	121.50	110.40	US\$
USA (note b) St Louis	104.80	78.80	71.70	US\$
USA (note b) San Francisco	119.30	89.70	81.50	US\$
USA (note b) Stratford	103	77	70	US\$

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Country/city	Column 1 Secretaries	Column 2 SES	Column 3 Other	Currency
USA (note b)				
Washington D.C.	114.50	86.10	78.30	US\$
URUGUAY	63.70	47.90	43.50	US\$
VANUATU	11773	8852	8047	Vatu
VENEZUELA	81.80	61.50	55.90	US\$
VIETNAM	107.60	80.90	73.50	US\$
(Hanoi City)				
VIETNAM (elsewhere)	67.40	50.70	46.10	US\$
WESTERN SAMOA	184.20	130.50	125.90	Tala
YUGOSLAVIA (note a)	73.20	55	50	US\$
ZAMBIA	65	49	44	US\$
ZIMBABWE (note a)	163.90	123.20	112	Z\$
OTHER COUNTRIES	36	27	24.50	\$A

Notes:

- (a) The cost of accommodation at this locality includes breakfast. The amount specified for meals is for lunch and dinner only.
- (b) *Rates of Allowance to be Applied Outside Listed Cities of the United States of America* (See Schedule 2)
- (c) The meal rates do not include tax. If officers are required to pay tax on their meals this may be reimbursed.

SCHEDULE 2

State to which employee is travelling	Apply rate of allowance as for
Alabama, Arkansas, Delaware, District of Columbia, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia.	Washington (D.C.)
New York State.	New York
Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, Pennsylvania, Rhode Island, Vermont.	Stratford
Missouri.	St Louis
Alaska, Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, Wisconsin.	Chicago
California (North of 36th Parallel), Colorado, Idaho, Kansas, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming.	San Francisco
California,(South of 36th Parallel).	Los Angeles
Florida.	Miami
Arizona, New Mexico, Oklahoma, Texas.	Houston
Hawaii.	Honolulu