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PERFORMING ARTISTS

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Introduction

The Australian Taxation Office (ATO) has prepared information on tax deductions specifically for employee performing artists. *Taxation Ruling TR 95/20—Income tax: employee performing artists—allowances, reimbursements and work-related expenses* explains the claims that you can and cannot make by looking at the common expenses you might incur as an employee performing artist.

This guide is a simple summary of the ruling. It also includes some recent developments including changes under the New Tax System. It will help you to work out what claims you can make. Use it with *TaxPack 2001* to get your deduction claims right.

When you sign your tax return, you are declaring that everything you have told us is true and that you have or you can get the written evidence you need to prove your claims. You are responsible for this proof even if you use a tax agent.

IMPORTANT—New terms used

Under the New Tax System familiar names have changed:

‘payment summaries’ replaces ‘group certificates’

‘tax withheld’ replaces ‘tax instalment deductions’

‘payments’ replaces ‘salary, wages and bonuses etc.’

‘payers’ include ‘employers’

‘payees’ include ‘employees’.

Copies of publications

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- visit our Internet site at www.ato.gov.au
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Publications referred to in this book include:

- *Taxation Ruling TR 95/20—Income tax: employee performing artists—allowances, reimbursements and work-related expenses*
- *TaxPack 2001* (NAT 0976—6.2001)
- *TaxPack 2001 supplement* (NAT 2677—6.2001)
- *Guide to depreciation* (NAT 1966—6.2001)
- *Practice Statement PS 2001/6—Home office expenses: diaries of use and calculation of home office expenses*
- *Taxation Ruling TR 93/30—Income tax: deductions for home office expenses.*

Income

TaxPack 2001 questions 1 to 11 and *TaxPack 2001 supplement* questions 12 to 22 deal with income.

Many employee performing artists receive allowances. This section of the guide tells you how to include allowances and reimbursements on your tax return.

Allowances

Employee performing artists commonly get the following allowances:

- meal
- travel.

If any allowance is shown as a separate amount on your payment summary, include it as income at item 2 on your tax return.

If you incurred a work related expense, read questions D1 to D5 to work out if you can claim a deduction.

Remember, you cannot automatically claim a deduction just because you got an allowance.

Reimbursements

If your employer or any other person reimburses you for expenses you have actually incurred, the payment is called a **reimbursement**. Generally, you do not include a reimbursement as part of your income so you cannot claim the initial expense as a deduction.

If you receive a reimbursement for car expenses—worked out by reference to the distance travelled by the car—or an allowance for car expenses, you must show the amount of the reimbursement or allowance as income at item 1 or 2 on your tax return.

Reportable fringe benefits

If your employer provides certain fringe benefits exceeding \$1000 to you or your relatives, your employer is required to report the total grossed-up amount on your payment summary. You do not include this amount in your total income or loss amount and you do not pay income tax or Medicare levy on it. The total will, however, be used in determining certain surcharges, deductions, tax offsets and other government benefits. Read question 9 in *TaxPack 2001* for more information.

Deductions as an employee

***TaxPack 2001* questions D1 to D5 deal with work related deductions.**

You can claim deductions for the work related expenses you incurred while doing your job.

The basic rules for claiming deductions are noted in *TaxPack 2001*—see the special information pages at the beginning of the deductions section. Remember:

- If you are claiming a deduction for a work related expense for which you received an allowance, include the amount of the allowance at item 2 on your tax return.

- If you incur an expense for both work and private purposes you can claim a deduction only for the work related portion of your expense.

Common work related expenses

This section of the summary covers the common work related expenses incurred by employee performing artists and whether they can be claimed as work related deductions. It will help you to answer the work related deduction questions in *TaxPack 2001*.

D1 Did you have any car expenses relating to your work as an employee?

There are 4 ways to work out your car expenses. Question D1 explains the 4 methods and tells you what records you need to prove your claim.

Include the cost of using taxis or short-term car hire at item D2 and the cost of travel for self-education at item D4 on your tax return.

Car expenses you can claim

You can claim a deduction for the cost of using your car for work related travel where:

- you travel directly between 2 separate workplaces because you have 2 different employers—for example, you have a second job.
- you travel for work related purposes from your normal workplace to an alternative workplace and back to your normal workplace or directly home—for example, if you need to travel from your rehearsal studio to a performance venue.
- you travel between 2 workplaces or between a workplace and a place of business—for example, between 2 of your employer's studios. You cannot claim a deduction for the cost of travelling to another workplace for a social function.

You can claim a deduction for the cost of using your car to travel between home and work where:

- you have to carry bulky tools or equipment that you use for work—for example, a drum kit—and there is no secure area for storing your tools or equipment at work. You cannot claim a deduction for car expenses just because the tools or equipment are valuable.
- your home is a base of employment—you start your work at home and travel to a workplace to continue the work.

- you travel from your home to an alternative workplace for work activities and then to your normal workplace or directly home—for example, if you have to travel from home to a country performance venue.

Automobile association or club fees

You can include your annual road service fee in the calculation of car expenses if you use the logbook method or one-third of actual expenses method of claiming your car expenses.

Car wash

You can include car wash expenses in the calculation of car expenses if you use your vehicle to earn your income and you use the logbook method or one-third of actual expenses method of claiming your car expenses.

Remember, if your employer reimbursed your car expenses calculated by reference to the distance travelled by the car, include the amount you received at item 1 or 2 on your tax return—even if you cannot claim a deduction for these expenses.

Car expenses you cannot claim

Travel between home and work

You cannot claim a deduction for the cost of normal trips using your car to travel between your home and your workplace. It is a private expense even if you do small tasks on your way to or from work—for example picking up sheet music or small instruments such as a flute or violin.

You cannot claim a deduction for the cost of home to work travel just because you work shiftwork, are on call or there is no public transport available.

Motor vehicle provided by your employer or any other person

You cannot claim a deduction for car expenses if your employer or any other person provides a car for you and you do not pay for any of the running costs.

You cannot claim a deduction for any expenses you incur for the direct operation of a car that your employer provides and that you or your relatives use privately at any time, even if the expenses are work related. Such expenses form part of the valuation of the car for fringe benefits tax purposes. However, you may be able to claim expenses such as parking and bridge fees that are linked to the car but are not involved in its direct operation.

Automobile association or club fees

You cannot claim a deduction for the joining fee or any additional fees for other benefits.

D2

Did you have any travel expenses relating to your work as an employee?

Include the cost of travel for self-education at question D4. Read question D2 in *TaxPack 2001* for rules relating to travel expenses and what evidence you need to be able to claim these expenses. However, it is important to note:

- If you travel in the course of your work and take a relative with you, you can claim a deduction only for your own expenses.
- If you are claiming travel expenses and you receive a travel allowance from your employer, you must show the allowance at item 2 on your tax return.
- You cannot claim the cost of meals incurred during a normal working day that does not involve an overnight stay, even if you receive a travel allowance.

D3

Did you have any uniform, occupation specific clothing, protective clothing, laundry or dry cleaning expenses that relate to your work as an employee?

Generally, you cannot claim a deduction for the cost of purchasing or cleaning a plain uniform or conventional clothing worn at work, even if your employer tells you to wear them, as it is a private expense.

If you received an allowance from your employer for clothing, uniforms, laundry or dry cleaning, show the amount at item 2 on your tax return. You cannot automatically claim a deduction just because you got a clothing, uniform, laundry or dry cleaning allowance from your employer.

You can claim a deduction for the cost of buying, renting, repairing and cleaning certain work related uniforms, occupation specific clothing or protective clothing.

Clothing expenses you can claim

Compulsory uniforms

A compulsory uniform is a set of clothing that, worn together, identifies you as an employee of an organisation having a strictly enforced policy that makes it compulsory for you to wear the uniform while at work. You can claim a deduction for the cost of buying, renting, repairing and cleaning a compulsory uniform.

You may be able to claim a deduction for shoes, socks and stockings where they are an essential part of a distinctive

compulsory uniform, the characteristics of which—colour, style, type—are specified in your employer's uniform policy. The uniform policy must be consistently enforced.

Single items of compulsory clothing

You may be able to claim for a single item of distinctive clothing, such as a jumper, where it is compulsory for you to wear it at work. Generally, clothing is distinctive where it has the employer's logo permanently attached and the clothing is not available to the general public.

Non-compulsory uniform or wardrobe

If your employer encourages you to wear a uniform or wardrobe but it is not compulsory for you to wear one, you can claim a deduction for the cost of the clothing only if the design of the clothing is registered. If you wear a non-compulsory uniform or wardrobe, you cannot claim for stockings, short socks or shoes as these items cannot be registered as part of a non-compulsory uniform. Your employer can tell you if your non-compulsory uniform or wardrobe is registered. If your employer requires you to wear a distinctive uniform or wardrobe but does not consistently enforce the wearing of the uniform, the design of the uniform must be registered before you can claim a deduction.

Occupation specific clothing

You can claim a deduction for the cost of occupation specific clothing. This is clothing that is specific to your occupation, is not everyday in nature and would allow the public to easily recognise your occupation—for example, the checked pants worn by chefs.

Protective clothing

You can claim a deduction for the cost of buying, hiring, replacing or maintaining protective clothing. This is clothing that protects you from injury at work or protects your everyday clothing from damage.

Costumes

You can claim a deduction for the cost of conventional clothing bought or hired as a costume for a role. You can also claim a deduction for the cost of buying or hiring costumes—for example, costumes worn by clowns. You can claim a deduction for the cost of special tights and pumps worn by dancers.

Laundry and dry cleaning

If you can claim a deduction for your eligible work clothes as described above, you can also claim a deduction for the cost of cleaning them. You can claim laundry expenses for washing, drying or ironing such work clothes, including

laundromat expenses. If your claim for laundry expenses is \$150 or less, you do not need written evidence—you may use a reasonable basis to work out your claim.

If you claim a deduction for laundry expenses that is more than \$150 and your total claim for work expenses—other than car, meal allowance, award transport allowance and travel allowance expenses—exceeds \$300, you need written evidence for the total claim. You can claim the cost of dry cleaning eligible work clothes as described above if you have kept written evidence to substantiate your claim. You do not need written evidence if your total claim for work expenses is \$300 or less.

Clothing expenses you cannot claim

You cannot claim a deduction for the cost of a plain uniform, ordinary clothing, clothing such as jeans or heavy duty clothing that you wear to provide protection from the natural elements—for example raincoats.

You cannot claim a deduction for the cost of everyday footwear—for example joggers, even if they have a non-slip sole.

Laundry and dry cleaning

You cannot claim the cost of cleaning a plain uniform or everyday clothing.

Stockings

You cannot claim a deduction for the cost of stockings or support hose, even if you have a personal medical reason for wearing support hose—it is a private expense. Refer to the section on **Compulsory uniforms** for the exception to this general rule.

Shoes

You cannot claim a deduction for the cost of conventional shoes, including dress, casual, running and sports shoes, as it is a private expense. Refer to the section on **Compulsory uniforms** for the exception to this general rule.

Damage at work

You cannot claim a deduction for the cost of conventional clothing damaged at work as it is a private expense.

D4

Did you have any self-education expenses relating to your work as an employee?

Claim at item D5 the costs you incur in attending seminars, conferences, education workshops or training courses that are sufficiently connected to your work activities.

Self-education expenses are expenses related to a prescribed course of education provided by a school, college, university or other place of education. The course must be undertaken to gain a formal qualification for use in carrying on a profession, business or trade or in the course of employment. You can claim a deduction for the cost of self-education if there is a direct connection between your self-education and your work activities at the time the expense was incurred.

Self-education expenses are NOT allowable if your study is designed to:

- get you a job
- get you a new job—a different job to your current one
- get you income from a new income earning activity.

Self-education expenses can include textbooks, stationery, student union fees, course fees, certain travel expenses and the depreciation of equipment to the extent it is used for self-education purposes.

In certain circumstances you may have to reduce your allowable self-education expenses by \$250. However, you may have other types of expenses—some of which are not allowable as a deduction—that can be offset against the \$250 before you have to reduce the amount you can claim for allowable expenses.

Question D4 in *TaxPack 2001* has more information on self-education expenses.

D5

Did you have any other expenses relating to your work as an employee?

Here is a list of other work expenses commonly incurred by employee performing artists.

Work related expenses you can claim

Agent's fees

You can claim a deduction for commissions paid to theatrical agents. You cannot claim a deduction for up-front or joining fees.

Answering machines, mobile phones, pagers and other telecommunications equipment

You can only claim a deduction for the work related part of the rental cost or depreciation on the purchase price of these items. You cannot claim a deduction for their rental or purchase costs if they are supplied by your employer or any other person. See also **Tools and equipment**. See **Telephones, mobile phones, pagers and other telecommunications equipment** under the heading **Expenses you cannot claim**.

Bank fees

You can claim a deduction for Financial Institutions Duty that relates to the direct depositing of salary, wages, allowances or payments into your bank account. You can claim a deduction for government duties tax or debits tax charged on any outgoing from your account where the outgoing can be claimed as an allowable deduction—for example work related expenses. You cannot claim a deduction for other bank fees.

Coaching classes—for example, for acting, singing and dancing

You can claim a deduction for the cost of classes taken to maintain existing specific skills or to obtain work related specific skills. You can claim a deduction for the cost of lessons to acquire specific skills for use in a particular role or performance.

Depreciation of equipment used for work

You can claim a deduction for the work related part of the depreciation on the cost of equipment you use for work. See **Tools and equipment** for further information.

First aid courses

You can claim a deduction for the cost of first aid training courses if you, as a designated first aid person, are required to undertake first aid training to assist in emergency work situations. You cannot claim a deduction if your employer pays for the course or the cost was reimbursed to you.

Fitness expenses

You can claim a deduction for fitness expenses if you are required to maintain a very high level of fitness and physical activity is an essential element in your work—for example as a trapeze artist. You cannot claim a deduction for the cost of maintaining general fitness or body shape.

Glasses and contact lenses

You can claim a deduction for the cost of tinted contact lenses to alter eye colour or special spectacle frames required for a role. You cannot claim a deduction for the cost of prescription glasses or contact lenses.

Grooming

You can claim a deduction for the cost of a particular hairstyle if it is required for a role. You can claim a deduction for the cost of hairdressing specifically to maintain a required hair length or style as part of a costume for continuity purposes. You can claim a deduction for the cost of stage make-up, including the cost of cleansing materials for removing stage make-up. You cannot claim a deduction for the cost of general hairdressing, make-up or facials.

Home office or home studio

You can claim a deduction for the additional running expenses associated with a private study or studio that you use for income producing activities—for example additional lighting, heating and cooling costs incurred by a performing artist rehearsing in a studio at home. You can keep a diary to work out what part of your running expenses comes from doing work in your private study or studio. Running expenses do not include occupancy expenses—for example, mortgage interest.

You cannot claim a deduction if you share a room—for example the lounge room—with your family and at the same time do some work related activity. For more information on what records you should keep and the calculation of home office expenses, refer to *Practice Statement PS 2001/6—Home office expenses: diaries of use and calculation of home office expenses*.

Place of business

You can claim a deduction for part of the running and occupancy expenses of your home if you use an area of your home as a place of business. *Taxation Ruling TR 93/30—Income tax: deductions for home office expenses* has information on whether or not an area set aside has the character of a place of business.

There may also be capital gains tax implications if you sell your home and it has been a place of business.

Insurance of equipment

You can claim a deduction for the cost of insuring the equipment you use to the extent that you use it for work.

Overtime meals

You may be able to claim a deduction for overtime meal expenses you incurred if you received an overtime meal allowance from your employer which was paid under an industrial law, award or agreement. To claim a deduction, you will need written evidence if your claim is more than \$17.90 per meal. You can only claim for overtime meal expenses incurred on those occasions when you worked overtime and you received an overtime meal allowance for that overtime which you included as income at item 2 on your tax return.

An amount for overtime meals that has been folded in as part of your normal salary or wage income is not considered to be an overtime meal allowance. Amounts received as overtime meal allowance must be included at item 2 on your tax return.

Parking fees, bridge and road tolls

You can claim a deduction for these costs only if the travel was for work—for example between your employer's studio and a performance venue.

You cannot claim a deduction for these costs for travel to and from work.

Photographs

You can claim a deduction for the cost of maintaining a photographic portfolio for publicity purposes. You cannot claim a deduction for the initial cost of preparing the portfolio.

Professional library

You can claim a deduction for the work related part of the depreciation on a professional library that includes books, tapes, compact discs, records and videos containing reference material directly relevant to your income earning activities.

Research expenses

You can claim a deduction for the cost of researching a role or character that you have been employed to play—for example buying books, videos or other reference material containing information on a character, era or event.

Seminars, conferences and training courses

You can claim a deduction for the cost of attending seminars, conferences and training courses that are sufficiently connected to your work activities at the time the expenses were incurred, provided your employer or any other person did not reimburse you the costs.

Tapes, compact discs and cassettes

You can claim a deduction for the work related part of the cost of audio and video tapes and compact discs—for example, tapes used for rehearsal.

Technical or professional publications

You can claim a deduction for the cost of journals, periodicals and magazines that have a content specifically related to your employment as an employee performing artist—for example *Encore* magazine.

Telephone calls

You can claim a deduction for the cost of work related telephone calls.

Telephone rental

You can claim a deduction for your telephone rental if you can show that you are on call or regularly required to telephone your employer or clients while you are away from the office. If you also use your telephone for private purposes, you must

apportion the cost of telephone rental between work related and private use.

Television receivers, video recorders and compact disc players

You can claim a deduction for the work related part of the depreciation on the cost of these items.

Theatre and film tickets

You can claim a deduction for the cost of theatre and film tickets if the show has a content specifically relevant to your current work. You cannot claim the cost of tickets for shows you attend for general interest, entertainment or other private purposes.

Tools and equipment

Depreciation

You can claim a deduction for the work related part of the depreciation on the cost of the tools and equipment you use for work. How you calculate your deduction may vary depending on when you bought an item and how much it cost.

You should note that important changes on how to calculate a depreciation deduction were made this year. For more information on depreciation, refer to the publication *Guide to depreciation*.

Repairs

You can claim a deduction for the cost of repairing tools and equipment to the extent that you use them for work.

Union and professional association fees

You can claim a deduction for these fees. If the amount you paid is shown on your payment summary, you can use it to prove your claim. You can claim a deduction for a levy paid in certain circumstances—for example, to protect the interests of members and their jobs.

Expenses you cannot claim

Audition expenses

You cannot claim a deduction for the cost of preparing for or attending auditions as they are incurred in getting work rather than doing work.

Child care

You cannot claim a deduction for child care expenses. These are private expenses even if you need to pay for child care to go to work.

Drivers licence

You cannot claim a deduction for the cost of getting or renewing your drivers licence as it is a private expense.

Fines

You cannot claim a deduction for fines imposed under a law of the Commonwealth, a State, a Territory, a foreign country or by a court—for example a fine you received if you were caught speeding when driving between jobs.

Gifts

You cannot claim a deduction for the cost of gifts such as flowers or alcohol for fellow performers, producers or directors as it is a private expense.

Glasses and contact lenses

You cannot claim a deduction for the cost of buying prescription glasses or contact lenses as it is a private expense relating to a personal medical condition.

Meals

You cannot claim a deduction for the cost of meals eaten during a normal working day as it is a private expense, even if you receive an allowance to cover the meal expense.

Newspapers

You cannot claim a deduction for the cost of newspapers as it is a private expense.

Removal and relocation

You cannot claim a deduction for the cost of taking up a transfer in an existing employment or taking up new employment with a different employer.

Social functions

You cannot claim a deduction for the cost of attending award nights or other social events, even if there is an entertainment industry connection, as it is a private expense.

Telephones, mobile phones, pagers and other telecommunications equipment

You cannot claim a deduction for the cost of connecting a telephone, mobile phone, pager or any other telecommunications equipment as it is a capital expense.

Union joining fees and levies

You cannot claim a deduction for:

- joining fees or levies paid to your union
- levies paid to assist families of employees suffering financial difficulties as a result of being on strike or if they are laid off.

Unlisted telephone numbers (silent lines)

You cannot claim a deduction for the cost of an unlisted telephone number as it is a private expense.

Remember:

- Make sure you write down all of your income on your tax return—include any benefits you got from the Government, any income from a second job and any interest you got from a bank, building society or credit union.
- Attach your payment summaries to page 3 of your tax return.
- Sign your tax return. It is your responsibility to make sure your tax return is correct even if you use a tax agent.
- Keep all the records you need to prove your deduction claims. *TaxPack 2001* will tell you which records you need.
- Ask for more help if you need it—ask your tax agent or ring the ATO.

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