TD 93/D107 - Income tax: does the receipt of a travel allowance automatically entitle an employee to a deduction for travel expenses under subsection 51(1) of the Income Tax Assessment Act 1936?

This cover sheet is provided for information only. It does not form part of TD 93/D107 - Income tax: does the receipt of a travel allowance automatically entitle an employee to a deduction for travel expenses under subsection 51(1) of the Income Tax Assessment Act 1936?

This document has been finalised by <u>TD 93/174</u>.

## Taxation Determination TD 93/D107

FOI Status: draft only - for comment

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Draft Taxation Determinations (TDs) represent the preliminary, though considered, views of the ATO. Draft TDs may not be relied on; only final TDs are authoritative statements of the ATO.

## **Draft Taxation Determination**

Income tax: does the receipt of a travel allowance automatically entitle an employee to a deduction for travel expenses under subsection 51(1) of the *Income Tax Assessment Act* 1936?

- 1. No. The mere receipt of an allowance does not entitle an employee to a deduction, whether or not the allowance is received under an industrial award.
- 2. Some taxpayers and tax agents would appear to be confused as to whether a taxpayer receiving an allowance is automatically entitled to a deduction equal to the amount of the allowance.
- 3. Taxation Ruling IT 2543 explained at paragraph 7 that 'the receipt of an allowance imparts no greater degree of deductibility to an expense which is incurred in relation to that allowance'. Therefore, whether a deduction is allowable for travel expenses is a separate question, unrelated to whether a taxpayer receives a travel allowance.
- 4. Expenses of travelling between home and work are not an allowable deduction unless the exceptional circumstances outlined at paragraph 8 of IT 2543 exist.

## **Examples**

- 1. Sonia, regional manager for a supermarket chain, is required to inspect stores in Bathurst, Orange and Lithgow. For the three day trip she receives a travel allowance. Sonia is not automatically entitled to a deduction equal to the allowance. A deduction for travel costs incurred is allowable, subject to satisfaction of the substantiation requirements.
- 2. Robert, a bank teller, was moved to a branch some distance from his home. He is paid a compensatory allowance for the additional travelling time it now takes him to get to work and home again. Robert is not entitled to a deduction against the allowance.

## **Commissioner of Taxation**

29/04/93

FOI INDEX DETAIL: Reference No. Related Determinations: TD 93/49

Related Rulings: IT 112, IT 113, IT 117, IT 2122, IT 2199, IT 2481, IT 2487, IT 2543, IT 2644, IT 2543, MT 2027

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