IT 2463 - Income tax : deductibility of overseas travel expenses of spouse

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TAXATION RULING NO IT 2463

INCOME TAX : DEDUCTIBILITY OF OVERSEAS TRAVEL EXPENSES OF SPOUSE

FOI EMBARGO: May be released

REF N.O. REF : 87/3869-6 DATE OF EFFECT: Immediate

B.O. REF : Bris 4/477 915 819 DATE ORIG MEMO ISSUED:

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT REFS:
	OVERSEAS TRAVEL	51(1)
I 1010384	- EXPENSES OF SPOUSE	
	TRAVELLING EXPENSES	
	- EXPENSES OF SPOUSE	

OTHER RULINGS ON TOPIC

PREAMBLE In a decision reported as Case U103, 87 ATC 629; 18 ATR 3599, the Administrative Appeals Tribunal held that a taxpayer was not entitled to a deduction under sub-section 51(1) of the Income Tax Assessment Act 1936 for travel, accommodation and conference expenses incurred by him in respect of his spouse.

FACTS 2. The taxpayer was a principal in a firm of chartered accountants which specialised in taxation and investment matters. During the income year ended 30 June 1979, the taxpayer and his wife undertook an overseas trip to Hong Kong and Singapore, spending approximately one week in each place. While in Hong Kong, the taxpayer attended a conference of the Taxation Institute of Australia. The week in Singapore was spent in investigating financial and tax matters. The expenses incurred by the taxpayer in respect of his own travel were allowed by the Commissioner. The taxpayer also claimed a deduction for a conference fee paid to the Taxation Institute of Australia which enabled his wife to attend the convention functions and one-half of her travel and accommodation expenses. The taxpayer claimed that his wife's presence made it easier to develop contacts which were beneficial to his firm. It was also claimed that in one particular instance his wife had made the acquaintance of an accountant at one of the social functions at the convention who subsequently referred work to the taxpayer's firm. Therefore it was claimed she had been instrumental in deriving assessable income for the firm.

3. The Tribunal found that there was too tenuous a connection (if any at all) between the expenditure incurred by the taxpayer in respect of his wife and the income producing activities of the firm of chartered accountants. The taxpayer's evidence failed to demonstrate how there was any causal connection or nexus between the wife's presence at the convention and the derivation of assessable income by the accounting practice conducted by the firm. The Tribunal reached the same conclusion

in relation to the Singapore trip. The taxpayer's situation could be distinguished from Case A44 69 ATC 251; 15 CTBR(NS) Case 22, where the taxpayer relied heavily on his wife's expert advice to purchase trading stock during an overseas buying trip. The present facts were no different from Case C35 71 ATC 153; 17 CTBR(NS) Case 33, where Taxation Board of Review No.2 held that there was insufficient nexus between the wife's presence and the taxpayer's business to allow a deduction under sub-section 51(1).

RULING 4. The decision of the Tribunal accords with decided cases and office practice and the reasons for the decision should be applied in similar cases.

COMMISSIONER OF TAXATION
21 January 1988