

PS LA 2005/7 - Substantiating an individual's work-related expenses

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! This document has changed over time. This version was published on *15 July 2015*

! Refer to end of document for amendment history. Prior versions can be requested by emailing TCNLawPublishingandPolicy@ato.gov.au if required.



This Law Administration Practice Statement describes what documentary or other evidence is acceptable substantiation of an individual's work-related expenses.

This practice statement is an internal ATO document and is an instruction to ATO staff.

Taxpayers can rely on this practice statement to provide them with protection from interest and penalties in the following way. If a statement turns out to be incorrect and taxpayers underpay their tax as a result, they will not have to pay a penalty. Nor will they have to pay interest on the underpayment provided they reasonably relied on this practice statement in good faith. However, even if they don't have to pay a penalty or interest, taxpayers will have to pay the correct amount of tax provided the time limits under the law allow it.

1. What this practice statement is about

This practice statement applies to expenses relating to income reported on an individual non-business payment summary, such as salary and wages income. It does not apply to non-individual, business or investment expenses.

Some taxpayers may not be able to meet the specific substantiation requirements but they may have other evidence that demonstrates they are complying with the law. You should consider all cases on their own merit.

Cases that exhibit special or exceptional circumstances should be dealt with on a case by case basis – for example, if there is evidence to suggest that the documentation may be fraudulent, or where the taxpayer's evidence differs substantially from the approaches set out in this practice statement.

2. Acceptable evidence

If a taxpayer's total work-related expense claims exceed \$300, they must provide written evidence for the entire amount (not just the amount over \$300). A summary of the requirements is provided in the Attachment to this practice statement.

Documents – invoices, receipts etc. – that the taxpayer acquires¹ from the supplier must set out:

- the supplier's name or business name
- the amount of the expense or the cost of the asset, expressed in the currency in which it was incurred
- the nature of the goods, services or asset
- the day on which the expense was incurred or the asset was acquired
- the day on which the document was made out.

¹ This may be electronically via email, internet, etc.

If the document doesn't specify the nature of the goods or the day the expense was incurred, the taxpayer may write in the missing details before they lodge their tax return. They can also use alternative supporting evidence to show this information.

Records made and stored electronically are recognised as documents.

Where the above documents are insufficient, we accept the following documents (or combinations of documents) as acceptable evidence of expenses:

- bank statements
- credit card statements
- BPAY reference numbers, combined with bank statements, or
- BPAY reference numbers, combined with tax invoices.

3. Examples: sufficient evidence

All the examples in this practice statement assume that the taxpayer has other work-related expenses that will take the total being claimed to more than \$300.

Bank or credit card statement with alternative evidence

Daniel, who is employed by a large firm of solicitors, received a bill for his annual professional subscription fees, which he paid using his credit card. His credit card statement bears the date of the transaction, the name of the professional association and the amount paid. Before he lodged his income tax return, Daniel made a note on his credit card statement to the effect that the transaction related to his professional subscription fees.

Kylie, having just started her first full time job as a clerical worker, purchased a pen to use at work. She bought it from a jeweller's shop for \$50. She also bought a pair of earrings for \$100 and paid for both

items on her credit card. Having never completed a tax return before, she was not aware that the pen would be a deductible expense. She did not request or receive a receipt.

When it was time to prepare her return, Kylie realised that she could claim her pen as a work expense. She checked her credit card statement and found that it showed an amount of \$150 and the name of the jeweller's shop. Initially, she decided it would be safest not to claim for the pen because she had no specific receipt and she was not sure of the exact amount. However, she had kept the box the pen came in and noted the \$50 price sticker on the outside. Before lodging her income tax return, Kylie made a note on the credit card statement detailing the two items and their respective prices and kept the packaging along with her bank statement. Kylie now has sufficient information to substantiate her claim.

Had Kylie not kept the box but instead obtained a written breakdown of purchases from the jewellery store, she would also have been able to make a note on her credit card statement detailing the two items and their respective prices, which would have been sufficient evidence to substantiate her claim.

Electronic formats

Minh, a computer programmer, bought a data storage device for work over the internet. When he ordered it, he received an automatic response via email that quoted an order reference number, the nature of the goods and the amount due to be paid. He paid by electronic funds transfer and printed out a copy of the payment receipt. He kept the payment receipt, which included the supplier's name and the amount paid.

Minh stored the email in an electronic folder labelled 'Tax', which he also backed up. The combination of the automatic email response and payment receipt is sufficient evidence to substantiate Minh's expense.

Amanda, also a computer programmer, retained her internet-generated receipts for work expenses – including supplier details and purchase amounts – on her computer. If necessary, the receipts can be printed and we may be able to verify the receipts as genuine by communicating with the issuer. The electronic receipt is sufficient evidence to substantiate Amanda's expenses.

Jonathan often moves from job to job, frequently relocating to different cities in order to take up employment opportunities. He prefers not to keep paper receipts. Instead he scans his receipts using an app downloaded to track his deductions.

If the original receipts contained the required information, they would be sufficient to substantiate his expenses. Electronic copies that are a true and clear reproduction of the originals are also acceptable

because we can verify that the receipts are genuine by communicating with the issuer.

Various payment methods

Louise is an apprentice plumber employed by a small plumbing business. She uses her mobile phone for business calls and she provides her own tools.

Louise uses BPAY to pay her mobile phone bills. She can't claim a deduction for the private use component of her phone, so she maintains a log of calls made for business purposes including the date, time of call and phone number called. She uses her itemised phone bill to determine the cost of her business-related calls. She notes her BPAY reference number on the bill. The combination of the BPAY reference number, log of phone calls and itemised phone bill is sufficient evidence to substantiate the expense.

Louise is a regular customer at her local hardware store, so, when she purchased \$250 worth of tools, they issued her with a tax invoice requesting payment within 30 days instead of asking her to pay at the time of purchase. She paid the amount at the end of the month by an electronic transfer from her bank account. The combination of the tax invoice and bank statement showing the electronic transfer is sufficient evidence to substantiate the claim for the purchases.

She also bought a spanner from a different hardware store because she needed to replace one that was damaged while she was on a job. She paid for the spanner using EFTPOS, withdrew some cash and kept her receipt. The receipt contained the relevant details required, showing \$129 for the spanner and \$100 for the cash withdrawal. The receipt is sufficient evidence to substantiate Louise's expense.

Note: For most EFTPOS transactions, a bank statement alone would not be sufficient evidence to substantiate a claim. This is because bank statements don't generally show a cash withdrawal separately from the amounts associated with the item(s) purchased in the transaction, nor do they usually show the nature of the items purchased.

If the taxpayer doesn't obtain or retain the receipt for an EFTPOS transaction, they will generally need further evidence to show the amount of the item purchased. Had Louise not kept the receipt, we would accept other evidence that demonstrates the amount spent on the spanner – for example, the combination of the bank statement and the written price breakdown from the hardware store, or the combination of the bank statement and the tool packaging marked with the price.

Copies of receipts

Marco, a real estate agent employed by a large real estate agency, uses his car for work purposes and pays for fuel, oil, repairs and maintenance at the local garage. He pays by credit card, EFTPOS, or occasionally cash. The receipts are printed on thermal paper, which fades over time.

Marco claims his car expenses via the log book method and so does not need to keep the receipts for fuel and oil (he relies on his odometer records). However, he needs to claim separately for the repairs and maintenance. Marco photocopies the thermal paper receipts to protect the information contained on the receipts and ensure that he is able to continue to provide a copy of the receipts long after the original receipts fade.

If the receipts contain sufficient information to support the correctness of the claim, they would be acceptable as sufficient evidence to substantiate Marco's expenses, whether they are in the form of original receipts or copies of the original receipts. This is provided that the copies are a true and clear reproduction of the originals.

4. Examples: insufficient evidence

Tom, an apprentice mechanic employed by a small auto-repair business, required text books for the TAFE component of his apprenticeship. He purchased them for \$270 in cash from an ex-student at the TAFE he attends. He didn't ask for a receipt and, when it was time to prepare his tax return, couldn't remember the name or contact details of the person from whom he purchased them. The text books have prices written in pencil on the inside cover.

Tom has no receipt and no way of getting a receipt or other evidence to support his claim for the text books. The notation on the inside cover of the text book alone

is not sufficient evidence to substantiate Tom's expense.

Jane, a radio engineer employed by a local radio station, purchased some tools for work for \$200 from a private individual who advertised them for sale in the local paper. Jane paid cash for the tools and didn't obtain a receipt but she kept the advertisement. The advertisement includes a description of the tools, the price advertised and a contact phone number for the seller. At the end of the financial year Jane decided to call the seller to obtain a receipt for the tools but she found that that the number had been disconnected.

Jane has no receipt and no way of getting a receipt or other evidence to support her claim for the tools. The advertisement alone is not sufficient evidence to substantiate her expense.

5. More information

For more information, see:

- [Deductions you can claim](#)
- [What is written evidence?](#)
- [Compliance for tax professionals – rules for written evidence](#)
- [Claims for \\$300 or less](#)

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|-----------------------|---------------|
| Date issued | 20 April 2005 |
| Date of effect | 1 July 2004 |
| Business line | Individuals |

ATTACHMENT A

Rules for accepting documentary evidence

ATO rules for accepting documentation as sufficient evidence to substantiate the claim where total work expenses exceed \$300



Note: Taxpayers do not need receipts if:

- the total of work expenses (excluding car, meal allowance, award transport payments allowance and travel allowance expenses) does not exceed \$300
- the Tax Act or an associated publication allows a concession for reasonable expenses(eg travel; home office expenses; laundry expenses not >\$150)
- the expenses are less than \$10 individually and the total does not exceed \$200 (section 900-125 of the ITAA 1997 'Evidence of small expenses'), or
- the Commissioner considers it unreasonable to expect you to have written evidence (section 900-130 of the ITAA 1997).

Amendment history

| Date of amendment | Part | Comment |
|-------------------|-----------------|---|
| 15 July 2015 | All | Updated to the new LAPS format and style. |
| 7 August 2014 | Contact details | Updated. |
| 20 July 2011 | Contact details | Updated. |
| 16 September 2008 | Contact details | Updated. |
| 7 April 2008 | Contact details | Updated. |

References

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| Subject references | Car expenses Clothing expenses Deductions Electronic records Laundry and dry cleaning expenses Receipts Record Keeping Records Substantiation Travel expenses Uniform expenses Work expenses Work related self-education expenses and other work expenses |
| Legislative references | ITAA 1997 Div 28 ITAA 1997 Div 900 ITAA 1936 82A Electronic Transactions Act 1999 Acts Interpretation Act 1901 |
| File references | File 04/7007 |
| Related public rulings and determinations | TR 97/24 TR 98/5 TR 98/9 TR 2004/6 GSTR 2000/26 TD 2004/19 |
| Related practice statements | PS LA 2001/6 PS LA 2004/11 |

ATO references

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