



6 Top Tax Deductions for Construction Workers and Tradies

If you work in the construction industry, there are a range of tax deductions you're eligible to claim based on your employment. There are two golden rules to remember before you claim.

- You need to have already spent the money you want to claim
- The expenses must directly relate to the income you earn

If your employer has reimbursed you for any costs for your work-related travel, meals, accommodation, incidentals, airfares, public transport, taxi or overnight stays, any claim you make will not be valid.

Pro tax tip: Payment of the expense should be recorded to prove your claims. If you're entitled to claim only a part of the expense, you'll still need to provide suitable evidence of your work-related proportion of the claim. ITP recommend using a cloud-based software app to keep track of your expenses. Not only will it keep you up to date, but it will also capture all of your work-related expenses and allow you to apportion your business and private usage easily. By keeping cloud-based records, you'll reduce your risk if you're ever audited.

Your tax accountant can advise which software app you can use, and will be able to guide you through best practise as well as how to apportion your work-related costs.

Pro tax tip: If you're an ITP customer you'll have your own tax agent at your fingertips for year-round free advice.

1. Motor Vehicle Expenses

Using a motor vehicle is often the backbone of a tradies income. Most construction workers and tradies are aware they can claim income-related expenses, however, there are strict rules that need to be adhered to, in order to make sure the right amount is claimed. Whether you use the logbook method or the cents per kilometre travelled method, your records will need to stand up to scrutiny.

To claim 100% of your expenses on one vehicle, there should be evidence of a second personal use car. You may claim a portion of the cost of your personal car if it is used for work purposes.

The travel you're entitled to claim extends to:

- Meetings, conferences or training that is not held at your usual place of work
- Meeting with clients and travel between jobs

You may be able to claim parking fees and tolls if the travel is work-related and you have already paid for the expense incurred.

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Logbook method

Your logbook records should always be current and a logbook can ascertain your business use for up to five years. You'll need to keep track of your motor vehicle use for 12 continuous weeks, which will then be averaged throughout the year. Your logbook should also detail the work-related usage.

Cents per kilometre method

If you're using the cents per kilometre method, you'll need to ensure you can show a reasonable calculation of how you worked out your travel. Many tradies believe they can claim 100% of their kilometres travelled, which is incorrect.

2. Work clothing

As a construction worker or tradie, you are allowed tax deductions for work-related gear, however, any renting, laundering and repairing of clothing you claim must directly relate to your work, such as a compulsory uniform with company logo, protective and safety clothing.

You can claim items such as:

Compulsory uniforms

- Protective clothing
- Protective footwear
- Safety glasses, gloves, steel-capped boots, high-visibility clothing, overalls, heavy-duty shirts and pants, and fire-resistant clothing
- Sun protection and sunscreen

Casual jeans, general clothing or street shoes cannot be deducted.

3. Training

You're entitled to claim any self-education directly related to your current employment and income if it improves your skills or increases your income for your current role.

You can claim the cost of attending seminars, conferences and training courses such as first aid courses. Keep your receipts for your textbooks, course fees, stationery, internet access, student union fees, travel expenses and equipment such as computers.

If the course doesn't directly relate to your current income, for example, if you're studying to get into another role or a promotion, you will not be eligible to claim.

4. Home office

Generally, construction workers and tradies don't have a designated office and use an office or study at home. There are two methods for claiming expenses from a home office.

The Taxation office allows a deduction of \$0.52 per hour to cover the expenses of heating, cooling, lighting and depreciation of general office furniture such as chairs and desks. Expenses such as stationery, telephone, internet, computers, etc can be claimed separately or costs may be based on the floor area of your home.

If you work at home, where clients come to you, then you can claim deductions for the business proportion of your occupancy expenses, such as mortgage interest or rent, council rates, land taxes and house insurance premiums.

These deductions would be claimed in addition to running expenses and apportioned for business and private use. Be mindful that when you operate a business at home, you may be liable for capital gains tax when your home is sold in the future.

5. Tools and Equipment

There's no doubt that unless construction workers and tradies use tools, they wouldn't have an income. Most companies supply tools, but business owners and sole traders will have to purchase their own.

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Apportion the costs of work-related tools if they are used for both work and private use and keep your receipts to provide an eligible claim. Valid claims include:

- Tools and equipment
- Repair made to tools and equipment
- Insurance of equipment
- Interest on money borrowed used to purchase tools and equipment
- Computers, tablets and smartphones

6. Other expenses

Union fees and fees from professional organisations, journals, periodicals and magazines related to your industry can be claimed. You cannot claim the cost of getting work-related licenses and certificates but you can claim the cost of renewing them.

You can make an immediate claim for the purchase of work-related equipment under \$300. If the equipment cost more than \$300 you can claim depreciation expenses over the life of that asset.

Pro tax tip: Speak to your tax agent. They will know everything you're entitled to claim so keep the receipts, bills, bank statements, other financial records and evidence you'll need to prove your claims.

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