



What are the weirdest tax deductions in Australia?

Many may think that tax time is not necessarily a creative endeavour, but some people will test the limits whatever the occasion. Nothing will stop them flexing their creative muscles, and that includes when it comes time to lodge their tax return.

What are the rules?

Come tax time, there are three golden rules set from the Australian Taxation Office (ATO)

The expense must directly relate to earning your income

You must have already incurred the expense

You must have the records to prove it

No matter how clear, people try to bend these rules. Many dubious claims are made in the 'other' expenses column, including non-allowable items such as wedding reception costs, dental, childcare, gambling losses, alcohol, and even cigarettes.

What are legitimate expenses?

Who would have thought that Lego could be claimed as a legitimate business expense? Not the ATO who sent a 'please explain' letter to one Australian who claimed Lego as a gift for his children as a tax expense. Personal gifts, no matter how large or small are only a nice gesture - not tax-deductible.

Another taxpayer tried to claim his overseas wedding reception of \$58,000 as a work-related overseas 'conference'. The taxpayer claimed \$33,087 on his return, and also \$25,259 on his new wife's tax return. The ATO prosecuted his wife.

Nice white smiles are attractive and may help you with your line of work, but the ATO considers dental work to be a personal expense. Claiming 'having a nice smile' as 'essential to finding a job' is not a valid claim. At best, the ATO will reject your claim, at worse, you might receive an audit.

The cost of raising children, although expensive, is not an income-related expense. Children may be costly, but it has nothing to do with the ATO.

Similarly, claiming the cost of a personal new car that is not used for business purposes cannot be claimed against the \$30,000 instant asset write off threshold. The ATO maintains that although many taxpayers have tried to claim the full purchase price of their personal car as a tax deduction, it is not a valid income-related claim.

If, like some people who have tried to claim cigarettes to help reduce stress, or sunscreen and an umbrella for being forced to walk to a sunlit park for their smoko, your tax agent will most probably advise you not to lodge that claim.