



How Do You Apportion Work-Related Expenses For Your Tax Return In Australia?

There are a lot of claims you can make come tax time in Australia, but a lot of them are a mix of personal and work-related expenses. Expenses add up and can have a huge impact on the tax you have to pay. Many people miss out on valid tax claims because they don't know how to calculate their work-related portion of expenses.

How To Claim A Deduction

In order to be able to make a valid tax claim, the expense must meet certain conditions in the eyes of the Australian Taxation Office (ATO).

You:

- Should already have incurred the expense
- Should have incurred the expense directly related to your income or employment
- Should only claim the work-related part of your expense. It cannot be personal in nature
- Must be able to prove that you've incurred the expense with the relevant information
- Will need to work out the work-related proportion of your expenses.

How Do You Apportion Work-Related Expenses

If you incur an expense that's not 100% work-related and has a personal aspect to the expense, the work-related proportion should be calculated. The ATO does not allow any private expenses to be claimed.

If you use your personal car for work-related usage, the 'log book' or 'cents per kilometre' method can be used to work out expenses. It's best to work out which method serves you best.

Log Book Method

A percentage-based claim can be lodged using the log book method, which includes the running expenses of the car and decline in value, but not the capital costs associated with the purchase. To use the log book method, record the dates of travel, odometer reading before and after the trip, kilometres travelled and reason for your travel for 12 consecutive weeks. The 12 weeks of expenses are then averaged out for the year. Fuel and oil costs are calculated into the expenses using this method. Remember to keep all of your receipts to back your claims.

Cents Per Kilometre Method

Using the 'cents per kilometre' method a single rate is used. A claim of 68 cents per business kilometre up to 5,000 kilometres can be claimed per car. Written evidence may also need to be supplied to show how you worked out your calculations, such as a travel diary of work-related trips. A joint owner can claim separately on the same car.

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Other Claimable Work-Related Items

For other expenses, such as phone or internet usage, you'll need to keep suitable records to show how you worked out your work-related percentage. This could be in the form of electronic records, data from applications or by keeping a diary.

Keeping A Diary

Keeping a diary is a good way to work out expenses on items such as home office items, mobile phone, and internet. You'll need to keep a diary for 4 consecutive weeks, which will then be averaged out throughout the year. Your diary should show the pattern of your usage and proportion of work to private use. This method works well if your usage is consistent throughout the year. If your usage fluctuates, then you'll need to keep records for the full year.

Your diary should:

- Be kept for a continuous four week period
- Be filled in with each activity, the time of the activity and reason for the use at the time of use
- Include sufficient details to support calculations

If you need to calculate usage of more than one person, you need to detail the other people's use as well, such as a home office that is used by a spouse or children.

For example:

John works from home between 8:00 to 12:00, and then from 12:30 to 3:00pm. His children use the internet between 3:30 to 5:30. That evening his family streams a movie between 6:30 to 8:30, then his spouse uses the internet between 9:30 – 10:30. John needs to record the time and reason spent on

each period of use for four consecutive weeks for his internet, and clearly label them as private or work. John can then easily average his work use from the overall time spent on the internet.

Sally is a real estate agent who uses her personal phone for work. She pays a capped rate of \$60 per month for her phone which includes \$600 worth of calls and 4GB of data. Over the four week period, Sally makes 428 calls and identifies 336 as work-related from her itemised phone account. Sally works out her work-related expenses through the percentage of calls rather than the time spent on calls, which comes to 80%. Sally then works out her data usage which she compares against her diary, and deduces she spent 70% of her data on work. The two averages are weighted together to determine her overall percentage of calls and data, to arrive at a total 75% of work-related expenses of her overall phone charges. Sally then keeps a record of her calculations in her diary so she can prove how she worked out her calculations.

Claiming the appropriate amount for work-related expenses can be a challenge, and many people miss out on further deductions if it's not done correctly. A Registered Tax Agent not only knows all available claims that can be made, they have experience across all industries to make sure you're claiming all you can. Small amounts do add up and minimises the amount of overall tax you'll need to pay on your taxable income. Imagine what you can do with the spare cash your tax agent will save you!

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