



## ***How Do You Keep Good Records To Maximise Your Tax Deductions***

*It is imperative that Australian's have a good method of recording their financial transactions. Not only will it keep you legally compliant with the Australian Taxation Office (ATO) but it will help to maximise all the claims individuals are entitled to make at the end of financial year.*

The Australian Taxation System relies on individuals self-reporting. This means that individuals are ultimately responsible for correctly declaring their income and expenses. Individuals need to be able to demonstrate how their calculations were formed, as well as providing proof if asked or audited.

### **Why Do Records Need To Be Kept**

Well-organised records:

- Should provide written evidence of income and expenses
- Will help you and your tax accountant to prepare tax returns
- Should contain enough information to claim entitlements
- Will back up your claims in the chance of tax audits and adjustments
- Resolve issues if claims are disputed
- Will enable to you avoid fines and penalties

### **Electronic Copies**

The ATO allows electronic versions of records to be kept that are a true and clear representation of the original. It's a good idea to back up receipts into a cloud, as well as an external hard drive to avoid loss of data through technological failure or disasters. Keeping electronic records will help individuals stay organised and make it easier to sort financial activities once the system is set up. If electronic copies are kept, original paper copy can be discarded, unless a particular law or regulation requires it.

Electronic copies must be on a device that the individual has access to, which includes passwords, and allows the individual to control the information that is processed, entered and sent.

### **How Long To Keep Records For**

Generally, receipts and records should be kept for five years from the date the tax return was lodged. There are situations where records need to be kept for a longer period including records on capital assets (including vehicles, property, and equipment) that are subject for capital gains tax and depreciation.

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## **Information Needed On Receipts**

In order to justify tax claims, receipts must contain enough data to satisfy the ATO that the claim is legitimate. A receipt must show the:

- name of the supplier
- amount of the expense
- nature of the goods or services
- date the expense was paid
- date of the document.

## **Types Of Records That Should Be Kept**

Other than receipts, there are other records that need to be kept to support various tax claims, which include:

- income statements or payment summaries, including your employer and Services Australia
- statements from your bank and other financial institution showing the interest you've earned
- dividend statements
- summaries from managed investment funds
- receipts or invoices for equipment or asset purchases and sales
- receipts or invoices for expense claims and repairs
- contracts
- tenant and rental records.

Claims over \$300 require written evidence. If an individual acquires a capital asset or owns an investment property, shares or managed fund investment, records should be kept in the event of capital gains tax obligations.

## **Depreciating Assets**

If a capital asset has been bought for a business or to help an individual earn income, such as plant equipment or a laptop, purchase receipts and a depreciating schedule will need to be calculated.

Records should show:

- the date the asset was first used for work-related purposes
- the effective life of the asset (how long an asset can be used for)
- the method used to work out the decline in value
- how the percentage of work use has been calculated

## **Car Expenses**

Many people use a vehicle for work and there are many claims that can be made, as long as records are kept to prove the work-related expense.

There are two methods for calculating car expenses:

- cents per kilometre – a flat rate of 52 cents per business kilometre up to 5,000 kilometres travelled can be claimed. A log book is required to be kept. Receipts are not needed, however, calculations are required to show how expenses were calculated.
- log book – claims made using the log book method are based on the percentage of work use for the car. The log book must cover a minimum of twelve continuous weeks and be representative of use throughout the year and include the purpose for each journey, the odometer reading and total kilometres travelled.

Original receipts for all other car expenses should be kept. Calculation details that show the decline in value of the car, including the effective life of the vehicle needs to be recorded. Different rules apply for vehicles used to carry bulky tools and equipment. Logbooks should be kept for five years.

## **Travel Expenses**

Records to be kept for work-related travel depend on travel allowances paid by employers, if the travel is domestic or overseas and the length of travel and individual's occupation

Travel records should include a travel diary or itinerary if the travel was for six nights or more, receipts for meals, airfares, accommodation, parking and tolls, an explanation of how the travel was work-related and the number of nights slept away from home as well as the location.

## **Working From Home**

Expenses can be claimed for the heating, cooling, lighting, cleaning, depreciation of the decline in value of assets, phone and internet if the individual works from home. A fixed-rate method of calculating claims on expenses can be used, which allows a rate of 52 cents per work-related hour. To claim using this

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method, records of the actual hours spent working at home for the year and a diary of a representative four-week period to show a pattern of working is required.

If actual costs are claimed, receipts from power, internet, and phone companies, will need to be kept and the work-related portion calculated.

All records should be in English, unless the expense was incurred outside of Australia.

Keeping accurate records will reduce the cost of managing tax affairs and help reduce the time your tax accountant needs to work out every claimable deduction. Why pay more tax than needed?

***ITP Accountants have helped Australian individuals claim their tax refunds for 50 years. Speak to an ITP Professional who can help you work out all of your tax claims today.***

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