Australian Government
Australian Taxation Office

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Income, deductions, offsets and records

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/)
- Last modified: 27 Apr 2023
- QC 72086

What income you need to declare, deductions and offsets you can claim and records you need to prove your claims.

Income you must declare (/individuals/income-deductions-offsets-and-records/income-you-must-declare/)
Work out which income you need to declare in your tax return, such as employment, government and investment income.

Deductions you can claim (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/)
Find out which expenses you can claim as income tax deductions and work out the amount to claim.

Occupation and industry specific guides (/individuals/income-deductions-offsets-and-records/occupation-and-industry-specific-guides/)
Income and allowances to declare and the expenses you can claim a deduction for in your occupation or industry.

Tax offsets (/individuals/income-deductions-offsets-and-records/tax-offsets/)
Check whether you will receive a tax offset and how to calculate it.

Records you need to keep (/individuals/income-deductions-offsets-and-records/records-you-need-to-keep/)
Records you need to show a payment or expense, the format to keep your records in, and how long to keep them.

Income tests (/individuals/income-deductions-offsets-and-records/income-tests/)
What income is used to work out your eligibility for some tax offsets and benefits.

Income you must declare

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/)
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Work out which income you need to declare in your tax return, such as employment, government and investment income.

Employment income (/individuals/income-deductions-offsets-and-records/income-you-must-declare/employment-income/)
Income from working such as wages, allowances, lump sum payments, cash and tips, reportable fringe benefits and super.

Foreign and worldwide income (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/)
Check if you need to declare foreign income and pay tax, the tax you pay depends on your residency for tax purposes.

Government payments and allowances (/individuals/income-deductions-offsets-and-records/income-you-must-declare/government-payments-and-allowances/)
When to declare taxable and tax-free government payments, pensions and allowances in your tax return.

Investment income (/individuals/income-deductions-offsets-and-records/income-you-must-declare/investment-income/)
Work out which investment income you must declare, such as interest, dividends, rental income or other capital gains.

Superannuation pensions and annuities (/individuals/income-deductions-offsets-and-records/income-you-must-declare/superannuation-pensions-and-annuities/)
Find out about declaring income in your tax return from superannuation pensions or annuities.

Business, partnership and trust income (/individuals/income-deductions-offsets-and-records/income-you-must-declare/business-partnership-and-trust-income/)
How to declare income you earn as a sole trader, as a partner in a partnership or from a trust.

Compensation and insurance payments (/individuals/income-deductions-offsets-and-records/income-you-must-declare/compensation-and-insurance-payments/)
Check if you need to declare and pay tax on compensation and insurance payments, including settlements.

Scholarships, prizes and awards (/individuals/income-deductions-offsets-and-records/income-you-must-declare/scholarships-prizes-and-awards/)
What to declare in your tax return and tax you pay on scholarships, prizes and awards.

Your income if you are under 18 years old (/individuals/income-deductions-offsets-and-records/income-you-must-declare/your-income-if-you-are-under-18-years-old/)
If you're under 18 years old (a minor), special rules apply to income you earn and you may pay tax at a higher rate.

Taxable, assessable and exempt income (/individuals/income-deductions-offsets-and-records/income-you-must-declare/taxable-assessable-and-exempt-income/)
Income you receive may be taxable, assessable exempt, or non-assessable non-exempt – find out if you need to report it.

Amounts you do not include as income (/individuals/income-deductions-offsets-and-records/income-you-must-declare/amounts-you-do-not-include-as-income/)
Amounts that you earn or receive that you don't need to declare as income.

Crowdfunding (/Business/Income-and-deductions-for-business/In-detail/Crowdfunding/)
Money you raise with the help of support for a project or venture.

The sharing economy (/General/Sharing-economy-and-tax/)
Activities where you share assets or services for a fee through a digital platform.

Employment income

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Employment-income/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Employment-income/)
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Income from working such as wages, allowances, lump sum payments, cash and tips, reportable fringe benefits and super.

On this page

Salary and wages

The most common type of employment income is salary and wages, whether you have one job or more, and whether you work full time, part time or casual. This income may be cash-in-hand, paid directly into your bank account or paid in another way.

Salary and wage payments you need to declare in your tax return include:

- your normal weekly, fortnightly or monthly pay
- JobKeeper and stand-down payments you receive because of COVID-19 (/General/COVID-19/Support-for-individuals-and-employees/Tax-on-employment-payments/)
- commissions
- bonuses, including retention bonuses to remain with your employer
- money for part-time or casual work
- parental leave pay
- dad-and-partner pay
- payments from
  - an income protection insurance policy
  - a sickness or accident insurance policy
  - a workers compensation scheme

- pay and allowances for continuous full-time service in the Australian Naval, Army or Air Force Reserve (but you may not have to declare salary and allowances while deployed overseas (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/tax-exempt-income-from-foreign-employment/australian-defence-force-members-performing-overseas-duty/))
- income you receive in connection with a joint space and defence project (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/tax-exempt-income-from-foreign-employment/australia-united-states-joint-space-and-defence-projects/) – unless exempt from Australian income tax
- foreign employment income (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/) – unless exempt from Australian income tax.

If you are an employee of an Australian Government agency (and not a member of a disciplined force), include income you earn from delivering Australian official development assistance.

Allowances and other work-related income

You may receive allowances or other payments in connection with your employment that you need to declare in your tax return. These payments may include:

- allowances (/individuals/income-deductions-offsets-and-records/income-you-must-declare/employment-income/employment-allowances/), including travel and overtime meal allowances
- cash tips, gratuities and payments for your services
- consultation fees and payments for voluntary services
- jury attendance fees
- income for providing personal services outside of employment or in a non-business capacity (for example, income from working in the sharing economy).

Lump sum payments

A lump sum payment is a one-time payment that is taxed and reported differently to your salary and wage income. You include lump sum payments as assessable income in your tax return in the income year you receive the payment.

You may receive a lump sum payment:

- when you leave a job, such as
  - an employment termination payment (ETP) (/Individuals/Jobs-and-employment-types/Working-as-an-employee/Leaving-your-job/Employment-termination-payments-for-employees/)
  - a genuine redundancy payment (/Individuals/Jobs-and-employment-types/Working-as-an-employee/Leaving-your-job/Redundancy-payments/)
  - an approved early retirement scheme (/Individuals/Jobs-and-employment-types/Working-as-an-employee/Leaving-the-workforce/Approved-early-retirement-schemes/) payment that exceeds the tax-free limit

- for unused annual leave, long service leave or special leave you are entitled to when you leave a job
- in arrears (known as back pay or lump sum payments in arrears) for money your employer owes you from an earlier income year.

If you receive a lump sum payment in arrears, you don't need to amend prior year tax returns. There are tax offsets for lump sum payments in arrears (/individuals/income-deductions-offsets-and-records/tax-offsets/lump-sum-payment-in-arrears-tax-offsets/), which prevent you paying too much tax in the year you receive the payment.

Reportable fringe benefits and super contributions

You need to declare:

- reportable fringe benefits (/Individuals/Jobs-and-employment-types/Working-as-an-employee/Reportable-fringe-benefits-for-employees/) you receive from your employer (such as, a work car for private purposes, a cheap loan or free private health insurance)
- reportable super contributions (/Individuals/Super/Growing-and-keeping-track-of-your-super/How-to-save-more-in-your-super/Options-for-adding-to-your-super/) made on your behalf by your employer.

You don't have to pay tax on these amounts. We use these amounts to work out whether you are eligible to receive certain government benefits and tax offsets.

Employment allowances

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Employment-income/Employment-allowances/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Employment-income/Employment-allowances/)
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Types of employment allowances, how and when to treat them as income, and how they affect claiming a deduction.

On this page

What is an allowance?

An allowance is a separate amount your employer pays you in addition to your salary and wages. It's an estimate of costs you might incur for expenses, or compensation for certain conditions of your employment.

An allowance is different to a reimbursement. A reimbursement is an amount your employer pays you for the actual expenses you incur.

If your employer pays you:

- An amount based on an estimate of what you might spend, such as paying cents per kilometre if you use your car for work, then it's an allowance. In this instance, you may or may not spend the exact amount your employer pays you.
- For the actual amount of the expense (either before or after you incur the expense), such as paying for the petrol you use when you use your car for work, it's a reimbursement.

If you receive an allowance from the Australian Government, see Government payments and allowances (/individuals/income-deductions-offsets-and-records/income-you-must-declare/government-payments-and-allowances/).

Types of allowances

Your employer may pay you an allowance that provides:

- for expenses you have that are not deductible, such as meals and snacks during your normal working hours. Specific examples include

  - part-day travel allowance
  - meal allowance (that are not award overtime meal allowances)

- for certain work-related expenses, such as using your car to travel between workplaces or buying and laundering work-specific clothing. Specific examples include
  - tool and equipment allowance
  - motor vehicle or car allowance
  - transport expenses allowance
  - uniform allowance

- compensation for your working conditions or industry peculiarities, such as working at heights or in dangerous, hot or cold conditions. Specific examples include
  - remote area allowance
  - cold temperature allowance
  - irregular working hours or broken shift allowance

- recognition of special duties, skills or qualifications, such as holding a first aid certification, leading a department or being on call. Specific examples include
  - on-call allowance
  - leading hand allowance
  - health and safety representative allowance.

When to include an allowance as income

If your employer reports your allowance on your annual income statement, you must include it as income in your tax return.

Your employer may also pay you allowances that they only report on your payslip (not your annual income statement). This can occur when they pay you a travel allowance or certain overtime meal allowance. Special rules apply to these allowances, see Allowance on payslip not on annual income statement.

Allowances and claiming a deduction

There is no automatic deduction for receiving an allowance from your employer.

If you can claim a deduction, the amount you claim is the deductible work-related expenses you actually incur, which is usually not the same amount as the allowance you receive.

Allowance on income statement

Where the allowance is reported on your annual income statement, you:

- must include the allowance as income in your tax return
- can claim a deduction for the amount you spent on deductible work-related expenses covered by the allowance
- must keep records of your expenses (/Individuals/Income-deductions-offsets-and-records/Records-you-need-to-keep/) (unless a record keeping exception (/Individuals/Income-deductions-offsets-and-records/Records-you-need-to-keep/#Recordkeepingexceptions) applies).

Allowance on payslip not on annual income statement

Different rules apply to the following allowances if your employer has not reported them on your annual income statement:

- a travel allowance (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/travel-allowances-for-overnight-travel/) to cover expenses you may incur when you travel away from home to perform your employment duties
- An overtime meal allowance (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/meals-entertainment-and-functions/overtime-meal-expenses/#Whatisanovertimemealallowance) paid under an industrial law, award or enterprise agreement.

If your employer doesn't report the allowance on your annual income statement, and you:

- spent the whole allowance amount on deductible expenses, then you

  - don't include it as income in your tax return
  - **can't** claim any deductions for the expenses you incur

- spent more than your allowance amount on deductible expenses, then you can
  - include the allowance as income in your tax return
  - claim a deduction for the expenses you incur.

If you can claim a deduction, you must also keep records of your expenses (/Individuals/Income-deductions-offsets-and-records/Records-you-need-to-keep/), unless a record keeping exception (/Individuals/Income-deductions-offsets-and-records/Records-you-need-to-keep/#Recordkeepingexception) applies.

Foreign and worldwide income

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/)
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- QC 72090

Check if you need to declare foreign income and pay tax, the tax you pay depends on your residency for tax purposes.

Australian resident foreign and worldwide income (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/australian-resident-foreign-and-worldwide-income/)
As an Australian resident, you must declare any foreign income you earn on your Australian tax return.

Foreign and temporary resident income (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/foreign-and-temporary-resident-income/)
Income you need to declare and pay tax on if you are in Australia as a foreign or temporary resident.

Tax exempt income from foreign employment (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/tax-exempt-income-from-foreign-employment/)
Employment income from certain types of international work may be exempt from Australian tax.

Your tax residency (/Individuals/Coming-to-Australia-or-going-overseas/Your-tax-residency/)
If you come to Australia or go overseas, you can work out your residency for tax purposes using the residency tests.

Australian resident foreign and worldwide income

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/Australian-resident-foreign-and-worldwide-income/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/Australian-resident-foreign-and-worldwide-income/)
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- QC 72091

As an Australian resident, you must declare any foreign income you earn on your Australian tax return.

On this page

- Converting foreign income to Australian dollars
- Apportioning foreign income across multiple years
- Audit and verification checks

For a summary of this information in PDF format, see Foreign income (PDF, 253KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Foreignincome.pdf) .

This information is also available in Other languages (/General/Other-languages/) (Arabic, Chinese, Japanese, Korean and Vietnamese).

What is foreign and worldwide income?

As an Australian resident for tax purposes (/Individuals/coming-to-australia-or-going-overseas/Your-tax-residency/Australian-resident-for-tax-purposes/), you must declare income you earn anywhere in the world in your Australian tax return. This is known as your worldwide income. It includes any foreign income you may receive from:

- pensions and annuities (/individuals/income-deductions-offsets-and-records/income-you-must-declare/superannuation-pensions-and-annuities/)
- business activities (/business/international-tax-for-business/australians-doing-business-overseas/foreign-business-income/)
- employment and personal services
- assets and investments
- capital gains on overseas assets.

If you have interests or involvement in foreign entities or foreign trusts, you may have attributed foreign income (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/australian-resident-foreign-and-worldwide-income/attributed-foreign-income/). This is income attributed to you that has not been distributed.

Income from employment and personal services

If you have worked overseas or provided services to an organisation located outside Australia, you need to declare relevant income as if it were earned in Australia. This may include:

- salary and wages
- directors' fees
- consultancy fees
- business income
- any other remuneration.

This income may also include payments received from platforms hosted overseas – for example, if you are a content creator or influencer, and your payment is from overseas.

Income from assets and investments

If you own assets or investments overseas, including offshore bank accounts, you need to declare the relevant returns as if they were in Australia. This may include:

- interest from bank deposits or bonds
- dividends from shares
- royalties from intellectual property
- rental income from real estate
- pensions, annuities and lump sums from managed funds
- income streams from super funds
- attributed income from foreign entities
- some government pensions.

Capital gains on overseas assets

If you own an asset overseas, you may have to pay Australian capital gains tax (/Individuals/Capital-gains-tax/) when you sell the asset. You need to keep appropriate records.

If you acquired an overseas asset before you became an Australian resident, you treat the asset as though you acquired it when you became an Australian resident.

Similarly, if you stop being an Australian resident while holding an overseas asset, you treat the asset as though you disposed of it when you stopped being an Australian resident.

To accurately calculate your capital gain or loss, ensure you keep a record of the value of your asset at these times. This is a complex area of tax law and you may be eligible for exemptions.

Paying Australian tax on your foreign and worldwide income

If you're an Australian resident for tax purposes and you:

- have a temporary resident visa
  - you don't pay tax on most of your foreign income in Australia
  - we tax your income from some actual work you do overseas while you are a temporary Australian resident

- receive foreign income
  - you may pay tax on that income in both Australia and the foreign country
  - tax you pay in another country on your foreign income may entitle you to an Australian foreign income tax offset (/individuals/income-deductions-offsets-and-records/tax-offsets/claiming-a-foreign-income-tax-offset/)

- receive income from a country that has a tax treaty with Australia (/General/International-tax-agreements/In-detail/What-are-tax-treaties-/)
  - you can provide a certificate of residency and overseas tax relief form (/Individuals/Coming-to-Australia-or-going-overseas/Certificate-of-residency-and-overseas-tax-relief-form/) to the tax authorities in that country and ask them to either
    - reduce their withholding tax
    - exempt you from paying tax in that country.

If you are an Australian Government agency employee (and not a member of a disciplined force), you now pay tax on income from delivering Australian Official development assistance (ODA) (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/tax-exempt-income-from-foreign-employment/exempt-income-from-foreign-service/#AustralianOfficialdevelopmentassistance). Members of a disciplined force delivering ODA may still be eligible for exemption.

Tax paid overseas

If you have already paid tax in the country that you derived the income from, you may be able to claim a foreign income tax offset (/Individuals/Tax-return/2022/In-detail/Publications/Guide-to-foreign-income-tax-offset-rules-2022/?page=2#When_a_foreign_income_tax_offset_applies).

To be eligible for a foreign income tax offset, you must:

- have paid the tax on the income overseas
- have records to prove that the tax has been paid.

The offset amount you are entitled to will not always be the same as the tax you paid overseas. If you are claiming more than $1,000, you will first need to work out your foreign income tax offset limit to determine your entitlement.

Tax exemptions for international employment income

Employment income from international work may be exempt from Australian tax in limited circumstances, such as:

- certain types of foreign service
- working on an approved overseas project
- working in Australia for certain international organisations
- overseas deployment with an Australian Defence Force
- working for an Australia–United States joint space or defence project.

For more information about these situations, and the conditions you must meet, see Tax exempt income from foreign employment (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/tax-exempt-income-from-foreign-employment/).

Converting foreign income to Australian dollars

You must convert all foreign income, deductions and tax offsets to Australian dollars in your tax return.

Foreign income conversion calculator **(/Calculators-and-tools/Foreign-income-conversion-calculator/)**

Depending on your circumstances and the type of income, you can use either:

- the exchange rates prevailing at specific times – there are specific Translation (conversion) rules (/Business/Foreign-exchange-gains-and-losses/Translation-(conversion)-rules/) that tell you the exchange rate to use
- an average exchange rate (/Rates/Foreign-exchange-rates/) – daily and monthly rates published monthly.

Apportioning foreign income across multiple years

Unlike Australia, most countries do not have an income year ending on 30 June. You may need to report your foreign income and associated tax offsets in multiple tax returns in Australia.

You will need to work out which income tax years the income amounts align to and apportion them accordingly.

Audit and verification checks

We do audit and verification checks and we data match (/About-ATO/Commitments-and-reporting/Information-and-privacy/Data-matching/) the tax information provided in tax returns with data we collect from other parties, such as:

- banks
- financial institutions
- investment bodies
- employers
- other government agencies.

We recommend you ensure your bank has correctly recorded all your details, such as your name, address and tax file number. This will avoid any unnecessary follow-up action being taken by Australia or another country if a discrepancy is found.

We receive and exchange financial account information with participating foreign tax authorities. This ensures Australian residents with financial accounts in other countries are complying with Australian tax law. You could receive penalties and interest charges if you do not declare your foreign income.

Attributed foreign income

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/Australian-resident-foreign-and-worldwide-income/Attributed-foreign-income/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/Australian-resident-foreign-and-worldwide-income/Attributed-foreign-income/)
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How tax applies to income you receive from your interests or involvement in foreign entities or foreign trusts.

On this page

When income is attributed to you

Attributed foreign income is the income attributed to the taxpayer from controlled foreign entities. Even if the income has not been distributed it may be attributed to you for income tax purposes, if you:

- have interests in a foreign entity
- are involved with a foreign trust.

You need to declare income attributed to you, if either of the following applies:

- you have either a direct or indirect interest in a
  - foreign company controlled by Australians – known as a controlled foreign company (CFC)
  - foreign trust controlled by Australians – known as a controlled foreign trust (CFT)
  - CFC or CFT you effectively control
- you have directly or indirectly caused the transfer of property (including money) or services at any time to a non-resident trust.

To prevent double taxation, dividend income you receive as an Australian resident (/Individuals/Coming-to-Australia-or-going-overseas/Your-tax-residency/Australian-resident-for-tax-purposes/), which you source from profits that have previously been attributed under these rules, is generally exempt from Australian tax.

Controlled foreign companies

The controlled foreign company (CFC) measures affect you if you are an Australian resident with substantial investments or involvement in foreign companies or foreign trusts controlled by Australians.

Your share of the specified income and gains of a CFC is included in your assessable income, even if you did not receive a distribution from the CFC. The income and gains of CFCs are worked out using similar rules that apply to resident entities, with some specific modifications.

Transferor trust measures

The transferor trust measures apply to you if you are an Australian resident entity that has either directly or indirectly caused the transfer of property (including money) or services at any time to a non-resident trust. You must include the trust's profits in your assessable income even though you have not received a distribution from the trust.

A trust is considered a resident trust if either of the following applies at any time during the income year:

- the trustee is an Australian resident (/Individuals/Coming-to-Australia-or-going-overseas/Your-tax-residency/Australian-resident-for-tax-purposes/)
- the trust is managed or controlled in Australia.

Foreign investment fund and foreign life assurance policies

On 14 July 2010, the foreign investment fund (FIF) and foreign life assurance policy (FLP) measures were repealed and do not apply from the 2010–11 income year onwards.

If you are an early balancer (that is, you operate a company or trust with a substituted 2010–11 income year that starts before 1 July 2010), the repeal of the FIF provisions will apply from the start of your 2010–11 income year.

FIF measures 2010–11 income year and onwards

The FIF measures applied to income and gains accumulating in both of the following:

- foreign companies that were not controlled by Australians
- foreign trusts that fell outside the scope of the foreign source income measures.

You are no longer subject to accruals taxation on income and gains accumulated in FIFs. As FIF income is no longer attributable, you cannot use any unapplied previous FIF losses.

If you have an interest in a FIF, you will be subject to the general tax rules applicable to your circumstances - for example, the general tax rules relating to trust income.

For more information about the repeal of the FIF measures, including information on double taxation, refer to chapter 4 of the Foreign income return form guide 2011–12 (/Forms/Foreign-income-return-form-guide-2011-12/?page=13#Chapter_4__Taxation_of_foreign_investment_fund__FIF__interests).

FIF and FLP measures 2009–10 and previous income years

For the 2009–10 income year and all prior income years, the foreign investment fund (FIF) measures apply to you as an Australian resident if you hold an interest in certain income and gains accumulating in either of the following:

- foreign companies that are not controlled by Australians
- foreign trusts that are not already subject to attribution under the CFC, CFT and transferor trust rules.

The FIF measures apply to your interest in a FIF or foreign life assurance policy (FLP) if both of the following apply:

- you were a resident of Australia at any time in an income year
- you had an interest in a FIF or FLP at the end of the income year.

The FIF measures also apply when working out the income of CFCs, CFTs or transferor trusts that hold an interest in a FIF.

The FIF measures extend to certain FLPs that have an investment component, such as life bonds.

For more information, see Foreign investment funds guide 2009–10 (/Forms/Foreign-investment-funds-guide-2009-10/).

Foreign and temporary resident income

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/Foreign-and-temporary-resident-income/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/Foreign-and-temporary-resident-income/)
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Income you need to declare and pay tax on if you are in Australia as a foreign or temporary resident.

On this page

Foreign resident income

If you are a foreign resident (/Individuals/Coming-to-Australia-or-going-overseas/Your-tax-residency/Foreign-and-temporary-residents/) working in Australia, you declare any Australian-sourced income you earn in your Australian tax return. Your Australian-sourced income may include:

- employment income
- rental income
- Australian pensions and annuities, unless an exemption is available under Australian tax law or a tax treaty
- capital gains on Australian assets.

You generally don't need to declare income you receive from outside Australia in your Australian tax return. However, if you have a Higher Education Loan Program (HELP), Trade Support Loan (TSL) or VET Student Loan (VSL) debt you may need to declare your worldwide income.

You also don't declare any Australian-sourced interest, dividends or royalties you derive while you are a foreign resident (/Business/PAYG-withholding/In-detail/Investment-income-and-royalties-paid-to-foreign-residents/), provided the Australian financial institution or company that pays you has already withheld tax. They do this automatically if you advise them that you are a foreign resident.

You can't claim the tax-free threshold, so you pay tax on every dollar of income you earn in Australia.

You don’t pay the Medicare levy in your Australian tax return, as you aren't entitled to Medicare health benefits. You can claim an exemption from paying the Medicare levy (/Individuals/Medicare-and-private-health-insurance/Medicare-levy/Medicare-levy-exemption/Foreign-residents-Medicare-levy-exemption/) for the number of days in the income year you are a foreign resident.

Foreign resident withholding tax

Payments for the following are subject to foreign resident withholding tax (/Individuals/Coming-to-Australia-or-going-overseas/Australian-income-of-foreign-residents/Foreign-resident-PAYG-withholding---individual-entities/):

- promoting or organising casino gaming junket arrangements
- entertainment and sports activities
- contracts for the construction, installation and upgrading of buildings, plant and fixtures and for associated activities.

Your payer will withhold this tax. You report the payments in your Australian tax return and claim the withheld amounts as a credit against the tax assessed.

Foreign resident deferred withholding tax liabilities

If you had Australian-sourced interest or dividend income while you were a non-resident and the payer did not withhold tax, you need to disclose this in your income tax return for the relevant income year.

You may be given an extension until the payment is due or when it would be due. We have deferred the time at which certain withholding tax liabilities are due and payable by a non-resident taxpayer (/Individuals/Coming-to-Australia-or-going-overseas/Australian-income-of-foreign-residents/Foreign-resident-PAYG-withholding---individual-entities/) who satisfies all of these conditions:

- The interest income or dividend income is derived by the taxpayer during the income year of tax when the taxpayer was a non-resident.
- The taxpayer has disclosed the interest or dividend income in an income tax return they have lodged for the relevant income year.
- The taxpayer has a withholding tax liability for that interest or dividend income.
- The payer of the interest or dividend has not withheld the amount of the withholding tax liability from the payment.

For a taxpayer who satisfies all of the above conditions, the due date for payment of the withholding tax on the interest or dividend income is deferred to either:

- the due date for payment of the taxpayer's income tax liability in respect of their income year for the relevant income year
- if the taxpayer doesn't have an income tax liability in respect of their income year for the relevant income year, the date on which income tax would have been payable if the taxpayer had an income tax liability in respect of their income year for the relevant income year.

Temporary resident income

Temporary residents for income tax purposes generally don't pay tax on income they earn in another country (unless they have acquired shares or rights under an employee share scheme).

Temporary resident foreign income exemption

You don't have to pay tax on most of your foreign income if you both:

- are an individual who is an Australian resident for tax purposes (/Individuals/Coming-to-Australia-or-going-overseas/Your-tax-residency/Australian-resident-for-tax-purposes/)
- satisfy the requirements of being a temporary resident (/Individuals/Coming-to-Australia-or-going-overseas/Your-tax-residency/Foreign-and-temporary-residents/#Temporaryresidents).

In this case:

- Most of your foreign income is not taxed in Australia. However, you are taxed in Australia on some income you earn from employment or services you perform overseas while you are a temporary resident.
- Employment or services income may be subject to income tax and you still declare it in your tax return in the income year you earn it.
- If you paid tax in a foreign country, you may be entitled to claim a foreign income tax offset (/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Claiming-a-foreign-income-tax-offset/) when you lodge and declare that income in your Australian tax return.

You must convert all foreign income, deductions and tax offsets to Australian dollars (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/australian-resident-foreign-and-worldwide-income/#ConvertingforeignincometoAustraliandolla) in your tax return.

Tax exempt income from foreign employment

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/Tax-exempt-income-from-foreign-employment/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/Tax-exempt-income-from-foreign-employment/)
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Employment income from certain types of international work may be exempt from Australian tax.

Exempt income from foreign service (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/tax-exempt-income-from-foreign-employment/exempt-income-from-foreign-service/)
Your income may be exempt from Australian tax (under section 23AG) if you're engaged in foreign service.

Working on an approved overseas project (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/tax-exempt-income-from-foreign-employment/working-on-an-approved-overseas-project/)
Your foreign income may be exempt from tax (under section 23AF) if you work on an approved overseas project.

Working for certain international organisations (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/tax-exempt-income-from-foreign-employment/working-for-certain-international-organisations/)
Income from working for certain international organisations may be exempt from tax in Australia.

Australian defence force members performing overseas duty (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/tax-exempt-income-from-foreign-employment/australian-defence-force-members-performing-overseas-duty/)
Reporting income for members of the ADF performing overseas duty.

Australia-United States Joint Space and Defence Projects (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/tax-exempt-income-from-foreign-employment/australia-united-states-joint-space-and-defence-projects/)
How employment income in connection with a joint space and defence project may qualify for special tax treatment.

Exempt income from foreign service

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/Tax-exempt-income-from-foreign-employment/Exempt-income-from-foreign-service/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/Tax-exempt-income-from-foreign-employment/Exempt-income-from-foreign-service/)
- Last modified: 26 Apr 2023
- QC 72095

Your income may be exempt from Australian tax (under section 23AG) if you're engaged in foreign service.

On this page

- Eligibility
- How exempt foreign employment income affects your tax

Eligibility

Your foreign employment income is exempt from tax (under section 23AG of the *Income Tax Assessment Act 1936*) if you meet **all** 4 of the following conditions:

1. you're an Australian resident for tax purposes
2. you're engaged in continuous foreign service as an employee for 91 days or more
3. your foreign service is directly attributable to **any** of the following
    - delivery of Australian Official development assistance by your employer (except if your employer is an Australian government agency)
    - activities of your employer in operating a public fund declared by the Minister to be a developing country relief fund
    - activities of your employer in operating a public fund established and maintained to provide monetary relief to people in a developed foreign country impacted by a disaster (a public disaster relief fund)
    - activities of your employer as a prescribed charitable or religious institution exempt from Australian income tax because it's located outside Australia, or the institution is pursuing objectives outside Australia
    - deployment outside Australia as a member of a disciplined force

4. you're not excluded from exemption by the non-exemption conditions (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/tax-exempt-income-from-foreign-employment/working-on-an-approved-overseas-project/#Nonexemptionconditions)

If your foreign service is not directly attributable to these activities, you need to include the foreign employment income (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/australian-resident-foreign-and-worldwide-income/) in your tax return as assessable income.

You may be entitled to a foreign income tax offset (/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Claiming-a-foreign-income-tax-offset/) for amounts of foreign tax you have paid.

Your foreign employment income may also be exempt if it is paid for Working on an overseas project approved by Austrade (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/tax-exempt-income-from-foreign-employment/working-on-an-approved-overseas-project/). There are different rules for this exemption.

Australian Official development assistance

Australian Official development assistance (ODA) is assistance delivered through the Australian Government's overseas aid program administered by the Department of Foreign Affairs and Trade (DFAT).

DFAT also contracts aid work to Australian and international entities. As a result, individuals involved in the delivery of Australian ODA can include both employees of an Australian government agency and people who are not government employees.

Employees of an Australian government agency who earn foreign income while delivering Australian Official development assistance (ODA) are not eligible for exemption from Australian income tax on their foreign employment income.

An 'Australian government agency' means:

- the Commonwealth, a state or a territory
- an authority of the Commonwealth or of a state or territory.

Example: employed by Australian government agency

Michelle is an Australian resident employed by the Department of Education and Training. She is posted to the Solomon Islands for 190 continuous days as a project advisor on an Australian ODA project aimed at improving the quality of early childhood education.

Michelle's foreign service is directly attributable to the delivery of Australian ODA by her employer.

As an Australian government employee delivering ODA, her foreign earnings are not exempt from Australian income tax. Michelle's foreign income from her service will be taxed in Australia, and she may be entitled to claim a foreign income tax offset for any foreign tax paid on that income.

Example: contracted by Australian government agency

Eric is an Australian resident motor mechanic. He is employed by a private company contracted by DFAT to provide vocational training in Vanuatu. He is posted to Vanuatu for 180 continuous days.

Eric's foreign service is directly attributable to the delivery of Australian ODA by his employer. Therefore, his foreign earnings are eligible for exemption, subject to the non-exemption conditions.

For more information, see List of departments and agencies (https://www.directory.gov.au/departments-and-agencies) .

Developing country relief fund

A developing country relief fund is a fund established by an organisation solely to provide relief to people in a developing country.

The organisation must be an approved organisation as declared by the Minister for Foreign Affairs. The country must be a developing country as declared by the Minister for Foreign Affairs.

Example: developing country relief fund

Maria is a social worker employed by Peace Group, a charitable organisation that provides assistance to developing countries. Maria is posted to Nigeria for 120 days to help provide relief to people in distress.

Peace Group is an organisation that has been approved as operating a developing country relief fund. This means Maria's foreign employment income is eligible for the exemption.

If you're unsure if your work relates to a developing country relief fund, ask your employer.

Public disaster relief fund

A public disaster relief fund is a fund established and operated by a public benevolent institution in response to an event recognised as a disaster by the Minister for Foreign Affairs.

If you're unsure if your work relates to a public disaster relief fund, ask your employer.

Prescribed institution exempt from Australian income tax

You may be eligible for exemption if your foreign service is directly attributable to working for a prescribed charitable or religious institution that is exempt from Australian income tax.

These organisations are either located outside Australia or have a physical presence in Australia but incur their expenditure and pursue their objectives principally outside Australia.

If you're unsure if you work for a prescribed charitable or religious institution, ask your employer.

Foreign deployment as a member of disciplined force

You may be eligible for exemption if your foreign service is directly attributable to deployment outside Australia as a member of a disciplined force.

When we say:

- 'disciplined force', we mean the Australian Defence Force (ADF), Australian Federal Police (AFP) and state and territory police forces.
- 'member', we mean you have taken an oath or affirmation required to perform operational duties of the disciplined force you are employed in.

The exemption will apply if you are a part of an international peacekeeping force in your capacity as an ADF, AFP or state or territory police force member.

If you obtain civilian employment directly with an international peacekeeping force you are not deployed as a member of a disciplined force. Your income will not be exempt from tax in Australia.

As a member of a defence force, the exemption applies to your deployment outside Australia as part of a non-warlike operation. (For warlike operations see Australian defence forces deployed overseas (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/tax-exempt-income-from-foreign-employment/australian-defence-force-members-performing-overseas-duty/).)

Continuous foreign service

To be eligible for exemption from Australian tax, your foreign service must be for a continuous period of 91 days or more.

Any period of absence from foreign service breaks the continuity of your foreign service, unless either:

- the absence does not exceed one-sixth of your total period of foreign service
- the absence counts as foreign service and so does not break the continuity of foreign service.

The continuous service rules for foreign service are different from the continuous service rules for qualifying service on an approved overseas project (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/tax-exempt-income-from-foreign-employment/working-on-an-approved-overseas-project/).

One-sixth test

Absences that would otherwise break the continuity of your period of service for the purposes of the '91 days or more' requirement can be bridged by applying the one-sixth test.

The one-sixth test means that as long as your absence does not exceed one-sixth of your period of service up to that point, the absence won't break the continuity of your service.

Example: one-sixth test – continuous service

Kate is engaged in foreign service that is broken by an absence as follows:

First period of foreign service	185 days
Absence	24 days
Second period of foreign service	50 days

The absence does not exceed one-sixth of Kate's first period of foreign service of 185 days. This means the 2 periods of foreign service are treated as continuous foreign service. However, the 24 days absence does not count as foreign service, so Kate's period of foreign service is 235 days (185 + 50).

Example: one-sixth test – broken service

David is engaged in foreign service that is broken by an absence as follows:

First period of foreign service	185 days
Absence	38 days
Second period of foreign service	50 days

After 31 days, the absence exceeds one-sixth of David's first period of foreign service of 185 days. The absence therefore breaks the continuity of service. David's second period of foreign service after the absence is treated as a separate period to the first. The number of days of continuous service in the new period starts from the first day of that period.

Foreign service straddling income years

Foreign service is not measured on a year-of-income basis. If your foreign service begins in one income year and continues into the next, you take into account the entire period of your service.

Absences that still count as foreign service

Some temporary absences during a period of foreign service still count as foreign service and will not affect your continuity of service. These are periods where you are absent:

- within your scheduled period of foreign service
- in accordance with the terms and conditions of your foreign service
- for any of the following reasons:
  - recreation leave on full pay that is attributable to the period of foreign service
  - an accident or illness you suffer
  - an accident or illness of a person other than you, or the death of another person
  - you carry out duties or undertake training in Australia (work-related trips directly related to your foreign service), provided the absences are not excessive compared to the scheduled period of your foreign service
  - short breaks such as weekends, public holidays, rostered days off, days off due to part-time arrangements, compulsory lay-off or layover days, grounded days, flex days and days off in lieu – provided the break is part of the normal working conditions for your foreign service.

Longer absences during a period of foreign service will affect your continuity of service and not count as foreign service. An example of this is maternity leave and long service leave.

Example: absence counting as foreign service

Tim is employed on a 12-month contract to work in China.

In exchange for forgoing public holidays, rostered days off and working weekends, he is given a 2-week break for days off in lieu. He takes this break part way through his period of foreign service and spends it in Australia.

The 14 day break spent in Australia is part of the normal working conditions of Tim's scheduled 365 days foreign service. So it forms part of Tim’s period of foreign service, even though that time is spent in Australia.

Person dies while on foreign service

If a person dies while on foreign service, they are taken to have been engaged in that foreign service for a continuous period of 91 days or more if the period of service would have been at least that long had they not died.

Non-exemption conditions

Your foreign employment income is **not** exempt from Australian tax if you did not have to pay tax in the country where you earn that income because of any of the following:

- a tax treaty (/General/International-tax-agreements/In-detail/What-are-tax-treaties-/) with Australia or a law giving effect to a treaty agreement
- the foreign country does not impose tax on employment or personal services income or categorises income of this type as generally exempt
- a law of the foreign country that corresponds to the *International Organisations (Privileges and Immunities) Act 1963* or an international agreement to which Australia is a party that deals with either
  - diplomatic or consular privileges and immunities
  - privileges and immunities for people connected with international organisations, such as the United Nations

- a law of the foreign country that gives effect to an agreement to which Australia is a party, which deals with either
    - diplomatic or consular privileges and immunities
    - privileges and immunities for people connected with international organisations, such as the United Nations.

Your foreign employment income may still qualify for exemption if it was not taxable in the foreign country for a reason other than, or in addition to, the non-exemption condition reasons. This may be because:

- the amount of income you earned is less than the amount at which you must start paying tax in the foreign country
- the income falls into a special category that the foreign country exempts – for example, payments to visiting aid project workers
- a memorandum of understanding (MOU) exempts the payments – for example, an MOU between Australia and a developing country for Australians to assist that country
- the foreign country levies a tax on employment income but does not have a collection system – for example, it does not have a collection system like the Australian pay as you go (PAYG) withholding system.

For more information about the eligibility rules for foreign service, see:

- TD 2012/8 (/law/view/document?DocID=TXD/TD20128/NAT/ATO/00001&PiT=99991231235958) *Income tax: what types of temporary absences from foreign service form part of a continuous period of foreign service under section 23AG of the Income Tax Assessment Act 1936.*
- TR 2013/7 (/law/view/document?DocID=TXR/TR20137/NAT/ATO/00001&PiT=99991231235958) *Income tax: foreign employment income: interpretation of subsection 23AG(1AA) of the Income Tax Assessment Act 1936*.
- CR 2012/16 (/law/view/document?DocID=CLR/CR201216/NAT/ATO/00001&PiT=99991231235958) *Income tax: assessable income: Australian Federal Police personnel deployed to the republic of South Sudan as part of the United Nations peacekeeping force*.
- ATO ID 2013/27 (/law/view/document?docid=AID/AID201327/00001&PiT=99991231235958) *Income tax: application of section 23AG of the Income Tax Assessment Act 1936 to sick leave accrued during a period of foreign service and taken after the period of foreign service has ceased*.

How exempt foreign employment income affects your tax

If your income is exempt foreign employment income from foreign service (section 23AG) or working on approved overseas projects (section 23AF), you must still include it in your tax return. Although you have to include this income, it will not be taxed. But it will affect the tax you are liable to pay on any other income you earn.

This is to ensure that taxpayers with exempt foreign employment income pay a similar rate of tax on their other income as taxpayers who earn the same overall income.

You should convert your foreign employment income to Australian dollars (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/australian-resident-foreign-and-worldwide-income/#ConvertingforeignincometoAustraliandolla).

Apportioning deductions

If you have both assessable income and exempt foreign employment income, you must apportion certain deductions between the assessable and exempt foreign employment income.

The deductions you must apportion are those that can't be appropriately related to earning your assessable income, such as deductible gifts. You apportion the deduction between the exempt and assessable income based on the amount of each you received.

Deductions for tax agent fees and superannuation contributions are not apportionable. You treat these as relating exclusively to your assessable income.

For more information, see TD 2000/12 (/law/view/document?DocID=TXD/TD200012/NAT/ATO/00001&PiT=99991231235958) *Income tax: Do allowable deductions in respect of tax agents' fees and superannuation contributions relate exclusively to assessable income, for the purposes of the 'other taxable income' calculations in sections 23AF and 23AG of the Income Tax Assessment Act 1936?*

Income not exempt from tax

Australian resident individuals are taxed on their worldwide income. This means you must include all foreign-source income in your tax return. If you have paid foreign tax on this income, you may be entitled to a non-refundable foreign income tax offset (/individuals/income-deductions-offsets-and-records/tax-offsets/claiming-a-foreign-income-tax-offset/) for the foreign tax you paid.

You are not entitled to a foreign income tax offset for any foreign tax you pay on your exempt foreign employment income.

If your Australian employer is still paying you while you are working overseas, they must withhold tax from any non-exempt foreign employment income. This also applies to any foreign employer that is registered for Australian PAYG withholding.

If you are employed by a foreign employer that is not registered for Australian PAYG withholding, it is unlikely that any amount will be withheld for Australian tax purposes.

Working on an approved overseas project

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/Tax-exempt-income-from-foreign-employment/Working-on-an-approved-overseas-project/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/Tax-exempt-income-from-foreign-employment/Working-on-an-approved-overseas-project/)
- Last modified: 26 Apr 2023
- QC 72096

Your foreign income may be exempt from tax (under section 23AF) if you work on an approved overseas project.

On this page

Eligibility

Your income from an approved overseas project is exempt from tax in Australia (*under section 23AF of the Income Tax Assessment Act 1936*) if you satisfy the following 2 conditions:

- you are employed, or perform personal services as a contractor, on an approved overseas project for a continuous period of 91 days or more
- your income from working on the project is not excluded by any of the non-exemption conditions.

Your income won't be exempt for working on an approved overseas project (23AF) if it is already exempt from working in foreign service (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/tax-exempt-income-from-foreign-employment/exempt-income-from-foreign-service/) (23AG).

Approved overseas projects

An approved overseas project is a project that is in the national interest and is approved in writing by Austrade (http://www.austrade.gov.au/Tax-Exemptions-for-Approved-Overseas-Projects/default.aspx) (Australian Trade and Investment Commission). Austrade should provide a project number to your employer or contractor.

Approved overseas projects include projects that are:

- for the design, supply or installation of equipment or facilities
- for the construction of works
- for the development of an urban area or a regional area
- for the development of agriculture

- giving advice or assistance for the management or administration of a government department or public utility
- in a class of projects approved in writing by the Trade Minister, such as projects for the
  - development of natural resources
  - supply of agricultural services carried out on behalf of the government, public utility or a corporation owned by the government or operating under government authority
  - development, installation, management or administration of medical programs and facilities.

Continuous period of service

To be eligible for the exemption from Australian tax, you must have qualifying service for a continuous period of 91 days or more.

A period of absence breaks the continuity of your qualifying service, unless:

- the absence does not exceed one-sixth of your total period of qualifying service
- the absence is one that still counts as qualifying service.

Qualifying service is not measured on a year-of-income basis. If your qualifying service begins in one income year and continues into the next, you take into account the entire period of your service.

The 'one-sixth test'

Absences that would otherwise break the continuity of your period of service for the purposes of the '91 days or more' requirement can be bridged by applying the one-sixth test.

The one-sixth test means that as long as your absences don't exceed one-sixth of your period of qualifying service, your absences won't break the continuity of your service.

Example: one-sixth test with continuous service – approved overseas project

Noral is engaged on an approved overseas project that is broken by an absence in Australia:

Period of qualifying service 1:	185 days
Absence:	31 days
Period of qualifying service 2:	55 days

Noral's total period of qualifying service is 240 days (185 + 55). Noral's absence of 31 days does not exceed one-sixth of her total service. Therefore, the 2 periods of qualifying service on an approved overseas project are treated as a continuous period. The 31-day absence does not count as foreign service, so Noral's period of qualifying service is 240 days (185 + 55).

Example: one-sixth test with broken service – approved overseas project

Bob is engaged on an approved overseas project that is broken by an absence in Australia:

Period of qualifying service 1:	185 days
Absence:	60 days
Period of qualifying service 2:	55 days

Bob's total period of qualifying service on an approved overseas project is 240 days (185 plus 55). As Bob's absence of 60 days exceeds one-sixth of the total period, Bob's second period of qualifying service after the absence is treated as a separate period. The number of days of continuous service in the new period starts from the first day of that period.

Qualifying service on an approved project

Your period of qualifying service on an approved overseas project includes:

- the time that you are outside Australia working on the approved project
- the time you spend travelling between Australia and the site of the approved project (provided that the travel time is reasonable)
- any occasions you are absent from work due to an accident or illness during the period you are working on the approved project, provided you resume your service immediately after the incapacity ceases
- any occasions you are on paid leave (other than long service leave or sick/personal leave) that accrues while you are working on the approved project
- any breaks that are a normal part of your work arrangements, such as weekends, public holidays and equivalent time off.

If your service ends early due to unforeseen circumstances

If your period of service on an approved project ceases due to unforeseen circumstances, your period of service is taken to also include the period you would have been on the project but for the unforeseen circumstances.

Non-exemption conditions

Your income is not exempt if any of the following apply:

- You're an employee and your income is already exempt foreign employment income.
- The income is exempt from income tax in the foreign country solely because of the existence of a tax treaty between Australia and that country.
- The payment is for long service leave or is a superannuation or pension payment.

Completing your tax return

Although exempt foreign employment income is not included in your assessable income, you still need to show it in your tax return because it affects the rate of tax payable on your taxable income.

If your foreign employment income is not exempt, include it in your tax return. If you paid foreign income tax, include the amount of tax that you paid in your assessable foreign source income. You may be eligible to claim a foreign income tax offset (/individuals/income-deductions-offsets-and-records/tax-offsets/claiming-a-foreign-income-tax-offset/).

Working for certain international organisations

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/Tax-exempt-income-from-foreign-employment/Working-for-certain-international-organisations/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/Tax-exempt-income-from-foreign-employment/Working-for-certain-international-organisations/)
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If you work for an international organisation that is covered by the *International Organisations (Privileges and Immunities) Act 1963* (IOPI Act), your income may be exempt from tax in Australia if:

- regulations specify that the organisation is an international organisation for the purposes of the IOPI Act
- your engagement with the international organisation is connected in a way that enables the income you receive to be exempt from income tax.

These conditions are provided in the regulations applicable to the international organisation.

For further information see TR 2019/D1 (/law/view/document?DocID=DTR/TR2019D1/NAT/ATO/00001&PiT=99991231235958) *Income tax: income of international organisations and persons connected with them that is exempt from income tax*

Australian defence force members performing overseas duty

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/Tax-exempt-income-from-foreign-employment/Australian-defence-force-members-performing-overseas-duty/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/Tax-exempt-income-from-foreign-employment/Australian-defence-force-members-performing-overseas-duty/)
- Last modified: 26 Apr 2023
- QC 72098

Reporting income for members of the ADF performing overseas duty.

On this page

- Eligibility
- Other income

Eligibility

You don't pay income tax on the salary and allowances you receive while you are serving as a member of the Defence Force, if:

- there is a certificate in force issued by the Chief of the Defence Force in writing to the effect that you are on eligible duty with a specified organisation in a specified area outside Australia
- the eligible duty is not as, or under, an attaché at an Australian embassy or legation.

Eligible duty

The following organisations, areas and dates have been specified by Regulation.

Specified organisations, areas and duty dates

Organisation	Area	After the day	Before the day
Australian Defence Force on Operation Accordion	The land area, territorial waters, airspace and superjacent airspace of the following countries: • Bahrain • Qatar • the United Arab Emirates.	30 June 2014	n/a
Australian Defence Force on Operation Augury	The following areas: • the land area and superjacent airspace of Afghanistan • the land area, territorial waters, airspace and superjacent airspace of the following countries ◦ Iraq ◦ Jordan ◦ Syria ◦ the United Arab Emirates.	3 July 2014	n/a
Australian Defence Force on Operation Highroad	The land area and superjacent airspace of Afghanistan.	31 December 2014	n/a

Australian Defence Force on Operation Manitou	The sea (including adjacent ports and the area within a 10 km radius of such ports) and superjacent airspace of: • the Gulf of Aden • the Gulf of Aqaba • the Gulf of Oman • the Gulf of Suez • the Indian Ocean north of latitude 15°S and west of longitude 70°E • the Persian Gulf • the Red Sea • the Strait of Hormuz.	14 May 2015	n/a
Australian Defence Force on Operation Okra	The land area, territorial waters, airspace and superjacent airspace of the following countries: • Bahrain • Cyprus • Iraq • Jordan • Kuwait • Qatar • Syria • Turkey east of longitude 35°E • the United Arab Emirates. The waters and superjacent airspace of the Persian Gulf.	9 September 2015	n/a
Australian Defence Force on Operation Orenda	The land area and superjacent airspace of Mali.	1 April 2020	n/a
Australian Defence Force on Operation Paladin	The land area, territorial waters, airspace and superjacent airspace of the following countries: • Egypt • Israel • Jordan • Lebanon • Syria.	1 July 2020	n/a
United Nations – Assistance Mission in Afghanistan (Operation Palate II)	The land area and superjacent airspace of Afghanistan.	26 June 2005	1 January 2017
Australian Defence Force on Operation Steadfast	The land area, territorial waters, airspace and superjacent airspace of Iraq.	9 September 2018	n/a

Certificate in Force

A certificate issued by the Chief of the Defence Force comes into force on the later of the time:

- specified in the certificate
- you arrive for duty in the specified area.

The certificate continues in force until the earlier of the time:

- you leave the specified area
- specified in the certificate or a certificate of revocation
- specified in the regulations.

The certificate continues in force if you are hospitalised from an illness or injury contracted or sustained during your eligible duty.

Other income

You have to pay income tax on any other income you make or receive. This includes rent, interest, dividends and capital gains (/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Investment-income/) and any other income you receive while on eligible duty.

The exemption from paying tax only applies to the salary and allowances you receive while on eligible duty with a specified organisation in a specified area.

For a guide to ADF members income and work-related deductions, see our occupation guide for Australian Defence Force members (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Australian-Defence-Force-members---income-and-work-related-deductions/).

Australia-United States Joint Space and Defence Projects

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/Tax-exempt-income-from-foreign-employment/Australia-United-States-Joint-Space-and-Defence-Projects/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/Tax-exempt-income-from-foreign-employment/Australia-United-States-Joint-Space-and-Defence-Projects/)
- Last modified: 26 Apr 2023
- QC 72099

How employment income in connection with a joint space and defence project may qualify for special tax treatment.

On this page

- Eligible projects
- Project employment income
- Foreign contractor income

Eligible projects

A joint space and defence project may qualify for special tax treatment.

If you receive income in connection with the following projects, you may qualify for special tax treatment:

- North West Cape Naval Communication Station (Exmouth, Western Australia).
- Joint Defence Space Research Facility (Pine Gap, Northern Territory).
- Sparta Project.
- Joint Defence Space Communications Station.
- Force Posture Initiatives.

Project employment income

Under some circumstances, employment income for services at these facilities is exempt from Australian income tax if the same income is subject to tax in the United States. You will need to give us evidence such as a closing agreement with the US Internal Revenue Service (https://www.irs.gov/individuals/international-taxpayers/foreign-earned-income-exclusion-and-the-pine-gap-facility) .

Foreign contractor income

Income a foreign contractor gets from services performed at these facilities may be exempt (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/tax-exempt-income-from-foreign-employment/) if the income is **not** exempt in the US.

However, if the foreign contractor is a US entity that doesn't pay tax (such as a limited liability company), the US tax treatment of the entity and its members will be considered when working out if the exemption applies.

This tax treatment doesn't apply to Australian citizens or residents of Australia for tax purposes.

Government payments and allowances

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Government-payments-and-allowances/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Government-payments-and-allowances/)
- Last modified: 26 Apr 2023
- QC 72100

When to declare taxable and tax-free government payments, pensions and allowances in your tax return.

On this page

What are government payments, pensions and allowances?

Australian Government payments, pensions and allowances are income amounts that you receive from a government agency. Commonly these payments are from Services Australia or the Department of Veteran's affairs (DVA).

Depending on the payment type you receive, these payments might be either:

- taxable – meaning you pay tax on the amounts and must declare the income in your tax return
- tax-free – meaning you don't pay tax on the amounts, but you may need to declare them in your tax return so we can work out your eligibility for tax offsets and other benefits.

If you are unsure of the type of payment you receive, contact the government agency to check.

If you lodge your tax return online we pre-fill most of these payments, pensions and allowances in your tax return. You will need to check the pre-fill information and manually include any amounts that have not pre-filled in your tax return.

For instructions on how to complete **government payments, pensions and allowances** in your tax return, see Lodgment options for preparing your tax return (/Individuals/Your-tax-return/How-to-lodge-your-tax-return/#Lodgmentoptions).

Taxable pensions, payments and allowances

You must include taxable Australian Government pensions, payments and allowances in your tax return.

Taxable government payments, pensions and allowances include:

- age pension
- carer payment
- Austudy payment
- JobSeeker payment
- Youth allowance
- Defence Force income support allowance (DFISA) where the pension, payment or allowance that it relates to is taxable
- veteran payment
- invalidity service pension, if you are age-pension age or over
- disability support pension, if you are age-pension age or over
- income support supplement
- parenting payment (partnered)
- disaster recovery allowance (but not in relation to 2019–20 bushfires).

This is not an exhaustive list, for a full list of Australian Government payments, pensions and allowances, see:

- Australian Government allowances and payments (/2022-AustGovAllowance)
- Australian Government pensions and allowances (/2022-AustGovPensions).

Tax-free government pensions or benefits

Some Australian Government payments are tax-free but you still need to declare them in your tax return. We use this information to work out if you are eligible for tax offsets and any government benefits or concessions.

Tax-free Australian Government pensions or benefits include:

- carer payment where either:
  - both the carer and the care receiver are under age-pension age
  - the carer is under age-pension age and any of the care receivers has died.

- disability support pension paid by Centrelink, if you are under age-pension age
- invalidity service pension, if the veteran is under age-pension age
- partner service pension where either
  - the partner and the veteran are under the age-pension age and the veteran is receiving an invalidity service pension
  - the partner is under age-pension age, the veteran has died and was receiving an invalidity service pension at the time of death.

This is not an exhaustive list, for a full list of tax-free Australian Government pensions and benefits, see Tax-free government pensions or benefits (/Individuals/myTax/2022/In-detail/Income-tests/?page=4#Tax_free_government_pensions_or_benefits).

Government payments and stimulus during difficult times

During difficult times such as natural disasters or the COVID-19 pandemic, the federal, state or territory governments may provide support payments or grants.

If you received a payment because you were impacted by:

- COVID-19, find out if the payment is taxable and whether to include it in your tax return in Government grants, payments and stimulus during COVID-19 (/General/COVID-19/Government-grants,-payments-and-stimulus-during-COVID-19/Tax-implications/).
- a disaster, find out if the payment is taxable and whether to include it in your tax return in Government disaster recovery payments (/General/Support-in-difficult-times/Support-from-other-agencies/Reporting-disaster-payments-and-grants-in-your-tax-return/).

Investment income

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Investment-income/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Investment-income/)
- Last modified: 26 Apr 2023
- QC 72101

Work out which investment income you must declare, such as interest, dividends, rental income or other capital gains.

On this page

When to declare investment income

You must declare income you earn from investments and assets in your tax return. Investment income may include amounts from interest, dividends, rental income, managed investment trust credits, crypto assets and capital gains.

You need to declare investment income whether you receive payments directly or through a distribution for a partnership (such as a share club) or trust.

Income from jointly held assets

If you hold assets jointly with another person, it is assumed that income of the asset is divided equally. That is, unless you can show that you hold the asset in unequal proportions.

Interest income

If you're an Australian resident and you receive interest, you must declare it as income. Interest income includes:

- interest you earn from financial institution accounts and term deposits
- interest you earn from any other source including penalty interest you receive on an investment
- interest you earn from children's savings accounts (/Individuals/Investments-and-assets/Investing-in-bank-accounts-and-income-bonds/Children-s-savings-accounts/), if you
    - open or operate an account for a child and the funds in the account belong to you
    - spent or use the funds in the account

- interest we pay or credit to you (/General/Interest-and-penalties/Interest-we-pay/) – for example, interest on early payments, interest on overpayments and delayed refunds
- life insurance bonuses (you may be entitled to a tax offset equal to 30% of any bonus amounts you include in your income)
- interest from foreign sources (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/) (you can claim a foreign income tax offset (/individuals/income-deductions-offsets-and-records/tax-offsets/claiming-a-foreign-income-tax-offset/) for any tax paid on this income).

You must also declare interest we have imposed if it is remitted or recouped and you have claimed (or can claim) a deduction for the interest. You declare these amounts as **other income** in your tax return.

For instructions on how to complete your tax return, see Lodgment options for preparing your tax return (/Individuals/Your-tax-return/How-to-lodge-your-tax-return/#Lodgmentoptions).

Term deposits

You must declare interest income in the year it is credited or received. For term deposits this usually means you should declare interest in the year the investment matures.

If you elect to rollover your investment or if the financial institution automatically reinvests the term deposit at maturity, you will need to declare the interest earned as at the rollover or reinvestment date. This is the amount you would have received if the investment was not rolled over or reinvested.

Similarly, you may choose to have the interest from a term deposit, held for more than 12 months, credited to a different account periodically throughout the life of the investment. In this case, the interest is assessable at the dates of payment (which is before the date of maturity). You are taken to have received the amount as soon as it is applied or dealt with in any way on your behalf or as you direct.

Dividends

Dividend payments can be money or other property, including shares. If you receive bonus shares instead of money, the company issuing the shares should give you a statement that shows if the bonus shares are a dividend.

Dividend income may come from a:

- listed investment company
- public trading trust
- corporate unit trust
- corporate limited partnership (in the form of a distribution).

Some dividends have imputation or franking credits attached.

If you receive franking credits (/Individuals/Investments-and-assets/Investing-in-shares/Owning-shares/Refunding-franking-credits---individuals/) on your dividends, you must declare in your tax return both your:

- franked amount
- franking credit.

If a company pays or credits you with dividends that have been franked, you'll generally claim a franking tax offset.

When you sell or dispose of your shares, you need to declare capital gains or losses.

Rental property income

You must declare the full (gross) amount of any rent and rent-related payments that you receive (/Individuals/Investments-and-assets/Residential-rental-properties/Rental-income-you-must-declare/). This includes amounts you receive from overseas properties.

If you receive goods and services instead of rent, you must work out and declare the monetary value.

Payments that relate to your rental property include:

- rent
  - report the gross amount of rent paid by the tenant, not the amount you receive from your managing agent after deducting fees
  - report rent in the income year the tenant pays it, this may be before your managing agent pays it to you
- rental bond, money you retain or keep – for example, because
  - a tenant defaults on the rent
  - of damage to your rental property requiring repairs
- an insurance payout to compensate you for lost rent
- a letting or booking fee
- a reimbursement or recoupment for deductible expenditure, such as an amount from a tenant to cover the cost of repairing damage to your rental property. (include the whole amount you receive from the tenant in your income and you can claim a deduction for the cost of the repairs)
- rent you receive through the sharing economy (/General/Sharing-economy-and-tax/) (renting out a room or a whole house or unit on a short-term basis, through a website or app).

When you sell or dispose of your rental property, you need to declare capital gains or losses.

Co-ownership

Only include your share of rental income and expenses in your tax return, if you:

- own a rental property jointly or in common with another person
- have an interest in a partnership that carries on a rental property business.

Managed investment trusts

You must show any income or credits you receive from any trust investment (/Individuals/Investments-and-assets/Managed-investment-trusts/) product in your tax return. This includes income or credits from a:

- cash management trust
- money market trust
- mortgage trust
- unit trust
- managed fund – such as a property trust, share trust, equity trust, growth trust, imputation trust or balanced trust.

When you sell or dispose of your managed investment trust units, you need to declare capital gains or losses.

Crypto asset income

You must declare rewards receive for staking crypto assets (/individuals/investments-and-assets/crypto-asset-investments/transactions---acquiring-and-disposing-of-crypto-assets/staking-rewards-and-airdrops/). This are often in the form of additional tokens from holding the original tokens. You need to work out the money value of the additional tokens and convert the amounts into Australian dollars at the time you receive them. Report them at 'other income' in your tax return.

Some crypto projects 'airdrop' new tokens to existing token holders as a way of increasing the supply of tokens. The money value of established tokens you receive by airdrop is income at the time you receive them. You need to convert these amounts into Australian dollars and declare them as **other income**.

For instructions on how to complete **other income** in your tax return, see Lodgment options for preparing your tax return (/Individuals/Your-tax-return/How-to-lodge-your-tax-return/#Lodgmentoptions).

When you sell or dispose of a crypto asset, a CGT event (/individuals/capital-gains-tax/cgt-events/) happens. At this time, you may make either a capital gain or capital loss that you need to declare in your tax return. If you make a capital gain, you may pay tax on it.

Capital gains

You must declare any capital gains (/Individuals/Capital-gains-tax/) you make when you sell or dispose of capital assets, such as investment property, shares or crypto assets. Generally, your capital gain is the difference between:

- your asset's cost base (what you paid for it)
- your capital proceeds (the amount you receive for it).

You can also make a capital gain if a managed fund or other unit trust distributes a capital gain to you.

We treat capital gains as part of your total income.

Report capital gains and capital losses in your tax return. You can offset any allowable capital losses against your capital gains to work out your net capital gain or loss. You pay tax on a net capital gain. If you have a net capital loss, you can retain the loss to offset capital gains in future years.

Superannuation pensions and annuities

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Superannuation-pensions-and-annuities/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Superannuation-pensions-and-annuities/)
- Last modified: 26 Apr 2023
- QC 72102

Find out about declaring income in your tax return from superannuation pensions or annuities.

On this page

- Super pensions
- Annuities

Super pensions

A super pension is a series of regular payments made as a super income stream. This doesn't include government payments such as the age pension.

You may receive these payments:

- from an Australian super fund, life assurance company or retirement savings account (RSA) provider
- from a fund established for the benefit of Commonwealth, state or territory employees and their dependants, such as
    - the Commonwealth Superannuation Scheme

- the Public Sector Superannuation Scheme

- as a result of another person's death (death benefit income stream).

Depending on your age and the type of income stream you receive, you may need to declare different items in your tax return. This includes:

- a taxed element – the part of your benefit on which tax has already been paid in the fund
- an untaxed element – the part of your benefit that is still taxable because tax has not been paid in the fund
- a tax-free component – the part of your benefit that is tax-free.

Your *PAYG payment summary – superannuation income stream* from your super fund will show the amount you need to declare in your tax return. We pre-fill the amounts from your payment summary when you prepare and lodge you tax return online.

You may be entitled to an Australian super income stream tax offset (/individuals/income-deductions-offsets-and-records/tax-offsets/superannuation-related-tax-offsets/#Superannuationincomestreamtaxoffset). Your *PAYG payment summary – superannuation income stream* may show the amount of tax offset you can receive on your taxed element.

To work out how your super pension will be taxed, you need to know How tax applies to your super (/Individuals/Super/Withdrawing-and-using-your-super/Tax-on-super-benefits/#Howtaxappliestoyoursuper).

If you are receiving an income stream, you should check with your superannuation fund to work out if it is a capped defined benefit income stream (/Individuals/Super/Withdrawing-and-using-your-super/Retirement-withdrawal---lump-sum-or-income-stream/Transfer-balance-cap---capped-defined-benefit-income-streams/#Whatarecappeddefinedbenefitincomestreams).

Annuities

An annuity is usually a series of regular payments made to you by a life insurance company or friendly society in return for a lump sum payment.

Most annuities have both taxable and tax-free components.

Your assessable income will include your taxable annuity payments when you receive the payment. This includes annuities you receive as a reversionary beneficiary.

A reversionary beneficiary is the person a super fund member nominates to automatically receive an income stream on the death of a member.

Your *PAYG payment summary – individual non-business* will show the annuity amounts you need to declare in your tax return.

Business, partnership and trust income

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Business-partnership-and-trust-income/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Business-partnership-and-trust-income/)
- Last modified: 28 Jun 2023
- QC 72103

How to declare income you earn as a sole trader, as a partner in a partnership or from a trust.

On this page

Income as an individual running a business

If you're an individual running a business (a sole trader), you must declare the income you earn from your business in your individual tax return.

The net income you receive from carrying on a business is assessable income. Business income includes cash and other forms of payment for goods or services you supply.

If you lodge:

- online with myTax, you report your business income by selecting
  - You were a sole trader or had business income or losses, partnership or trust distributions (not from a managed fund)
  - Business/Sole trader income or loss
- by paper, you will need to complete the business and professional items schedule (/2023-OtherBusinessAndProfessionalItems).

You don't need to lodge a separate tax return for your business.

If you’re an influencer or content creator, or have a side hustle, you may need to work out if you're in business (/business/starting-your-own-business/are-you-in-business-/). As a sole trader, you will still declare the income and deductions (/Business/Income-and-deductions-for-business/Deductions/) you earn from this work.

If you are in business as a sole trader, and also earn salary, wages, or other income from employment or commissions as an individual, your total taxable income is:

- your total assessable business income, plus
- the total assessable employment income.

This total income may affect the amount of repayments for income contingent loans like FEE-help, or offset eligibility and amounts.

Media: Declaring income from your side hustle
https://tv.ato.gov.au/ato-tv/media?v=bi9or7odhqnbt9 (**Duration:** 00:58)

Income or loss from a partnership

A partnership doesn't pay income tax but is required to lodge a partnership tax return each income year. A partnership carrying on a business distributes its net income or loss to each partner. Each partner includes their share of the net income of the partnership in their assessable income. Where a partnership makes a net loss in an income year, each partner may claim a deduction for their share of the partnership's loss.

Each partner in the partnership must lodge their individual tax return to declare their share of the partnership's net income or loss. The partner needs to do this whether or not they actually receive their share of the net income or loss.

However, a partnership must lodge a partnership tax return to report its:

- income
- deductions
- distribution of net income or net loss to the partners.

For capital gains tax (CGT) purposes, each partner owns a proportion of each CGT asset in the partnership.

If there is a CGT event (such as selling an asset), the individual partners calculate a capital gain or capital loss on their share of the asset.

If you lodge:

- online with myTax, you report your share of the partnership's income or loss by selecting
  - You were a sole trader or had business income or losses, partnership or trust distributions (not from a managed fund)
  - Partnerships
- by paper, you will need to complete the supplementary tax return (/Individuals/Tax-return/2022/Supplementary-tax-return/).

Income from a trust

If you're a beneficiary of a trust, you declare trust income to which you're entitled in your individual tax return. You need to do this even if you didn't actually receive your share of the net income from the trust.

However, you don't need to declare a trust distribution if family trust distribution tax has already been paid.

If you lodge:

- online with myTax, you report your share of the trust's income by selecting
  - You were a sole trader or had business income or losses, partnership or trust distributions (not from a managed fund)
  - Trusts
- by paper, you will need to complete the supplementary tax return (/Individuals/Tax-return/2022/Supplementary-tax-return/).

The trustee must lodge a trust tax return to report for the trust, but the trust itself generally doesn't pay income tax. However, the trustee may be required to pay income tax in some circumstances, such as if it has non-resident beneficiaries (/individuals/income-deductions-offsets-and-records/income-you-must-declare/business-partnership-and-trust-income/tax-on-trust-distributions-to-non-resident-beneficiaries/).

Tax on trust distributions to non-resident beneficiaries

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Business-partnership-and-trust-income/Tax-on-trust-distributions-to-non-resident-beneficiaries/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Business-partnership-and-trust-income/Tax-on-trust-distributions-to-non-resident-beneficiaries/)
- Last modified: 26 Apr 2023
- QC 72104

Tax on trust distributions to non-resident beneficiaries, including trustee beneficiaries in a chain of trusts.

On this page

How a trust distribution to a non-resident beneficiary is taxed

Generally, the net income of a trust is taxed to beneficiaries of the trust under section 97 of the *Income Tax Assessment Act 1936* (ITAA 1936).

However, if the beneficiary is a non-resident at the end of an income year, the trustee (rather than the beneficiary) is taxed on the beneficiary's share of the trust's net income (subsection 98(3) of the ITAA 1936).

This is to assist in the collection of Australian tax on the income.

Tax assessed to a trustee in relation to a non-resident beneficiary is generally not a final tax. When the non-resident beneficiary prepares their Australian tax return, they can claim a credit for the tax paid by the trustee (under subsection 98A(2)).

These rules generally don't apply to trustees of Australian managed investment trusts or Australian trustee intermediaries, (to the extent their income is managed investment trust income). Instead, these trusts are required to withhold from distributions to non-resident beneficiaries under Subdivision 12-H of the *Tax Administration Act 1953.*

Rate of tax

If the non-resident beneficiary is:

- an individual who is not a trustee – the trustee pays tax at marginal tax rates (/Rates/Individual-income-tax-for-prior-years/?anchor=Taxratesforeignresident#Taxratesforeignresident)
- a company that is not a trustee – the trustee pays tax at the full company or base rate entity rate (/rates/changes-to-company-tax-rates/).

Special rules for specific types of income

There are special rules for particular amounts included in net income:

- Dividends, interest and royalties
- Distributions declared to be conduit foreign income
- Capital gains

Dividends, interest and royalties

Income taxed under the withholding tax rules, or specifically excluded from those rules (for example, franked dividends), is not taxed again to the trustee under section 98 or to a beneficiary.

A beneficiary is liable, under the withholding rules in Division 11A of Part III of the ITAA 1936, for tax on Australian dividends, interest and royalties to which they are presently entitled while a non-resident. The withholding tax is collected from the trustee under the pay as you go withholding rules in the *Taxation Administration Act 1953*.

If a non-resident beneficiary is taken by Division 11A of Part III to be presently entitled to a franked distribution received by a trust, the franking credits attached to that distribution are not taxed to the trustee, do not reduce the tax payable of either the trustee or beneficiary, and are not refundable.

Distributions declared to be conduit foreign income

Under section 802-17 of the *Income Tax Assessment Act 1997* (ITAA 1997), distributions declared to be conduit foreign income are able to flow through trusts to non-resident beneficiaries, free of Australian tax.

If an Australian company makes an unfranked frankable distribution to a trustee, and declares that the distribution is conduit foreign income, then:

- the trustee is not liable to pay tax on a non-resident beneficiary's share of the net income of the trust that is reasonably attributable to all or part of that distribution (the non-resident beneficiary must be presently entitled to that share of the trust income)
- a non-resident beneficiary is not assessed on their share of the net income of the trust that is reasonably attributable to the distribution.

Capital gains

If the amount on which a trustee is assessed in relation to a non-resident trustee or company beneficiary includes a discount capital gain, the trustee is assessed as if the discount had not applied to the capital gain (see sections 115-220 and 115-222 of the ITAA 1997).

Trust income of non-resident trustee beneficiaries

The way a trustee is taxed in respect of their non-resident trustee beneficiaries is similar to the way they are assessed for their non-resident company or individual beneficiaries.

A trustee is liable to pay tax (under section 98(4) of the ITAA 1936) for a trustee beneficiary's share of the trust's net income that is attributable to Australian sources, if the trustee beneficiary is a non-resident at the end of the income year.

If the beneficiary trust has more than one trustee, subsection 98(4) will apply as if at least one trustee is a non-resident at that time.

In this situation:

- the trustee beneficiary and any subsequent trustee in the chain of trusts is not taxed again on the amount (under section 98, 99 or 99A) that has already been taxed to the first trustee
- the ultimate individual or company beneficiary may be taxed on the amount that has flowed to them (under section 97, 98A(3) or 100), and they can claim a credit for their share of the tax paid by the first trustee (under section 98B).

If the first trust is a closely held trust it is not required to report, in a trustee beneficiary statement, details of the net income of the trust in respect of which the trustee is assessed under subsection 98(4) or which is reasonably attributable to an amount that has previously been assessed under that provision.

Rate of tax

The trustee pays the top tax rate (which is currently 45% for non-resident individuals) for a non-resident trustee beneficiary.

Trustees and beneficiaries in a chain of trusts

A chain of trusts exists where a trustee of a trust is a beneficiary of another trust.

If the trustee is assessed under subsection 98(4) of the ITAA 1936 in respect of a trustee beneficiary, the trustee beneficiary and any later trustee in the chain of trusts is not assessed again on that amount under section 98, 99 or 99A. However, an amount may be taxed to an ultimate individual or company beneficiary under subsection 97, 98A(3) or 100, and allowed a credit under section 98B.

The following example of a chain of trusts demonstrates the taxation of trust net income for non-resident beneficiaries.

Example: chain of trusts

There is a chain of 3 trusts:

- Trust 1
- Trust 2
- Trust 3.

Trust 1:

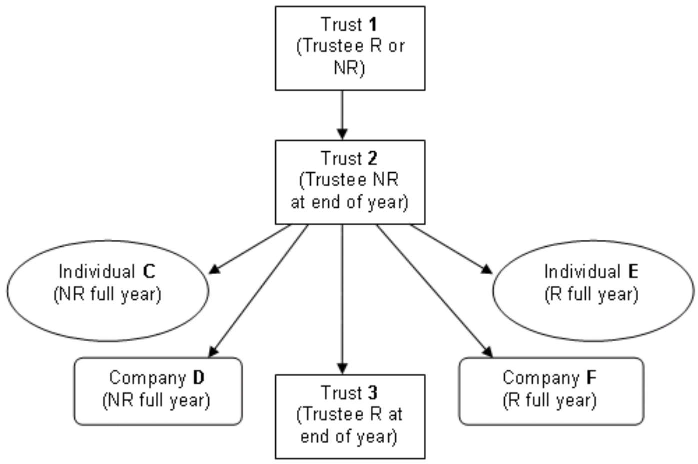
- has Australian sourced rental income as its only income
- may have resident or non-resident trustees
- has one beneficiary, which is Trust 2.

Trust 2:

- has a non-resident trustee at the end of the income year
- is not a foreign trust for the purposes of the Foreign Investment Fund provisions in Part XI *ITAA 1936*.
- is presently entitled to 100% of the income of Trust 1
- has no other income and no allowable deductions
- has 5 beneficiaries, each of which is presently entitled to 20% of the income of that trust and not under a legal disability
    - Individual C, who is non-resident for the full year
    - Company D, which is non-resident for the full year
    - Individual E, who is resident for the full year
    - Company F, which is resident for the full year
    - Trust 3.

Trust 3:

- has a resident trustee at the end of the income year
- has no income other than the income flowing from Trust 1, which can't be reduced by any allowable deductions
- has no presently entitled beneficiary.



The information below explains the tax treatment of each of these trusts and beneficiaries.

Tax treatment of first trustee

The trustee of Trust 1 is taxed on Trust 2's share (100%) of Trust 1's net income. This is because Trust 2 has a non-resident trustee (subsection 98(4) of the ITAA 1936).

The tax paid by the trustee of Trust 1 is not a final tax. The ultimate beneficiaries may be able to claim a credit for the tax paid by the trustee of Trust 1.

Tax treatment of other trustees in chain

If the trustee of Trust 1 has been assessed on an amount that is reasonably attributable to the amount assessed under section 98(4) in respect of Trust 2:

- the trustee of Trust 2 is not assessed under section 98 on distributions to their non-resident beneficiaries Individual C or Company D
- the trustee of Trust 3 is not assessed under sections 99 or 99A.

The trustee of Trust 2 is not assessed on distributions to their resident beneficiaries.

Tax treatment of ultimate beneficiaries

An amount (or part of it) that is reasonably attributable to an amount that has been assessed to a trustee under subsection 98(4) may also be assessed to an ultimate individual or company beneficiary.

Provisions for assessing a beneficiary (ITAA 1936)

Beneficiary is	**resident at the end of income year**	**non-resident at the end of income year**
presently entitled to trust income and not under a legal disability	97(1)	98A(3)

under a legal disability or deemed to be presently entitled	100(1), 100(1B)	98A(3)

The ultimate individual and company beneficiaries in respect of an amount (or part of it) that has been assessed to the trustee of Trust 1 are:

- non-resident Individual C
- non-resident Company D
- resident Individual E
- resident Company F.

Beneficiaries C and D are assessed under subsection 98A(3) on their share of Trust 2's net income, and section 98B allows them to deduct from their tax payable a portion of the tax paid by the trustee of Trust 1.

Beneficiaries E and F are assessed under section 97 on their share of Trust 2's net income, and section 98B allows them to deduct from their tax payable a portion of the tax paid by the trustee of Trust 1.

When they lodge their Australian tax returns, each of these beneficiaries can deduct, from their tax payable, 20% of the tax paid by the trustee of Trust 1. This is the same as the proportion of the tax paid by the trustee of Trust 1 that is attributable to the amount ultimately assessed to each beneficiary.

If the amount a beneficiary can deduct is more than their tax liability, they are entitled to a refund of the difference (see section 98B).

However, the total amount claimed by all the beneficiaries cannot be more than the total tax paid by the trustee of Trust 1.

If an ultimate beneficiary does not include an amount in their assessable income that is reasonably attributable to the net income on which the trustee of Trust 1 has paid tax under subsection 98(4). For example, because expenses and losses have been offset against that amount as it flows through the chain of trusts – the beneficiary is not entitled to a deduction for the tax the trustee paid.

Compensation and insurance payments

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Compensation-and-insurance-payments/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Compensation-and-insurance-payments/)
- Last modified: 26 Apr 2023
- QC 72105

Check if you need to declare and pay tax on compensation and insurance payments, including settlements.

Personal injury compensation structured settlements (/individuals/income-deductions-offsets-and-records/income-you-must-declare/compensation-and-insurance-payments/personal-injury-compensation-structured-settlements/)
A structured settlement you receive as compensation for a personal injury is tax exempt if it meets certain conditions.

Compensation paid from financial institutions (/individuals/income-deductions-offsets-and-records/income-you-must-declare/compensation-and-insurance-payments/compensation-paid-from-financial-institutions/)
When tax applies to a compensation payment you receive from a financial institution.

Services Australia income compliance class action settlement payments (/individuals/income-deductions-offsets-and-records/income-you-must-declare/compensation-and-insurance-payments/services-australia-income-compliance-class-action-settlement-payments/)
A settlement payment you receive from the Services Australia income compliance (Robodebt) class action is not taxable.

Redress scheme payments (/individuals/income-deductions-offsets-and-records/income-you-must-declare/compensation-and-insurance-payments/redress-scheme-payments/)
Redress scheme payments made as compensation or damages for a wrong, injury or illness are non-assessable income.

Payments of conflicted remuneration (/individuals/income-deductions-offsets-and-records/income-you-must-declare/compensation-and-insurance-payments/payments-of-conflicted-remuneration/)
Payments of conflicted remuneration you receive may need to be included as income in your tax return.

Volkswagen, Skoda and Audi emissions settlement payments (/individuals/income-deductions-offsets-and-records/income-you-must-declare/compensation-and-insurance-payments/volkswagen-skoda-and-audi-emissions-settlement-payments/)
An income tax treatment may apply to a settlement payment you receive from the Volkswagen, Skoda and Audi class action.

Income protection insurance payments (/individuals/income-deductions-offsets-and-records/income-you-must-declare/compensation-and-insurance-payments/income-protection-insurance-payments/)
Declare payments from an income protection, sickness or accident insurance policy in your tax return.

Personal injury compensation structured settlements

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Compensation-and-insurance-payments/Personal-injury-compensation-structured-settlements/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Compensation-and-insurance-payments/Personal-injury-compensation-structured-settlements/)
- Last modified: 26 Apr 2023
- QC 72106

A structured settlement you receive as compensation for a personal injury is tax exempt if it meets certain conditions.

On this page

Why you receive compensation for personal injury

If you have a severe personal injury because of the fault of someone else, you may be able to make a claim against that person or their insurer for compensation.

A personal injury case may arise from:

- medical negligence
- sporting accidents
- motor vehicle accidents
- public liability
- product liability.

You may be entitled to receive your compensation in the form of a lump sum or as periodic payments through a structured settlement or structured order.

Tax treatment of structured settlements

The periodic payments you receive from a structured settlement or structured order entered into on or after 26 September 2001 are tax-exempt (tax-free). The components of your structured settlement must satisfy certain conditions to be eligible for the tax exemption.

Prior to 26 September 2001, annuities you receive from a structured settlement were taxable income.

For more information, see Taxation Laws Amendment (Structured Settlements and Structured Orders) Act 2002 (/law/view/fulldocument?filename=PAC20020139).

Structured settlement

Structured settlements are the result of an agreement between the parties to a personal injury case. The parties to the settlement will generally be the injured person or their legal personal representative, the defendant and their insurer.

A structured settlement is a way of settling a claim for personal injury compensation. The injured person (claimant) receives at least part of their compensation in the form of tax-exempt periodic payments (annuities) instead of receiving a lump sum settlement.

A structured settlement can only be entered into by the injured person or their legal personal representative.

It is not possible to have or enter into a structured settlement:

- where the person has died
- after the parties have settled the case or a court has awarded damages.

There is no special requirement under the tax legislation for structured settlements to be approved by a court. There may be other reasons why court approval must be obtained (for example, one of the parties to the claim is under a legal disability).

Once an arrangement occurs for a structured settlement, you can't change it or cash it out for a lump sum. A structured settlement may have a number of components – for example, a compulsory and optional component.

Structured order

A structured order will have the same outcome (and components) as a structured settlement, with at least part of the compensation being paid in the form of periodic payments.

A structured order is the result of an order that has been made by a court, often without the consent of the parties.

Structured orders are only possible where a court has power to impose a judgment involving periodic payments of the type satisfying the tax rules for structured orders.

Structured orders are far less common than structured settlements.

Payment components of a structured settlement

A structured settlement will contain a compulsory component (personal injury annuities that provide you with a minimum level of monthly payments for as long as you live) and other optional components.

Compulsory payment

To be tax-exempt the personal injury annuity component is compulsory, it must satisfy the following conditions:

- the source of the money used to purchase the policy must come from the settlement
- the annuity must be purchased from an Australian life insurance company or a state insurer
- the wording of the policy instrument, in terms of identifying the structured settlement, should specify to whom the payments can be made and not allow for commutation (that is the conversion of the annuity into a lump sum payout) or assignment (that is the transfer to another person)
- the agreement must specify
  - the payments allowed
  - the frequency of payments
  - the term or length of the annuity, which must be at least for 10 years or for the life of the injured person
  - the date for the commencement of the annuity
  - the date of payment
  - the allowed basis for increases

- the agreement must specify the guarantee period (if any) including who will receive the annuity payments in the event of death of the injured person
- the personal injury annuity or annuities must satisfy the requirement for the minimum monthly level of support.

The personal injury annuity (or a combination of these annuities) must provide the injured person with a monthly amount that equals or exceeds the minimum monthly level of support. This effectively requires a lifetime annuity providing monthly payments that are equal to or more than one-twelfth of the current annual age pension. These must also increase in line with the All Groups Consumer

Price Index (CPI) or full-time adult average weekly ordinary time earnings (AWOTE) or by a percentage specified in the annuity instrument.

Example: structured settlement involving a series of personal injury lump sums

Robert was involved in a motorbike accident with another vehicle and suffered a spinal cord injury resulting in quadriplegia. The other driver was at fault as they ran a red light.

Robert engaged a lawyer to make a claim for compensation for personal injury against the motorist. The motorist was insured and the insurance company defended the claim on their client's behalf.

The parties reached the following structured settlement agreement:

- The insurer will pay Robert an immediate cash lump sum of $565,000 (an optional component) that he can use this amount to pay his lawyers, pay off his debts and purchase some equipment.
- The insurer will also purchase a personal injury annuity (compulsory payment) that will provide Robert with periodic payments, starting at $2,000 per month and continuing for as long as he lives. The payments are indexed to increase in line with the CPI and are guaranteed for 10 years from the date of settlement. The monthly payments will be used to cover his medical expenses and other living costs.
- The insurer will also purchase a series of personal injury lump sums. These 8 payments are spaced out every 5 years and will be payable if Robert is alive on the agreed payment dates. The agreed timeframes and amounts are as follows
  - after 5 years – $10,000
  - after a further 5 years – $25,000
  - after a further 5 years – $40,000
  - after a further 5 years – $50,000
  - after a further 5 years – $75,000
  - after a further 5 years – $100,000
  - after a further 5 years – $150,000
  - after a further 5 years – $200,000

It is expected that Robert will use these payments to replace his wheelchair every 5 years and to cover other expenses.

The personal injury annuity payments and the personal injury lump sum payments, including the immediate cash lump sum, will be tax-exempt.

Optional components

A structured settlement may also include one or more of the following optional components:

- A cash component – an immediate lump sum you receive after the settlement is arranged that you can use to pay your costs, pay any debts, purchase equipment, or invest.
- Other personal injury annuities – these have more flexible conditions than the compulsory minimum annuity.
- Personal injury lump sums – these can provide tax-free lump sums at pre-agreed future dates that are determined at the time of settlement.

For a personal injury lump sum to be tax-exempt, certain conditions must be satisfied. The instrument under which the lump sum is paid must:

- identify the structured settlement or structured order under which the lump sum is paid, that is the source of the money used to purchase the policy
- specify that the lump sum can only be paid to the injured person, or the trustee of a trust of which the injured person is the beneficiary
- specify the dates and amounts of the lump sums
- specify the method of indexation of the lump sum by either the CPI or AWOTE index
- contain a statement to the effect that the right to receive the lump sum can't be assigned, and can't be commuted or otherwise cashed out early.

Example: injured person uses a lump sum to purchase an annuity (not a structured settlement)

David settles a claim against Anne for a personal injury he has sustained. Under the terms of the settlement agreement, Anne is obliged to pay David a lump sum amount. David uses the lump sum to purchase an annuity from a life insurance company.

The annuity is not a personal injury annuity and therefore will not qualify for the tax exemption.

If the settlement agreement had specified that Anne or her insurer would use the lump sum to purchase a personal injury annuity from a life insurance company, the arrangement would be a structured settlement (assuming all the other requirements of the tax legislation were met, including the minimum level of support).

Compensation paid from financial institutions

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Compensation-and-insurance-payments/Compensation-paid-from-financial-institutions/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Compensation-and-insurance-payments/Compensation-paid-from-financial-institutions/)
- Last modified: 26 Apr 2023
- QC 72107

When tax applies to a compensation payment you receive from a financial institution.

On this page

Why you receive compensation

You may personally receive compensation from a financial institution because:

- the advice you receive from them was found to be inappropriate
- you pay them for advice that you didn't receive.

The income tax treatment of the compensation depends on what the compensation is being paid for and how you hold (or held) the investments.

Your compensation payment can include some or all of:

- compensation for loss on an investment
- refund or reimbursement of adviser fees
- interest component.

The compensation may relate to multiple investments, with different amounts of compensation granted against each one. You treat each compensation amount separately.

You may need to contact us (/about-ato/contact-us/) for advice if:

- you held the investments on revenue account
- you held the investments on trust
- the compensation relates to a superannuation account or self-managed super fund.

Compensation for loss on an investment

You may receive compensation for a loss amount if the value of your investments is lower than it would have been if you had received appropriate advice.

The income tax treatment will depend on the status of your investment. Find out how to treat:

- compensation when you have disposed of the investment
- compensation in relation to existing investments.

Compensation when you have disposed of the investment

When you dispose of the relevant investment, a capital gains tax (CGT) event (/Individuals/Capital-gains-tax/CGT-events/) happens. You report capital gains or losses you make from a CGT event in the income year you dispose of the asset.

Compensation payments you receive can be treated as additional capital proceeds relating to the disposal of those investments. If you had more than one investment, you will need to apportion the additional capital proceeds to each disposal.

If you are an Australian resident for tax purposes (/Individuals/Coming-to-Australia-or-going-overseas/Your-tax-residency/Australian-resident-for-tax-purposes/) and the compensation relates to investments you held for at least 12 months, you may be able to claim the 50% CGT discount. This occurs where you disposed of your investments for a capital gain.

You may need to request an amendment to your tax return (/individuals/your-tax-return/Amend-your-tax-return/) to reflect the additional capital proceeds if the compensation relates to CGT events that happened in a previous income year.

Compensation in relation to existing investments

If you receive compensation for investments you still own, you need to reduce either the cost base (/Individuals/Capital-gains-tax/Calculating-your-CGT/Cost-base-of-assets/) or the reduced cost base. You reduce one of these amounts by the compensation amount you received. This depends on whether you make a capital loss or gain when you dispose of the investments.

You will need to apportion the compensation amount where it relates to more than one investment.

Refund or reimbursement of adviser fees

Your compensation payment may include an amount that is a refund or reimbursement of adviser fees. The income tax treatment of this amount depends on whether you claimed a deduction for the adviser fees in your tax return.

Deduction claimed for adviser fees

If you claimed a deduction for the adviser fees in a tax return, the amount you received as a refund or reimbursement will form part of your assessable income in the year you receive it.

Deduction not claimed for adviser fees

If you did not claim a deduction for the adviser fees, the refund or reimbursement does not form part of your assessable income.

However, where the adviser fees were included in the cost base or reduced cost base (/Individuals/Capital-gains-tax/Calculating-your-CGT/Cost-base-of-assets/) of any investments you made, you must reduce the cost base and reduced cost base by the amount of the refund or reimbursement.

You don't need to report any change of cost base and reduced cost base to us. The cost base and reduced cost base are used to calculate your capital gain or loss when you dispose of the investment. Report your capital gain or loss to us in the tax return for the year in which you dispose of the investment.

If you have disposed of these investments and have returned any resulting capital gain or loss in a previous income year, you may need to amend your tax return (/individuals/your-tax-return/Amend-your-tax-return/) for that income year.

Interest component

The interest component is assessable as ordinary income. You must include the interest component in your return in the income year you receive it.

Example: investments held individually

Noel paid $2,000 to a financial institution for investment advice in May 2011. Following that advice Noel invested $100,000 in a high risk-high growth investment fund. The investment fund performed poorly and Noel disposed of the investment for $70,000 in January 2016.

Noel had claimed a deduction for the advice in his 2010–11 tax return.

An A1 CGT event happened when Noel disposed of all the investments in his portfolio. As a result of that, Noel made a capital loss of $30,000 that he included in his 2015–16 tax return.

The financial institution reviewed the advice given to Noel and determined that the advice was inappropriate for his circumstances as he should have been advised to invest in a more conservative portfolio.

In 2022, the financial institution offered Noel compensation of $40,000 in respect of the advice. The payment included compensation of $30,000, a refund of the adviser fees of $2,000 and an interest component of $8,000. Noel accepted the offer of compensation in June 2022.

Noel treats the $30,000 compensation for loss amount as additional capital proceeds received for the investments. Noel recalculates his capital loss for 2015–16, reducing it to nil. Noel will need to amend his 2015–16 return with the new calculation.

As Noel had claimed a tax deduction for the adviser fees in his 2010–11 tax return, the $2,000 refund of those fees is included in his assessable income in his 2021–22 tax return. He will also include the $8,000 interest component in his 2021–22 tax return.

Services Australia income compliance class action settlement payments

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Compensation-and-insurance-payments/Services-Australia-income-compliance-class-action-settlement-payments/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Compensation-and-insurance-payments/Services-Australia-income-compliance-class-action-settlement-payments/)
- Last modified: 26 Apr 2023
- QC 72108

A settlement payment you receive from the Services Australia income compliance (Robodebt) class action is not taxable.

On this page

What is the income compliance program class action?

The Income compliance class action (also known as the Robodebt class action) relates to Centrelink debts raised by income compliance reviews since July 2015.

On 11 June 2021, the Federal Court approved the settlement of the class action. Eligible participants in the class action should have a letter from Services Australia and receive a settlement payment.

Settlement payment and your tax return

If you receive a settlement payment because you were an eligible participant of this class action, you:

- don’t need to declare the settlement payment as income in your tax return

- don't pay tax on the settlement payment.

The Services Australia website has more details, see information for people who have a class action settlement notice (https://www.servicesaustralia.gov.au/information-for-people-who-got-class-action-settlement-notice?context=60271) .

This information is also available in other languages on the Services Australia website. To find out if it is available in your language, see Robodebt class action and settlement payments translations (https://www.servicesaustralia.gov.au/robodebt-class-action-and-settlement-payments-translation) .

Redress scheme payments

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Compensation-and-insurance-payments/Redress-scheme-payments/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Compensation-and-insurance-payments/Redress-scheme-payments/)
- Last modified: 26 Apr 2023
- QC 72109

Redress scheme payments made as compensation or damages for a wrong, injury or illness are non-assessable income.

On this page

What is a redress scheme?

Redress schemes are about making an acknowledgement for wrongs in the past. They have general features that include payments for harm, harassment or discrimination of a person.

Redress scheme payments may be compensation for:

- damages for a wrong, injury or illness an individual suffers personally – are non- assessable payments
- financial loss or on termination – may be assessable.

Redress scheme payments and your tax return

You don't need to declare any compensation payments you receive from a redress scheme for personal injury you suffer. These payments are non-assessable income. This means you don't need to include these amounts in your tax return.

These payments are also not subject to capital gains tax.

Examples of redress schemes

Several state and national redress schemes have come into operation in the last few years, such as the:

- Australian Government's National Redress Scheme (https://www.nationalredress.gov.au/) – payments started on 1 July 2018 and will run for 10 years.
- Victorian Government's Restorative Engagement and Redress Scheme (https://www.vic.gov.au/redress-police-employees) – payments started on 1 July 2020.
- Territories Stolen Generations Redress Scheme (https://www.nationalredress.gov.au/resources/information/territories-stolen-generations?gclid=EAIaIQobChMI1P-z3uW89gIVzJlmAh3gegaUEAAYASAAEgKhZ_D_BwE&gclsrc=aw.ds) – announced on 5 August 2021 and will run for 5 years. It opened for applications on 1 March 2022.

Payments of conflicted remuneration

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Compensation-and-insurance-payments/Payments-of-conflicted-remuneration/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Compensation-and-insurance-payments/Payments-of-conflicted-remuneration/)
- Last modified: 26 Apr 2023
- QC 72110

Payments of conflicted remuneration you receive may need to be included as income in your tax return.

On this page

What is conflicted remuneration?

Conflicted remuneration means benefits given to a financial adviser that might influence the advice they give or the products they recommend to a client. You may also know these amounts as a 'rebate'.

Conflicted remuneration changes

A key recommendation of the Banking, Super and Financial Services Royal Commission was to end the payment of grandfathered conflicted remuneration to financial advisers. Law changes made in response to the recommendation mean that conflicted remuneration paid to financial advisers have been banned from 1 January 2021.

As a result of these changes, as the investor, you may receive:

- payment of an amount based on what the financial adviser would have been paid
- an equivalent benefit in another form.

If you directly receive a payment based on the amount the financial adviser would have been paid, that amount is separate from anything you are entitled to receive from your investment. For example, the payment will not be a superannuation or annuity payment.

Conflicted remuneration and your tax return

Depending on how you receive the conflicted remuneration, you may need to include any amounts as income in your tax return. If you receive the conflicted remuneration as:

- one or more separate payments, then it will be assessable as ordinary income.
  - If completing paper return, show the amount at **Other income**, Category 4 label V in the supplementary tax return
  - If completing your return in myTax, show the amount at Other income, select **Financial investments not shown elsewhere** under **Type of payment**
- a benefit in a form other than a payment, then you should seek advice from your tax adviser or us regarding the tax treatment.

For more information, see ASIC – RG 246 Conflicted remuneration and other banned remuneration (https://asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-246-conflicted-and-other-banned-remuneration/) .

Volkswagen, Skoda and Audi emissions settlement payments

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Compensation-and-insurance-payments/Volkswagen-Skoda-and-Audi-emissions-settlement-payments/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Compensation-and-insurance-payments/Volkswagen-Skoda-and-Audi-emissions-settlement-payments/)

- Last modified: 26 Apr 2023
- QC 72111

An income tax treatment may apply to a settlement payment you receive from the Volkswagen, Skoda and Audi class action.

On this page

- What is the emissions class action?
- Settlement payments and your tax return
- CGT and settlement payments

What is the emissions class action?

A class action was brought against Volkswagen, Skoda and Audi in relation to the global diesel fuel emissions issue.

The class actions settled after 4 years of litigation. On 1 April 2020 the Federal Court approved the settlement in Australia.

You need to consider the income tax treatment of any settlement payment you receive as an individual. Generally, a settlement payment is a capital payment and not ordinary income.

Payments you receive for these kinds of losses are not usually taxable as a capital gain tax (CGT) event. They instead reduce the cost base (/Individuals/Capital-gains-tax/Calculating-your-CGT/Cost-base-of-assets/) of your asset (such as your car).

Settlement payments and your tax return

The income tax treatment of your settlement payment will depend on:

- how you use your vehicle
- if the vehicle fits the definition of a car or other vehicle (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/motor-vehicle-and-car-expenses/expenses-for-a-car-you-own-or-lease/).

You **don't** need to declare a settlement payment you receive in your tax return for a car you use for either:

- private purposes only
- both a private and work-related use.

CGT and settlement payments

Generally, if you sell a car there are no CGT implications.

As there is no CGT on the sale of cars, the settlement payment has no CGT impact for cars (/Individuals/Capital-gains-tax/List-of-CGT-assets-and-exemptions/#Carsandmotorcycles). However, the settlement payment will change the cost base (/Individuals/Capital-gains-tax/Calculating-your-CGT/Cost-base-of-assets/) for the car.

Income protection insurance payments

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Compensation-and-insurance-payments/Income-protection-insurance-payments/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Compensation-and-insurance-payments/Income-protection-insurance-payments/)
- Last modified: 26 Apr 2023
- QC 72112

Declare payments from an income protection, sickness or accident insurance policy in your tax return.

On this page

- About income protection policies
- PAYG withholding tax on income protection payments

About income protection policies

An income protection insurance policy covers for the loss of salary or wages due to illness or accidents. The amount of the payments you receive is a percentage of your earnings based on your employment income prior to a claim.

Policies may be personal accident insurance, sickness insurance or a combination of both, usually named income protection insurance.

You must declare all payments you receive for lost salary or wages under one of these policies (this includes any payment you receive as part of a workers compensation scheme). Where you declare payments made to you under an income protection, sickness or accident insurance policy in your tax return will depend on if tax has been withheld.

You may receive a compensation payment (/individuals/income-deductions-offsets-and-records/income-you-must-declare/compensation-and-insurance-payments/), if you've made a personal injury claim and either:

- you agree to a settlement
- a court order is made in your favour.

You may receive these payments in the form of a lump sum payment, structural (periodic) payments or both. If you meet certain conditions, the payments may be tax-free, see Personal injury compensation structured settlements (/individuals/income-deductions-offsets-and-records/income-you-must-declare/compensation-and-insurance-payments/personal-injury-compensation-structured-settlements/).

The premiums you pay to protect against the loss of your employment income are deductible, see Income protection insurance (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/investments-insurance-and-super/income-protection-insurance/).

PAYG withholding tax on income protection payments

As the policyholder, you must check whether tax has been withheld from payments you receive under an income protection, sickness or accident insurance policy.

Tax is not withheld from payments the insurer pays directly to the owner of a relevant policy.

If tax is withheld

If tax is withheld, declare these payments at **Salary, wages, allowances, tips, bonuses etc** in myTax. If completing a paper tax return and tax has been withheld, declare these payments at question 1 Salary or wages.

These amounts will show on your income statement or *PAYG payment summary – individual non-business.*

If tax not withheld

If tax has not been withheld, and the payment is shown on your income statement or *PAYG payment summary – individual non-business,* declare these payments at **Salary, wages, allowances, tips, bonuses etc** in myTax.

If completing a paper tax return, declare these payments at question 2 **Allowances, earnings, tips, director fees etc**.

If tax has not been withheld, you declare these payments at **other income** in your tax return if:

- the premiums were deductible
- the payments replace your employment income
- they are **not** shown on your income statement or *PAYG payment summary – individual non-business*.

Scholarships, prizes and awards

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Scholarships-prizes-and-awards/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Scholarships-

prizes-and-awards/)
- Last modified: 26 Apr 2023
- QC 72113

What to declare in your tax return and tax you pay on scholarships, prizes and awards.

Scholarship payments (/individuals/income-deductions-offsets-and-records/income-you-must-declare/scholarships-prizes-and-awards/scholarship-payments/)
Scholarships you receive or made on your behalf as a student at a school, college or university may be exempt income.

Prizes and awards (/individuals/income-deductions-offsets-and-records/income-you-must-declare/scholarships-prizes-and-awards/prizes-and-awards/)
You must declare certain prizes and awards you receive in your tax return.

Scholarship payments

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Scholarships-prizes-and-awards/Scholarship-payments/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Scholarships-prizes-and-awards/Scholarship-payments/)
- Last modified: 26 Apr 2023
- QC 72114

Scholarships you receive or made on your behalf as a student at a school, college or university may be exempt income.

On this page

What is a scholarship?

When we say 'scholarship' we mean the following types of payments:

- a scholarship
- a bursary
- an educational allowance
- educational assistance.

A scholarship can be a one-off payment, or a series of payments over one or more years as either:

- an amount of money you receive
- a payment made on your behalf.

Scholarship payments help you with your educational expenses or other requirements. For example, payments may include:

- offsets for tuition fees
- a regular amount for general living costs – such as travel or boarding
- allowances to cover particular costs – such as uniforms and textbooks.

Scholarship payments may be exempt income (not taxable income). You need to work out if your scholarship payment is either wholly or partially assessable or exempt income.

If your scholarship is **not** exempt, you need to include it as income in your tax return.

Scholarship money comes from any number of sources such as a university, government, a business or an individual philanthropist. You might receive your scholarship payment directly from the source or through an administrator which is often your university.

Your scholarship agreement will set out:

- the amounts you receive
- when you will receive payments
- any conditions that apply to continue to get the scholarship
- what you can spend the money on (in some cases).

You generally apply for a scholarship by submitting an application. It is usually granted on merit or some process involving specific criteria.

A scholarship is not a loan. There are no repayment requirements.

Example: scholarship arising from charitable bequest

Jenny is a full-time student doing an undergraduate degree. She applies for and wins the 'Fearless Journalist' award. This gives her fortnightly payments over the course of her degree which she uses to pay for her HECS-HELP debt and text books.

The 'Fearless Journalist' award is from investment income that comes from capital donated in the Will of Jack Jones. The payments go to the most meritorious applicant in the journalist course at Williams University, who shows the most potential to succeed in fearless journalism.

The money Jenny receives for the award is a scholarship.

Exempt income from a scholarship

For a scholarship payment to be exempt from paying tax, you must meet **all** of the following conditions:

- The payment can't be an excluded government payment (for example, Austudy, Youth Allowance or ABSTUDY).
- There is no requirement for you to do work (either as an employee or contract for labour, now or in the future).
- You are a full-time student at a school, college or university.
- The scholarship is provided to you principally for educational purposes.

Your scholarship provider may be able to tell you if your scholarship is exempt or assessable income. In some cases, they will already have sought advice from us.

Use our scholarships decision tool to help you work out if your scholarship is exempt or assessable income.

Is my scholarship taxable? **(/calculators-and-tools/is-my-scholarship-taxable/)**

Work requirement

Your scholarship payment is not exempt income if, as a condition of the scholarship, you work or will work in the future for the person or organisation funding the scholarship. This includes work:

- as an employee or under a contract for labour
- that is done without a contract or any other form of legal relationship.

Example: requirement to work as employee – not exempt income

Henry receives a Delilah Limited scholarship for university students. The scholarship has certain conditions. The payments are conditional on Henry achieving a minimum grade each semester. Henry must submit a copy of his academic record to Delilah Limited each semester.

There may also be a requirement for Henry to complete paid vacation employment with Delilah Limited during the scholarship term. The scholarship payment depends on him working under the terms set out by Delilah Limited.

If Henry completes his studies successfully, Delilah Limited may offer him a position. If Henry does not accept the position, he may need to repay some or all of the scholarship. Delilah Limited also has the right of first refusal should Henry need to do other work experience as part of his course.

The scholarship payments are not exempt income. Henry may need to become Delilah Limited's employee, at their discretion, for a period set out in the scholarship agreement.

Full-time student at a school, college or university

For your scholarship payment to be exempt income you must be studying full-time at a school, college or university. You do not need to be physically at the school, college or university but must be studying a full-time load.

Example: part time university study – scholarship payment not exempt

Kirra receives a scholarship from her local government. The scholarship is available to women in their second or third year of study who are doing a science degree at a local university.

Under the scholarship agreement, Kirra receives $1,000 to assist her to pay for education expenses.

Kirra studies part-time.

Even though Kirra is doing a university degree, her scholarship payments are not exempt income because she is not studying full-time.

Educational purposes

For your scholarship payment to be exempt income, it must be provided to you principally for educational purposes. This includes education at a place of learning such as a university campus or a full-time degree provided online, and can also include a component of work experience.

Work experience at the premises of an organisation is for your education as long as your education is the most important factor for the work experience (and not the output you are producing). If you are working alongside employees and producing outputs that a similarly experienced employee or contractor would produce, your scholarship would generally not be considered as being provided principally for educational purposes.

Example: work experience requirement as part of the course – exempt income

The AAA University has a veterinary course that requires all students to complete work experience with a qualified practitioner as part of the course's qualification requirements.

A select number of students in the course receive a scholarship from the university. The scholarship payments go to students throughout the length of the course, including when students do their work experience.

The students gain work experience from their participation at the practitioner's clinics in a six-month period. Students do not provide normal vet services to the owners of the animals.

The scholarship payments are exempt because they are provided principally for educational purposes.

Example: scholarship requires work experience – exempt income

Megan receives a vacation scholarship from her university funded by WalesCo, an external organisation. A panel consisting of representatives from both the university and WalesCo, select the scholarship recipient.

Under the scholarship agreement, Megan receives 4 equal payment instalments over 2 years. In return, she must complete 10 weeks of professional vacation work experience with WalesCo each year. Megan can select when she will carry out the work experience and the hours she will attend. She rotates between departments within WalesCo to give her an insight and enable her to observe and learn from the various projects WalesCo undertakes.

The scholarship agreement states there is no requirement for Megan to become an employee of WalesCo, and nor is Megan an employee. She remains enrolled in full-time study during the time she is doing the work experience.

Megan's scholarship is exempt income. The benefit of Megan's work is limited (both by time, and is not concentrated on one project). This demonstrates that WalesCo is not engaging Megan for her work output, but to assist her in her education by providing work experience.

Example: company sponsored PhD study – not exempt income

Diego resigns as an employee of Alpha Co to do a full-time study course. He is completing research for a PhD which involves an area in which Alpha Co has a commercial interest. Diego had been part of a team working on this project before resigning.

Diego applies for and wins a research scholarship that Alpha Co funds. The scholarship administration is done by the university. The university pays weekly support for Diego during his study.

Diego works alongside Alpha Co's current employees. Alpha Co's expectation is for him to produce the same output and contribute in the same way as those employees.

Diego's weekly support payments are not exempt income. The scholarship is not provided principally for educational purposes. Instead, Alpha Co benefits from his participation as Diego is producing outputs that an employee or contractor with similar experience would produce while he is completing his PhD.

Scholarship payments specifically exempt from tax

The following education and training payments are specifically exempt from tax. You don't need to include these in your tax return.

- Payments under a Commonwealth scheme for assistance of secondary education or the education of isolated children.
- Grants from the Australian-American Educational Foundation – the Fulbright Commission.
- Endeavour research fellowships and Executive Awards.

Scholarship payments and your tax return

If your scholarship is **taxable**:

- you need to show your scholarship amount as assessable income in your tax return
- you should advise your scholarship provider that your scholarship is assessable income for tax purposes.

The scholarship provider may need to withhold tax from your periodic payments depending on:

- the information you provide on your tax file number (TFN) declaration
- the amount paid to you.

If your scholarship is **not taxable** (exempt income):

- you don't include your scholarship amount as assessable income in your tax return
- you should advise your scholarship provider
  - that your scholarship is exempt income
  - they don't need to withhold tax from your periodic payments.

Prizes and awards

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Scholarships-prizes-and-awards/Prizes-and-awards/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Scholarships-prizes-and-awards/Prizes-and-awards/)
- Last modified: 26 Apr 2023
- QC 72115

You must declare certain prizes and awards you receive in your tax return.

This includes the value of any prizes or benefits you receive from a prize draw or lottery run by your:

- bank
- building society
- credit union
- investment body.

Prizes may include cash, low-interest or interest-free loans, holidays or cars.

However, you don't need to declare prizes won in ordinary lotteries such as lotto draws and raffles.

If you win prizes as a game show contestant, you only declare prizes you win if you receive regular appearance fees or game-show winnings.

If you sell or otherwise dispose of an asset that was a prize from a lottery, you must declare any capital gains (/individuals/capital-gains-tax/) you make in your tax return.

Your income if you are under 18 years old

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Your-income-if-you-are-under-18-years-old/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Your-income-if-you-are-under-18-years-old/)
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- QC 72116

If you're under 18 years old (a minor), special rules apply to income you earn and you may pay tax at a higher rate.

On this page

How tax rates apply for minors

Income of minors is subject to special rules and they may pay tax on certain types of income at a higher rate. These rules were introduced to discourage adults from diverting income to their children.

For tax purposes you're a minor if you are under 18 years old at, 30 June in the income year.

Minors pays the same individual income tax rates (/Rates/Individual-income-tax-rates/) as an adult if they're either:

- an excepted person
- receive excepted income.

If you're an excepted person, or only earn excepted income and you're an Australian resident, the first $18,200 you earn is tax free.

If you're a minor and not an excepted person, you pay a higher rate of tax for income that is not excepted income.

Declaring interest and dividend income

If a parent, relative or guardian has set up a savings account or bought shares in the name of a minor, the following needs to be considered.

- If a minor earns interest on income from a savings account, they need to consider who declares the interest (/Individuals/Investments-and-assets/Investing-in-bank-accounts-and-income-bonds/Children-s-savings-accounts/#Whodeclaresinterest) as income. The tax treatment of interest income of a minor is different to income from a child's share investments.
- If a minor earns income from shares, they may need to consider who declares the dividends and any capital gain or loss (/Individuals/Investments-and-assets/Investing-in-shares/Owning-shares/Children-s-share-investments/#Declaringdividends).

Work out if you're an excepted person

You may be an excepted person if you're a minor and a:

- Full time worker
- Person with a disability
- Person with a double orphan pension

If you're an excepted person, you pay tax at the same individual income tax rates (/Rates/Individual-income-tax-rates/) as an adult, on all the income you earn.

If you aren't an excepted person, you need to work out if you receive any excepted income. You pay tax at the same individual income tax rates (/Rates/Individual-income-tax-rates/) as an adult on this income.

Full time worker

You're an excepted person if **all** of the following apply at, 30 June of the relevant income year:

- You were working full time, or had worked full time for a total of 3 months or more in the income year
- You are, in the following income year, both
  - intending to work full time for most or all of it
  - not intending to study full time.

When you work out how long you have worked full time, ignore any period of full-time work you did before starting full-time study.

Person with a disability

You're an excepted person for the relevant income year if you were **one** of the following:

- The main beneficiary of a special disability trust.
- At 30 June of the relevant income year you were
  - entitled to a disability support pension or someone was entitled to a carer allowance to care for you
  - certified permanently blind
  - disabled and likely to suffer from that disability permanently or for an extended period
  - unable to work full time because of a permanent mental or physical disability and you received little or no financial support from relatives.

Person with a double orphan pension

You're an excepted person for the income year if at, 30 June of the relevant income year, you were both:

- entitled to a double orphan pension
- received little or no financial support from relatives.

Work out if you receive excepted income

Even if you aren't an excepted person, some of your income as a minor may be excepted income.

If you have excepted income, your excepted net income is taxed at the same individual income tax rates (/Rates/Individual-income-tax-rates/) as an adult's net income.

Excepted income − Deductions relating to that income = Excepted net income

If you don't have any excepted income, for any other income you receive:

- you're taxed at the higher tax rates (/rates/individual-income-tax-rates/#Children)
- any tax payable is not reduced by the low income tax offset or low and middle income tax offset.

Excepted income

Your excepted income includes:

- employment income
- taxable pensions or payments from Centrelink or the Department of Veterans' Affairs
- compensation, superannuation or pension fund benefits
- income from a deceased person's estate, including income derived by a testamentary trust from property of the deceased person's estate
- income from property transferred to you because of the death of another person or family breakdown, or income in the form of damages for an injury you suffer
- income from your own business
- income from a partnership in which you were an active partner
- net capital gains from the disposal of any property or investments listed above
- income from the investment of any of the amounts listed above.

Income derived by a testamentary trust

Your income from a testamentary trust that was generated from property of a deceased estate, such as a deceased person's mortgaged property, remains excepted income.

Property of a deceased estate includes real property and money from the deceased estate. It can include accumulations of income or capital from property of that deceased estate, and conversions of such property from one asset type to another. For example, if a trustee of a testamentary trust sells a rental property transferred to the trust from a deceased estate and invests those proceeds in shares, the income from those shares is income from property of the deceased estate.

Your income from a testamentary trust is **not** excepted income if it is generated from assets:

- acquired by or transferred to the trustee of the trust on or after 1 July 2019
- that were unrelated to property of the deceased estate.

Example: distribution from a family trust to a testamentary trust

Lavender Trust is a testamentary trust established under a will. Alex is a beneficiary of the trust and is 14 years old. Under the will, $100,000 is transferred on 17 July 2022 to the trustee of Lavender Trust from the deceased estate.

Shortly after, the trustee of a family trust makes a capital distribution of $1 million to the trustee of Lavender Trust. The trustee of Lavender Trust invested the entire amount of $1.1 million in listed shares.

In the 2022–23 income year, the trustee of Lavender Trust derives $110,000 of dividend income from the investment in the listed shares. The net income of Lavender Trust for that year is $110,000. Alex is made presently entitled to 50% of that amount, which is $55,000.

To calculate her excepted income amount, Alex works out from the $100,000 transferred from the deceased estate, she received $55,000.

Alex's excepted income is $5,000, worked out as $100,000 ÷ $1.1 million × $55,000 = $5,000.

The remaining $50,000 is income that resulted from the $1 million capital distribution from the family trust, which is unrelated to the deceased estate. It is not excepted income.

Example: trust income reinvested

Assume the trustee of Lavender Trust (from the example above) did not pay Alex her share of the net income of the trust (being $55,000, comprising $5,000 excepted income and $50,000 not excepted income).

The trustee, instead, reinvests that amount in more listed shares in the 2022–23 income year.

For the 2023–24 income year, that investment derives income of $5,500 and Alex is made presently entitled to that amount.

Alex's excepted income is $500 (worked out as $5,000 ÷ $55,000 × $5,500). This amount is the extent to which the $5,500 of income resulted from Lavender Trust reinvesting previously excepted income.

The remaining $5,000 is attributable to assets unrelated to the deceased estate and is not excepted income.

Example: rental property acquired with borrowed money, trust distribution and money from deceased estate

Johnston Trust is a testamentary trust established under a will into which $500,000 is transferred from the deceased estate on 22 August 2022. A trustee of a family trust then makes a capital distribution of $500,000 to Johnston Trust. The trustee of Johnston Trust borrows $1 million from a bank and purchases a rental property for $1.9 million. The remaining $100,000 is used as working capital for the rental property.

In the 2022–23 income year, the trustee of Johnston Trust receives $50,000 of net rental income. The net income of the trust for that year is $50,000. Michael, who is under 18 years old, is made presently entitled to 50% of the $50,000 net income, being $25,000.

To calculate his excepted income amount, Michael works out from the $500,000 transferred from the deceased estate, he received $25,000.

Michael's excepted income is $6,250, worked out as $500,000 ÷ $2 million × $25,000 = $6,250.

The remaining $18,750 of income is attributable to assets unrelated to the deceased estate and is not excepted income.

Taxable, assessable and exempt income

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Taxable-assessable-and-exempt-income/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Taxable-assessable-and-exempt-income/)
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- QC 72117

Income you receive may be taxable, assessable, exempt, or non-assessable non-exempt – find out if you need to report it.

On this page

- Non-assessable, Non-exempt income

Assessable income

Most of the income you earn will be assessable income. Assessable income is income that you pay tax on, if you earn enough to exceed the tax-free threshold. Examples of assessable income you must declare include:

- salary and wages
- tips, gratuities and other payments for your services
- some allowances, such as for clothing and laundry
- interest from bank accounts
- dividends and other income from investments
- bonuses and overtime an employee receives
- commission a salesperson receives
- pensions
- rent.

You may also receive some income in the form of goods or services instead of money. You need to declare the market value of these goods or services as assessable income in your tax return. For example, you may receive clothing, makeup, tools, or accessories from subscribers or fans of your online platforms, or businesses looking to work with you.

If you receive your income as cash including cash cheques, you must declare the cash as income in your tax return.

You can usually claim the tax-free threshold (/Individuals/Jobs-and-employment-types/Working-as-an-employee/Income-from-more-than-one-job/#Whentoclaimthetaxfreethreshold) of $18,200 on one source of income you earn in the income year.

Taxable income

Your taxable income is your assessable income minus any allowable deductions. Your taxable income is used to work out how much tax you need to pay.

Assessable income − allowable deductions = taxable income

Allowable deductions don't directly reduce the amount of tax you pay, they reduce your taxable income, which in turn reduces the amount of tax you need to pay.

Exempt income

Exempt income is income that you don't pay tax on (that is, it's tax-free). You may still need to include this income in your tax return for use in other tax calculations.

Examples of exempt income can include:

- some government pensions and payments (/individuals/income-deductions-offsets-and-records/income-you-must-declare/government-payments-and-allowances/), including the invalidity pension
- some education payments.

If the only income you receive during an income year is exempt income, you don't have to pay any income tax on it.

Non-assessable, Non-exempt income

Non-assessable, Non-exempt income amounts are those which you don't include as income (/individuals/income-deductions-offsets-and-records/income-you-must-declare/amounts-you-do-not-include-as-income/#Amountsyoudontinclude) in your tax return. You can't claim a deduction against non-assessable, non-exempt income.

Non-assessable, non-exempt income can include:

- the tax-free component of an employment termination payment (ETP)
- super co-contributions
- income earned by foreign resident workers under the seasonal (short-term) PALM scheme (/Individuals/Coming-to-Australia-or-going-overseas/Coming-to-Australia/Pacific-Australia-Labour-Mobility-scheme/) or former seasonal worker programme (/business/payg-withholding/in-detail/seasonal-worker-program/)

- certain disaster payments and grants (/general/support-in-difficult-times/support-from-other-agencies/reporting-disaster-payments-and-grants-in-your-tax-return/).

Amounts you do not include as income

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Amounts-you-do-not-include-as-income/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Amounts-you-do-not-include-as-income/)
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- QC 72118

Amounts that you earn or receive that you don't need to declare as income.

On this page

Amounts you don't include

You may receive money that you don't need to include as assessable income in your tax return. You may still need to report these amounts so we can work out your tax losses or eligibility for tax offsets or benefits.

Amounts you don’t include as assessable income fall into 3 categories:

- exempt income
- non-assessable, non-exempt income
- other non-taxable amounts.

Exempt income

Exempt income is income you don't pay tax on (that is, it's tax-free). However, you may still need to report these in your tax return as we use certain exempt income amounts to work out other calculations such as:

- tax losses of earlier income years that you can deduct
- adjusted taxable income of your dependants.

Exempt income includes:

- certain Australian Government pensions, such as the
  - disability support pension paid by Centrelink to a person who is under age-pension age
  - invalidity service pension paid under the *Veterans' Entitlements Act 1986* where the veteran is under age-pension age

- certain Australian Government allowances and payments, such as the
  - carer allowance
  - child care subsidy

- certain overseas pay and allowances for Australian Defence Force (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/tax-exempt-income-from-foreign-employment/australian-defence-force-members-performing-overseas-duty/) and Federal Police personnel (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/tax-exempt-income-from-foreign-employment/exempt-income-from-foreign-service/)
- Australian Government education payments, such as
  - allowances for students under 16 years old
  - Commonwealth secondary education assistance

- some scholarships, bursaries, grants and awards (/individuals/income-deductions-offsets-and-records/income-you-must-declare/scholarships-prizes-and-awards/scholarship-payments/)
- a lump sum payment you received on surrender of an insurance policy where you are the original beneficial owner of the policy – generally you do not earn, expect, rely on or regularly receive these payments – examples include
  - mortgage protection
  - terminal illness
  - a permanent injury occurring at work.

Non-assessable, non-exempt income

Non-assessable, non-exempt income is income that we don't assess and you don't pay tax on. It doesn't affect your tax losses.

Non-assessable, non-exempt income includes:

- the tax-free component of an employment termination payment
- genuine redundancy payments and early retirement scheme payments shown as 'Lump sum D' amounts on your income statement
- super co-contributions
- certain disaster payments and grants (/general/support-in-difficult-times/support-from-other-agencies/reporting-disaster-payments-and-grants-in-your-tax-return/).

Other non-taxable amounts

Generally, you don't declare amounts you receive for:

- rewards or gifts on special occasions, such as cash birthday presents and gifts from relatives given out of love (however, gifts may be taxable if you receive them as part of a business-like activity or for your income-earning activities as an employee or contractor)
- prizes you won in ordinary lotteries, such as lotto draws and raffles
- prizes you won in game shows, unless you receive regular appearance fees or game-show winnings
- child support and spouse maintenance payments you receive.

Deductions you can claim

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/)
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- QC 72119

Find out which expenses you can claim as income tax deductions and work out the amount to claim.

How to claim deductions (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/how-to-claim-deductions/)
How to claim income tax deductions for work-related expenses and other expenses, and record your deductions.

Cars, transport and travel (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/)
Deductions for car, transport and travel expenses you incur in the course of your work.

Tools, computers and items you use for work (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/)
Deductions for tools, computers, internet, stationery, books and other items you use for work.

Clothes and items you wear at work (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/clothes-and-items-you-wear-at-work/)
Deductions for clothes, glasses, protective gear and other items you wear at work.

[Working from home expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/)]
Deductions for expenses you incur to work from home such as stationery, energy and office equipment.

[Education, training and seminars (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/education-training-and-seminars/)]
Deductions for self-education, conferences and training. You can't claim children's school fees or care.

[Memberships, accreditations, fees and commissions (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/memberships-accreditations-fees-and-commissions/)]
Deductions for union fees, professional memberships, working with children check, agency fees and commissions.

[Meals, entertainment and functions (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/meals-entertainment-and-functions/)]
Deductions for meals, snacks, overtime meals, entertainment and functions.

[Personal grooming, health and fitness (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/personal-grooming-health-and-fitness/)]
Deductions for medical assessments, vaccinations, COVID-19 tests, gym fees, cosmetics and personal grooming.

[Gifts and donations (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/gifts-and-donations/)]
Deductions for gifts or donations you make to deductible gift recipients, and the records you need.

[Investments, insurance and super (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/investments-insurance-and-super/)]
Deductions for investment expenses, income protection insurance, personal super contributions and foreign pensions.

[Cost of managing tax affairs (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cost-of-managing-tax-affairs/)]
Deduction for expenses to manage your tax affairs, such as lodging with a registered agent.

How to claim deductions

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/How-to-claim-deductions/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/How-to-claim-deductions/)
- Last modified: 26 Apr 2023
- QC 72120

How to claim income tax deductions for work-related expenses and other expenses, and record your deductions.

On this page

Media: Get your deductions right
http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubgwof44 (http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubgwof44) (**Duration:** 1:08)

How tax deductions work

You can claim some of your expenses as deductions in your tax return.

The expenses you can claim are mostly related to earning your income, but there are a few (such as donations) that aren't related to earning income.

Deductions reduce your taxable income.

It works like this:

your assessable income (money you earn from work or investments)

minus your allowable deductions (such as costs you incur to earn your income)

equals your taxable income (the amount you actually pay tax on).

Work-related expenses

To claim a deduction for a work-related expense:

- You must have spent the money yourself and weren't reimbursed.
- The expense must directly relate to earning your income.
- You must have a record (/individuals/income-deductions-offsets-and-records/records-you-need-to-keep/) to prove it (usually a receipt).

You claim these deductions in your tax return at the sections about work-related expenses. For instructions on how to complete your tax return, see Lodgment options for preparing your tax return (/Individuals/Your-tax-return/How-to-lodge-your-tax-return/#Lodgmentoptions).

If the expense was incurred for both work and private purposes, you only claim a deduction for the work-related portion.

You can't claim a deduction if your employer pays for the expense or reimburses you for it. If we think your employer may reimburse you for an expense, we may check with them.

Other expenses you can claim

There are a few expenses you can claim as a deduction even though they don't relate to your work.

These include:

- gifts and donations
- expenses related to earning income from investments
- personal super contributions
- income protection insurance
- the cost of managing your tax affairs.

You claim these in your tax return at the specific expense category (where available) or as an **Other deduction**. For instructions on how to complete your tax return, see Lodgment options for preparing your tax return (/Individuals/Your-tax-return/How-to-lodge-your-tax-return/#Lodgmentoptions).

Recording and claiming your expenses

When you claim a deduction you need to keep records (/individuals/income-deductions-offsets-and-records/records-you-need-to-keep/) that show you incurred the expense.

You can use the myDeductions (/General/Online-services/Online-services-for-individuals-and-sole-traders/ATO-app/myDeductions/) tool in the ATO app to help keep track of your:

- work-related expenses (such as vehicle trips)
- general expenses (such as gifts and donations).

You can upload these records or share them with a tax agent at tax time to make lodging your tax return easier.

Deductions in your occupation or industry

Our occupation and industry specific guides (/individuals/income-deductions-offsets-and-records/occupation-and-industry-specific-guides/) have information about income, allowances and deductions you may be eligible to claim. These guides are tailored to your occupation or industry.

Information in other languages

A summary of common expenses may be available in your language:

1. Select your language from the other languages' homepage (/General/Other-languages/).
2. Select the heading **Individuals**.
3. Check the list to see if a summary is available.

Cars, transport and travel

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/)
- Last modified: 26 Apr 2023
- QC 72121

Deductions for car, transport and travel expenses you incur in the course of your work.

Trips you can and can't claim (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/trips-you-can-and-can-t-claim/)
When you can and can't claim deductions for the cost of transport while working and between home and work.

Motor vehicle and car expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/motor-vehicle-and-car-expenses/)
Deductions for work-related use of your car or another motor vehicle.

Taxi, ride-share and public transport expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/taxi-ride-share-and-public-transport-expenses/)
Deductions for work-related transport expenses such as flights, trips by train, bus, taxi or ride-share, and tolls.

Award transport payments (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/award-transport-payments/)
Income you must declare, deductions you can claim and records to keep if you receive an award transport payment.

Overnight travel expenses and allowances (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/)
Work-related travel expenses, records you need to keep, travel allowances and record keeping exceptions.

Removal and relocation costs (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/removal-and-relocation-costs/)
You can't claim a deduction for removal or relocation costs to transfer or relocate for work purposes.

Trips you can and can't claim

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Trips-you-can-and-can-t-claim/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Trips-you-can-and-can-t-claim/)

- Last modified: 26 Apr 2023
- QC 72122

When you can and can't claim deductions for the cost of transport while working and between home and work.

On this page

Trips while working and between workplaces

You can claim a tax deduction for the cost of transport on trips to:

- perform your work duties – for example, if you travel from your regular place of work to meet with a client
- attend work-related conferences or meetings away from your regular place of work
- deliver items or collect supplies
- go between 2 or more separate places of employment, such as if you have more than one job (but not if one of the places is your home)
- go from your
  - regular place of work to an alternative place of work that isn't a regular place of work (for example, a client's premises) while still on duty, and back to your regular place of work or directly home
  - home to an alternative place of work that isn't a regular place of work to perform your duties, and then to your regular place of work or directly home (this doesn't apply if the alternative place of work has become a regular workplace).

Example: travel between 2 separate workplaces

Aaron works part time at a supermarket and also works part time as a house cleaner. On Tuesdays Aaron drives his car directly from his job at the supermarket to his regular cleaning clients.

As the trip is between 2 separate places of work, neither of which is Aaron's home, he can claim a deduction for the transport expenses he incurs for that trip.

Example: travel to an alternative place of work

Brock works for a large company with 2 offices in Melbourne. He usually works from the city office but occasionally he's required to attend training at the company's office in Box Hill. When Brock travels to the Box Hill office, he catches a tram at his own expense.

Brock can claim a deduction for the cost of the tram between the Melbourne office and Box Hill office as it's an alternative place of work. He can also claim the cost of any trips between the Box Hill office and his home.

However, if Brock works from the city office every Monday to Thursday and from the Box Hill office every Friday as a standard arrangement, then the city office is his regular place of work every Monday to Thursday and the Box Hill office is his regular place of work every Friday. Brock can't claim a deduction for trips between his home and either of his regular places of work.

Trips between home and work

You can't claim trips between your home and place of work, except in limited circumstances.

These trips put you in a position to start work and earn income but are not part of performing your work duties. The cost of these trips is a private expense.

This is the case even if you:

- live a long way from your regular place of work
- work outside normal business hours – for example, shift work or overtime
- do minor work-related tasks on the way to work or the way home – for example, picking up the mail
- go between your home and regular place of work more than once a day
- are on call – for example, you are on standby duty and your employer contacts you at home to come into work
- have no public transport near where you work
- do some work at home
- work from your home running your own business and travel directly to a place of work where you work for somebody else.

Example: public transport not available

Tim works at his local cinema. His shift often finishes late into the night. The only available bus doesn't operate past 7:00 pm so Tim has to drive to and from work.

The cost Tim incurs to drive to work is not deductible. This is because Tim incurs the cost to put him in the position to earn his employment income, not in the course of performing his work duties.

Example: working from home and travelling to regular place of work

Ravi works in the accounts department of a large retail chain. At the end of each month, Ravi's workload increases. To keep on top of his work, Ravi does some work at home before he goes into the office or when he gets home from the office in the evening.

Ravi can't claim a deduction for the expenses he incurs when he travels between his home and the office on these occasions.

Ravi works at home for convenience and doesn't incur the cost of travelling from his home to the office in the course of performing his work duties. He incurs the expenses to be in the position to start work. The transport costs are a private expense.

Example: travelling while on standby duty

Nadena is a registered nurse at a hospital. During a typical fortnight, Nadena has 9 shifts and one standby shift. If another nurse calls in sick when Nadena is on standby duty she may be called in to work that shift.

The standby shift may be at night, early morning or during the day, depending on her roster cycle.

Nadena can't claim a deduction for travel between her home and the hospital when she is called into work while she is on standby duty.

She incurs the expense in travelling from her home to the hospital, not in the course of performing her work duties. The transport costs are a private expense. This is the case even if the shift is outside normal business hours or there is no public transport available.

Example: travelling to a distant regular work location

Aldo lives in North Queensland with his family. He is an employee on a long-term project in Sydney. His employment contract states that his place of work is the office on the project site in Sydney.

As Aldo lives in North Queensland and only needs to be physically on site during certain stages of the project, he has an informal agreement with his employer to work from home whenever he's not required on site.

When it's necessary for Aldo to be on site, he's generally at the project site for no longer than 2 weeks at a time. When Aldo needs to be on site, he flies to Sydney at his own expense.

The project site in Sydney is Aldo's regular place of work and he can't claim a deduction for the cost of travelling from North Queensland to Sydney.

Aldo doesn't incur the transport expenses in the course of performing his work duties. He incurs the expenses to put him in the position to start work.

His travel costs to stay in Sydney, such as accommodation and meals, are also private because Aldo chooses to live in North Queensland and work in Sydney.

When you can claim trips between home and work

There are some circumstances where you can claim a deduction for the cost of trips between home and work. You must check that you meet the eligibility conditions:

- Home is a base of employment
- Transporting bulky tools and equipment
- Itinerant or shifting places of work

You may also be able to claim a deduction for a trip that includes an alternative place of work that isn't a regular place of work – see Trips while working and between workplaces.

Home is a base of employment

You can claim a deduction for the cost of a trip from home to your place of work if your home was a base of employment. You must meet all 3 of these conditions:

- You're required to start your employment duties at home then travel to your regular place of work to complete those particular duties.
- Undertaking the work in 2 locations is necessary due to the nature of your employment duties.
- The trip to your regular place of work isn't part of a normal trip to work that would have occurred anyway.

Example: home is base of employment

Tom is the IT Security Director of a data storage company. He's on call 24 hours a day to be notified of a security breach. His employer installs a secure terminal at his home so he can work from home if he receives a call out of hours. Normally, Tom would provide advice over the phone to the staff on site, and sometimes he would log into the secure terminal at his home to correct the issue.

At times, Tom starts working on a security issue from the home terminal but is then required to drive into the office out of hours to resolve the issue. On these occasions the transport expenses he incurs for this journey are deductible, as his home has become a base of employment. However, his regular daily trip into the office is not deductible.

Transporting bulky tools and equipment

You can claim a deduction for the cost of trips between home and work if you need to carry bulky tools or equipment and all the following conditions are met:

- the tools or equipment are essential to perform your work
- the tools or equipment are bulky, meaning that
  - they are awkward to transport because of their size and weight

  - they can only be transported conveniently using a motor vehicle

- there is no secure storage for such items at the workplace
- you don't transport the tools or equipment as a matter of choice (for example, if your employer provides secure storage and you choose to take the tools home instead).

If you claim a deduction, you will need to keep a record of:

- all work items you carry
- the size and weight of all work items
- evidence that the items you carry are essential to your work
- evidence that your employer did not provide secure storage at the workplace.

Media: Transporting bulky tools and equipment
http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubx7d1ys (http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubx7d1ys) (**Duration:** 00:52)

Example: carrying bulky equipment is necessary

Masahito is an employee of an orchestra, where he plays double bass.

The orchestra plays in a number of venues and Masahito often travels directly from home to the various venues. He practises regularly at home, this is also the only place available to store his instrument when not being used.

The double bass is over 2 metres tall and 75 cm wide when in its case and is awkward to transport.

Masahito can claim a deduction for the car expenses he incurs when travelling between his home and workplaces. The need to transport his cumbersome double bass by car to the different workplaces means that the trips are not ordinary home to work travel.

Example: carrying bulky tools is unnecessary

Merinda works as a fitter and turner on a mine site. She drives to the mine site each day.

The mine site has a building where staff can store their tools when not on duty. The staff have their own secure tool lockers.

Merinda requires a number of tools to do her job, so her toolkit is large and heavy. Although there is room to store the toolkit in her locker, she takes it home every day.

Merinda's toolkit would be considered bulky, but she has a secure place to store it at work. It is her decision to transport her tools between home and work each day.

As there is no practical need for Merinda to transport the bulky toolkit between home and her regular place of work, her trips remain ordinary private trips. She can't claim a deduction for her car expenses.

Itinerant or shifting places of work

If you do itinerant work (you have shifting places of work), you can claim transport expenses you incur for trips between your places of work and your home. The following factors indicate you do itinerant work:

- You travel because it's a fundamental part of your work, not just because it's convenient to you or your employer.
- You have a 'web' of workplaces you travel to throughout the day and no fixed place of work.
- You regularly work at more than one work site before returning home.

- You are often uncertain of the location of your work site.
- Your employer pays you a travel allowance because you need to travel continually between work sites, and you use this allowance to pay for your travel.

Example: one work site each day

Chloe is a substitute teacher, who travels to different schools when teachers are away. She sometimes attends a school for just one day, and at other times for a few weeks.

Chloe is not doing itinerant work. While she may not know where she's going to work each day, she will only ever work at one location for the day. She can't claim a deduction for her trips between home and work.

Example: multiple work sites each day

Mitchell is an apprentice roof tiler. He is sent to various sites each day, going to the first site from his home and returning home at the end of the day from the last site.

Mitchell is doing itinerant work because he is regularly working at multiple sites during the day. He can claim deductions for the transport costs of his trips:

- between home and work each day
- between each site during the day.

However, if Mitchell routinely goes to only one site and works there for several days until the job is finished, he is not doing itinerant work.

Claiming a trip

To claim a tax deduction for the transport expenses of a work-related trip, you must:

- have spent the money yourself and weren't reimbursed
- have records of your expenses.

How you work out your claim amount depends on whether you made the trip:

- in your car or other motor vehicle (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/motor-vehicle-and-car-expenses/)
- by taxi, ride-share or public transport (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/taxi-ride-share-and-public-transport-expenses/).

If you travel overnight (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/) to perform your work duties, you can generally claim a deduction for the cost of your flights and your expenses for accommodation, meals and incidentals.

If your travel is partly private, you can only claim a deduction for the transport expenses you incur in the course of performing your work duties.

Motor vehicle and car expenses

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Motor-vehicle-and-car-expenses/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Motor-vehicle-and-car-expenses/)
- Last modified: 26 Apr 2023
- QC 72123

Deductions for work-related use of your car or another motor vehicle.

Expenses for a car you own or lease (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/motor-vehicle-and-car-expenses/expenses-for-a-car-you-own-or-lease/)
Deductions for work-related use of your own car.

Expenses for a vehicle that isn't yours or isn't a car (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/motor-vehicle-and-car-expenses/expenses-for-a-vehicle-that-isn-t-yours-or-isn-t-a-car/)
Deductions for work-related use of a vehicle that either does not belong to you or is not a car.

Expenses for parking, tolls, accidents, licence and fines (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Motor-vehicle-and-car-expenses/Expenses-for-parking-tolls-accidents-licence-and-fines/)
Deductions for parking fees, tolls, accident damage, renewing your licence or paying a fine.

Expenses for a car you own or lease

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Motor-vehicle-and-car-expenses/Expenses-for-a-car-you-own-or-lease/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Motor-vehicle-and-car-expenses/Expenses-for-a-car-you-own-or-lease/)
- Last modified: 22 Jun 2023
- QC 72124

Deductions for work-related use of your own car.

On this page

Claiming a deduction for car expenses

To claim a deduction for car expenses:

- Your vehicle must meet the definition of a car.
- You must own or lease the car.
  - You do not own or lease the car if you use it under a salary sacrifice or novated lease arrangement.

- The expenses must be for work-related trips (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/trips-you-can-and-can-t-claim/#Tripsbetweenhomeandwork).
  - You can claim for trips between workplaces or to perform your work duties.
  - You can't claim for trips between your home and place of work, except in limited circumstances.

- You must have spent the money yourself and weren't reimbursed.
- You must have the required records.

If it's someone else's car or it's another type of vehicle (such as a truck or motorcycle), see Expenses for a vehicle that isn't yours or isn't a car (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/motor-vehicle-and-car-expenses/expenses-for-a-vehicle-that-isn-t-yours-or-isn-t-a-car/).

If your travel is partly private, you can only claim a deduction for the work-related portion of your expenses.

You claim the tax deduction in your income tax return as a **work-related car expense**.

If you receive an allowance (/individuals/income-deductions-offsets-and-records/income-you-must-declare/employment-income/employment-allowances/) from your employer for car expenses, you must include it as assessable income in your tax return. The allowance amount is shown on your income statement or payment summary.

Definition of a car

To claim a work-related car expense, the vehicle must be a car.

A car is a motor vehicle that carries a load of less than 1 tonne and fewer than 9 passengers (including the driver). Motorcycles and similar vehicles are not cars.

If the vehicle does not meet this definition, you claim your work-related expenses using the approach for a vehicle that isn't a car (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/motor-vehicle-and-car-expenses/expenses-for-a-vehicle-that-isn-t-yours-or-isn-t-a-car/).

You must own or lease the car

To claim car expenses you must own or lease the car, or hire it under a hire-purchase arrangement.

You can't claim running costs for a car you use under a salary sacrifice or novated lease arrangement. In this situation the car is usually leased by your employer from a financing company, and your employer typically pays for the running costs and claims deductions. You can claim additional expenses, like parking and tolls associated with your work use of the car.

If you use a car owned by a family member, and you can show there is a private arrangement that made you the owner or lessee of the car (even if you aren't the registered owner), you work out your car expenses as though it is your car.

If you don't own or lease the car (or don't have a private arrangement that makes you the owner or lessee), you claim your work-related expenses using the approach for a vehicle that isn't yours (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/motor-vehicle-and-car-expenses/expenses-for-a-vehicle-that-isn-t-yours-or-isn-t-a-car/).

Example: private arrangement

When Rory turned 18 she bought a car from her parents for $1,000. She now pays the insurance, fuel, registration, and other running costs, and no one else uses the car. However, the registration has not been updated and the car is still registered in her mother's name.

Rory is eligible to claim her work-related car expenses even though the registration has not been changed to her name. She would be treated as the owner because she can show that:

- she bought the car from her parents
- she is now responsible for all of the ownership and running costs of the car.

Calculating your car expense deductions and keeping records

You use either of 2 methods to calculate deductions for car expenses:

- Cents per kilometre method
- Logbook method.

Use the calculator to work out your deduction for either method.

Work-related car expenses calculator **(/calculators-and-tools/work-related-car-expenses/)**

If you are claiming car expenses for more than one car, you can use a different method for each car. You can also change the method you use in different income years for the same car.

Cents per kilometre method

To calculate your deduction using this method, multiply the number of work-related kilometres you travel in the car by the rate per kilometre for that income year.

'Work-related kilometres' are the kilometres your car travels in the course of earning your assessable income.

- Use the rate for the income year for which you are claiming a deduction:
  - 2023–24: use 85 cents per kilometre
  - 2022–23: use 78 cents per kilometre
  - 2020–21 and 2021–22: use 72 cents per kilometre
  - for rates in earlier years, see Prior year tax return forms and schedules (/Forms/Prior-years-individuals-tax-return-forms-and-schedules/).

- You can claim a maximum of 5,000 work-related kilometres per car.
- You need to keep records that show how you work out your work-related kilometres.

If you and another joint owner use the car for separate income-producing purposes, you can each claim up to 5,000 work-related kilometres.

The cents per kilometre rate covers all car expenses, including:

- decline in value
- registration
- insurance
- maintenance
- repairs
- fuel costs.

You can’t add any of these expenses on top of the rate when you work out your deduction using this method.

Example: car deduction using cents per kilometre

Once per week, Johan makes a 27-kilometre round trip in his own car from his head office in the city to meet with clients. In addition, once per month he makes a 106-kilometre round trip to visit clients at another location.

When Johan consults his diary at the end of the 2022–23 income year, he works out he was at work for 47 weeks, but he missed one weekly meeting with clients as he was sick. He also determines that, although he was on leave for 5 weeks during the income year, he still made 12×106-kilometre round trips to visit clients.

He works out his work-related kilometres as:

Number of weekly trips × distance of weekly trip = total weekly trip kilometres

$$46 \times 27 \text{ km} = 1{,}242 \text{ km}$$

Number of monthly trips × distance of monthly trip = total monthly trip kilometres

$$12 \times 106 \text{ km} = 1{,}272 \text{ km}$$

Total weekly trip kilometres + total monthly trip kilometres = total trip kilometres

$$1{,}242 + 1{,}272 \text{ km} = 2{,}514 \text{ km}$$

Johan works out his deduction for the 2022–23 income year as:

$$2{,}514 \text{ km} \times 0.78 = \$1{,}961$$

Keeping records for cents per kilometre method

If you use the cents per kilometre method, you don't need receipts.

You do need to be able to show that you own the car and how you work out your work-related kilometres. For example, you could record your work-related trips:

- in a diary
- using the myDeductions (/General/Online-services/ATO-app/myDeductions/) tool in the ATO app.

Logbook method

To calculate your deduction using the logbook method, you need to:

- keep a logbook that shows your work-related trips for a continuous period of at least 12 weeks (your logbook is valid for up to 5 income years)
- keep receipts or other records of your car expenses
- use your logbook to calculate the deductible portion of your car expenses.

Keeping a logbook

Your logbook must:

- cover at least 12 continuous weeks and be broadly representative of your travel
- include the destination and purpose of every journey, the odometer reading at the start and end of each journey, and the total kilometres travelled during the period
- include odometer readings for the start and end of the logbook period.

Your logbook is valid for 5 years. However, if your circumstances change (for example, if you change jobs or move to a new house), and the logbook is no longer representative of your work-related use, you will need to complete a new 12-week logbook.

In each of the 4 years following the first year, you need to keep:

- odometer readings for the start and end of the full period you claim
- your work-related use percentage based on the logbook.

If you are using the logbook method for 2 or more cars, keep a logbook for each car and make sure they cover the same period.

You can keep an electronic logbook using the myDeductions (/General/Online-services/ATO-app/myDeductions/) tool in the ATO app, or keep a paper logbook.

You must retain your logbook and odometer records for 5 years after the end of the latest income year that you rely on them to support your claim.

Keeping records of car expenses for logbook method

You can claim running costs and decline in value of your car.

You must keep:

- receipts for your fuel and oil expenses, or a record of your reasonable estimate of these expenses based on the odometer readings for the start and end of the period for which you are claiming
- receipts for other expenses for your car – for example, registration, insurance, lease payments, services, tyres, repairs, electricity expenses and interest charges
- a record of the purchase price of the car and how you work out your claim for the decline in value of your car, including the effective life and method you use.

You can't claim capital costs, such as the purchase price of your car, the principal on any money borrowed to buy it, or improvement costs (for example, adding paint protection or tinted windows).

How to calculate your deduction using a logbook

1. Work out the total number of kilometres you travelled during the logbook period.
2. Work out the number of kilometres you travelled for allowable work-related trips during the logbook period.
3. Divide the work-related kilometres (2) by the total kilometres (1), then multiply by 100. This is your work-related use percentage.
4. Add up your total expenses for the period for which you are claiming.

5. Multiply your work-related use percentage (3) by your car expenses (4). This is the amount you claim as a deduction.

Expenses for a vehicle that isn't yours or isn't a car

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Motor-vehicle-and-car-expenses/Expenses-for-a-vehicle-that-isn-t-yours-or-isn-t-a-car/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Motor-vehicle-and-car-expenses/Expenses-for-a-vehicle-that-isn-t-yours-or-isn-t-a-car/)
- Last modified: 26 Apr 2023
- QC 72125

Deductions for work-related use of a vehicle that either does not belong to you or is not a car.

On this page

Claiming a deduction for vehicle expenses

You can claim a deduction for work-related expenses for a vehicle that either:

- does not belong to you (is someone else's car)
- is not a car (such as a truck or motorcycle, whether it belongs to you or someone else).

To claim a deduction:

- The expenses must be for work-related trips (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/trips-you-can-and-can-t-claim/#Tripsbetweenhomeandwork).
  - You can claim for trips between workplaces or to perform your work duties.
  - You can't claim for trips between your home and place of work, except in limited circumstances.

- You must have spent the money yourself and weren't reimbursed.
- You must have a record of your expenses.

If your travel is partly private, you can only claim a deduction for the work-related portion of the expenses you incur.

You claim the tax deduction in your income tax return as a **work-related travel expense**.

If the vehicle is a car and belongs to you, you calculate and claim your deduction in a different way. See Expenses for a car you own or lease (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/motor-vehicle-and-car-expenses/expenses-for-a-car-you-own-or-lease/).

If you receive an allowance (/individuals/income-deductions-offsets-and-records/income-you-must-declare/employment-income/employment-allowances/) from your employer for vehicle expenses, you must include it as assessable income in your tax return. The allowance amount is shown on your income statement or payment summary.

Someone else's vehicle

This means a vehicle owned by your employer or anyone other than you.

You can't claim running costs for a car you use under a salary sacrifice or novated lease arrangement. In this situation the car is usually leased by your employer from a financing company, and your employer typically pays for the running costs and claims deductions. You can claim additional expenses, like parking and tolls associated with your work use of the car.

If you use a car owned by a family member, and you can show there is a private arrangement that made you the owner or lessee of the car (even if you aren't the registered owner), you work out your car expenses as though it is your car (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/motor-vehicle-and-car-expenses/expenses-for-a-car-you-own-or-lease/#Calculatingyourcarexpensedeductionsandke).

A vehicle that isn't a car

Vehicles that are not cars include motorcycles, scooters and similar vehicles, and vehicles with:

- greater than 1 tonne carrying capacity such as trucks, heavy vehicles and some utes
- a carrying capacity of 9 or more passengers (including the driver), such as a minibus.

Calculate deduction for vehicle expenses

To claim a deduction for a vehicle that isn't yours or isn't a car, you:

- work out your actual expenses for your work-related travel in the vehicle
- claim the deduction in your tax return as a work-related **travel** expense (not as a work-related car expense).

You can't use the cents per kilometre method or the logbook method to work out your claim. However, as you can only claim a deduction for the expenses related to your work-related travel, you may wish to keep a document similar to a logbook to calculate your work-related use percentage. While it is not a requirement, it is the easiest way to show how you calculated the expenses related to your work-related travel.

Keeping records of vehicle expenses

You must keep:

- evidence of how you calculated your work-related use of the vehicle
- original receipts for all of your vehicle expenses
- details of how you work out your claim for the decline in value of the vehicle, including the effective life and method you use.

You can use the myDeductions (/General/Online-services/Online-services-for-individuals-and-sole-traders/ATO-app/myDeductions/) tool in the ATO app to keep your vehicle expense records.

Example: actual work-related expenses for a motorcycle

Samid buys a motorcycle that he uses for his work, making local deliveries. He also uses his motorcycle when he's not working. To help work out his work-related use he decides to keep a record, similar to a logbook, that shows his work-related and private trips.

Samid's logbook shows he travelled a total of 3,000 kilometres on his motorcycle for the whole income year. During the 12-week period he kept his record of trips, he travelled 800 kilometres in total, with 600 kilometres being work-related.

Samid calculates his work use percentage as 75% (600 ÷ 800).

Samid keeps receipts for all his expenses. His total expenses for the motorcycle for the income year were:

Fuel and oil	$560
Repair	$400
Registration	$540
Compulsory Third Party insurance	$300
Decline in value	$1,800
Total	**$3,600**

To work out his tax deduction, Samid multiplies his total expense by his work use percentage:

$3,600 × 75% = $2,700

Expenses for parking, tolls, accidents, licence and fines

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Motor-vehicle-and-car-expenses/Expenses-for-parking-tolls-accidents-licence-and-fines/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Motor-vehicle-and-car-expenses/Expenses-for-parking-tolls-accidents-licence-and-fines/)
- Last modified: 26 Apr 2023
- QC 72126

Deductions for parking fees, tolls, accident damage, renewing your licence or paying a fine.

On this page

Parking fees and tolls

You can claim a deduction for parking fees and tolls you incur when you use your car or other vehicle for work-related purposes (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/trips-you-can-and-can-t-claim/#Tripsbetweenhomeandwork).

You can't claim a deduction for parking at or near a regular place of work. You also can't claim a deduction for tolls you incur for trips between your home and work. These are private expenses.

Example: parking on work-related trip

Karlyn is a trainee lawyer. She has to rush some legal documents to the court before it closes for the day. Karlyn drives from the office to the court. She parks directly in front of the court and pays a fee for parking, which her employer does not reimburse.

Karlyn can claim the cost of the car parking as a deduction because her trip from the office to the court is work-related.

Example: tolls and parking on trip from home to work

Carissa works in the city centre. There is no parking for employees in her building, so Carissa pays for car parking nearby.

When Carissa is running late for work she takes a quicker route and incurs a toll.

Carissa can't claim a deduction for the cost of:

- parking near her regular place of work
- the occasional tolls when driving between her home and her regular place of work.

Damage to a third-party motor vehicle

If you use your own motor vehicle in the course of your employment and you're involved in an accident that causes damage to another vehicle, you may be able to claim a deduction for:

- the costs you incur to repair your vehicle
- damages or compensation for the damage to the other vehicle if you are liable.

Generally, you 'incur' an expense when you either pay it or are liable to pay. For more information, see TR 97/7 (/law/view/document?DocID=TXR/TR977/NAT/ATO/00001&PiT=99991231235958) *Income tax: section 8-1 – meaning of 'incurred' – timing of deductions.*

Drivers licence

You can't claim a deduction for the cost to get or renew your drivers licence, even if you must have it as a condition of employment. This is a private expense.

You can claim a deduction for additional costs you incur to get a special licence or condition on your licence to perform your work duties. For example, you can claim the cost you incur to get a heavy vehicle permit.

Example: special licence

Rhonda works on a sugar cane farm. She must operate heavy machinery to carry out her employment duties. To operate some of the machinery she needs a driver's licence and a heavy vehicle permit. Her driver's licence renewal costs her $45 per year and it costs $73 to apply for the heavy vehicle permit.

The $45 to renew her licence is not deductible because it is a private expense. The cost of the heavy vehicle permit ($73) is deductible as it is an additional expense she incurs that directly relates to her employment duties, and is not a private expense.

Fines and penalties

You can't claim a deduction for any fines you get when you travel to work or during work. This includes parking and speeding fines or penalties.

Example: parking fine at work

Warren's employment duties often require him to drive from the office where he works to various building sites.

On a couple of occasions when Warren has been running late, he has parked in a loading zone and received a parking fine.

Warren can't claim a deduction for the parking fines. It doesn't matter that he is working at the time he is issued with the fine.

Taxi, ride-share and public transport expenses

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Taxi-ride-share-and-public-transport-expenses/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Taxi-ride-share-and-public-transport-expenses/)
- Last modified: 26 Apr 2023
- QC 72127

Deductions for work-related transport expenses such as flights, trips by train, bus, taxi or ride-share, and tolls.

On this page

Claiming a deduction for transport expenses

To claim a tax deduction for transport expenses:

- the expenses must be work related (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/trips-you-can-and-can-t-claim/#Tripswhileworkingandbetweenworkplaces)
  - you can claim for trips between workplaces or to perform your work duties
  - you can't claim for trips between your home and place of work, except in limited circumstances (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/trips-you-can-and-can-t-claim/#Whenyoucanclaimtripsbetweenhomeandwork)
- you must have spent the money yourself and weren't reimbursed
- you must have a record of your expenses.

If your travel is partly private, you can only claim a deduction for the work-related portion of the expenses you incur.

You claim the deduction in your income tax return as a work-related travel expense.

Types of transport expenses you can claim

You can claim transport expenses such as:

- train, taxi, boat or bus fares
- ride-share and ride-sourcing
- flights
- short-term hire of a car
- road and bridge tolls and parking fees.

For expenses related to using a car or similar vehicle, see Motor vehicle and car expenses. (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/motor-vehicle-and-car-expenses/)

Keeping records for transport expenses

The records you must keep include:

- an explanation of how the transport was work-related
- travel movements and activities such as
  - where you were
  - what you were doing
  - the start and end times for activities
- records, such as receipts, for the cost of fares for air, bus, train, tram and taxi or ride-share travel, bridge and road tolls, parking and car-hire fees.

If you receive an allowance from your employer to cover transport expenses, you must include it as assessable income in your tax return. The allowance amount is shown on your income statement or payment summary.

Award transport payments

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Award-transport-payments/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Award-transport-payments/)

- Last modified: 26 Apr 2023
- QC 72128

Income you must declare, deductions you can claim and records to keep if you receive an award transport payment.

On this page

What is an award transport payment?

An award transport payment is a payment made to you under an industrial instrument that was in force on 29 October 1986. It may be paid to you by your employer in the form of:

- an allowance to cover transport expenses
- reimbursement for car expenses on a cents per kilometre basis (this is also treated as an allowance).

Award transport payments are made to cover transport costs you may incur in the course of performing your work duties. An allowance isn't an award transport payment if it is paid to cover accommodation, meals or incidental expenses when travelling away from your home overnight for work purposes (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/overnight-travel-expenses/).

Transport expenses may include the cost of driving your car, ride-share and ride-sourcing, flights or catching a train, taxi, boat or bus.

To find out if your transport allowance was paid under an industrial instrument that was in force on 29 October 1986, and the amount that was payable at that date, ask:

- your employer
- your union.

Industrial instruments

An industrial instrument can be any one of the following:

- an award
- an enterprise bargaining agreement or collective agreement
- a Commonwealth, state or territory law
- an order or determination in force under a Commonwealth, state or territory law.

The most common type of industrial instruments that were in force on 29 October 1986 were awards.

An industrial instrument that is a substitution for an earlier version of an industrial instrument is considered a continuation of the earlier instrument. For example, if an industry award was in force on 29 October 1986 and was then updated every few years, the latest version of that award is considered a continuation of the 1986 version.

Income to declare

If you receive an award transport payment you must include it as income in your tax return. You declare the entire payment, even if this is more than the amount that was payable under the award on 29 October 1986.

Exception from keeping written evidence and travel records

Generally, you must keep written evidence to claim a deduction for work-related transport expenses, including a travel diary if you're away for 6 or more consecutive nights.

However, you don't need to keep written evidence or a travel diary if you meet all the following conditions:

- you are paid an award transport payment
- you incur deductible transport expenses that are covered by the award transport payment

- the total of the transport expenses you claim as a deduction is less than the amount payable under the award on 29 October 1986 (the 'award amount'). Your employer or union can tell you the award amount.

This exception doesn't give rise to an automatic deduction. You're still required to incur a deductible expense relating to the transport the payment covers.

If you want to claim a deduction that is more than the award amount on 29 October 1986, you will need written evidence and a travel diary (where necessary) for your whole claim.

Example: award transport payment – exception from keeping written evidence

Terry is paid an award transport payment in the form of an allowance of $2,500 to cover the cost of taxis and other forms of transport when he is travelling away from home overnight for work. His employer has advised him that the amount under the award on 29 October 1986 would have been $1,500. Terry's employer shows the allowance of $2,500 on his income statement.

At the end of the income year, Terry works out that he has incurred travel expenses covered by the award transport payments of $1,450.

Terry must declare the $2,500 award transport payment as income in his tax return. However, he can claim a deduction of $1,450 as work-related travel expenses.

As Terry's deduction is less than the $1,500 award amount, he doesn't have to keep written records such as receipts.

How to claim a deduction

To claim a deduction for transport expenses covered by an award transport payment, your expenses must be incurred in the course of performing your employment duties.

Transport expenses may be for:

- driving your own car, which must be a motor vehicle (excluding a motorcycle or similar vehicle) that carries a load of less than 1 tonne and fewer than 9 passengers (including the driver)
- other forms of transport, including driving a vehicle other than your own car, ride-share and ride-sourcing, flights, or catching a train, taxi, boat or bus.

You claim a deduction for transport expenses as either work-related travel expenses or work-related car expenses. In some circumstances, you claim your deduction as both of these types of expenses.

Claiming for transport expenses within award amount

If you are claiming a deduction for transport expenses (including any car expenses) that is no more than the award amount on 29 October 1986, claim your deduction as **work-related travel expenses** in your tax return.

You don't need to use the cents per kilometre method or logbook method for your car expenses because you don't need to keep written evidence or a travel diary.

Claiming for car expenses that exceed award amount

If you have additional work-related car expenses that are not covered by the award amount, you have 2 options for claiming a deduction for your car expenses:

- claim the part of your expenses covered by the award amount as work-related travel expenses (you don't need to keep records for this part), and Claiming only the remainder as work-related car expenses based on written records
- Claiming all work-related car expenses based on written records.

Claiming only additional car expenses based on written records

If your work-related car expenses are more than your award amount, you can:

- calculate these expenses using the cents per kilometre method or logbook method (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/motor-vehicle-and-car-expenses/expenses-for-a-car-you-own-or-lease/#Calculatingyourcarexpensedeductionsandke)
- keep written evidence for the method you choose
- claim your deduction for these additional work-related car expenses as **work-related car expenses** in your tax return.

For your work-related car expenses deduction, kilometres that are covered by the award transport payment are not counted as work-related kilometres under either the cents per kilometre or logbook methods. However, they are counted as part of the total kilometres travelled for the logbook method.

If you don't know how many work-related kilometres relate to your award transport payment, you can make a reasonable estimate.

If we ask, you must be able to show how you calculated your deduction for work-related travel expenses and that your transport expenses were work-related.

Example: claiming additional car expenses using cents per kilometre method

Carla travels 7,000 kilometres for work during the 2022–23 income year. Of that travel, 3,000 kilometres is covered by an award transport payment.

Carla receives $1,500 for her award transport payment. However, the award amount as at 29 October 1986 is $1,000.

Carla's expenses for the 3,000 kilometres covered by the payment exceed $1,000, but she elects to only claim $1,000 so she doesn't have to keep written records. Carla claims the $1,000 deduction as work-related travel expenses in her tax return.

Carla uses the cents per kilometre method to claim a deduction for the remaining 4,000 kilometres. She claims a deduction for the transport expenses not covered by her award payment as work-related car expenses.

Example: claiming additional car expenses using logbook method

Haneeta travels 9,000 kilometres for work during the 2022–23 income year. Of that travel, 5,000 kilometres is covered by an award transport payment.

She receives $2,500 for her award transport payment. However, the award amount as at 29 October 1986 is $1,500.

Haneeta keeps a logbook and odometer records. Based on her odometer records, she travelled a total of 13,500 kilometres in the 2022–23 income year.

When working out her claim for the year, Haneeta chooses to rely on the exception from keeping written evidence for the transport expenses covered by the award transport payment. As she has made that choice, the travel covered by that payment won't count as work-related kilometres.

When Haneeta calculates her work-related use of her car based on her logbook, she doesn't include the work-related kilometres covered by the award transport payment as work-related kilometres. However, she includes them in her calculation of the total kilometres she travelled during the income year.

Haneeta calculates her work-related percentage use as:

> Total work-related kilometres − work-related kilometres covered by payment
>
> 9,000 kilometres − 5,000 kilometres = 4,000 kilometres
>
> Work-related kilometres not covered by payment ÷ total kilometres
>
> 4,000 kilometres ÷ 13,500 kilometres = 29.63%

In her tax return, Haneeta claims a deduction of $1,500 as work-related travel expenses. She does not have to keep written evidence for this deduction.

Haneeta can also claim a deduction for 29.63% of her total car expenses as work-related car expenses. She must keep her logbook, odometer records and written evidence of all her car expenses to substantiate her deduction.

Claiming all car expenses based on written records

Alternatively, you may choose not to limit any part of your claim for work-related car expenses to the award amount. In other words, you can choose not to rely on the exception from keeping written records and make a claim for all of your work-related car expenses.

If you choose to do this, you:

- must claim your deduction as **work-related car expenses** in your tax return
- can calculate your claim using either the cents per kilometre method or logbook method (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/motor-vehicle-and-car-expenses/expenses-for-a-car-you-own-or-lease/#Calculatingyourcarexpensedeductionsandke)
- can't claim a deduction for car expenses covered by your award transport payment as work-related travel expenses
- include any kilometres travelled for work purposes covered by the award transport payment as work-related kilometres.

If you use the logbook method you must keep a logbook, odometer records and written evidence, such as receipts, for all of your car expenses. If you use the cents per kilometre method, you will need to show how you work out your claim and that the kilometres you claim are work-related.

Example: claiming all car expenses using logbook method

Continuing the previous example, suppose Haneeta chooses not to rely on the exception for keeping written evidence, but instead claims all of her work-related car expenses using the logbook method.

Haneeta will be able to include all of the work-related kilometres she travels during the 2022–23 income year (9,000 kilometres) as work-related kilometres when she is calculating her work-related use percentage.

Haneeta will calculate her work-related use of her car as follows:

Total work-related kilometres ÷ total kilometres

9,000 kilometres ÷ 13,500 kilometres = 66.67%

Haneeta can claim 66.67% of her total car expenses as work-related car expenses in her tax return. She must keep her logbook, odometer records and written evidence for all her car expenses to substantiate her deduction.

Overnight travel expenses and allowances

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Overnight-travel-expenses-and-allowances/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Overnight-travel-expenses-and-allowances/)
- Last modified: 26 Apr 2023
- QC 72129

Work-related travel expenses, records you need to keep, travel allowances and record keeping exceptions.

[Overnight travel expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/overnight-travel-expenses/)](/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/overnight-travel-expenses/)
Deductions for travel expenses you incur when you travel and stay away from home overnight for work.

[Keeping travel expense records (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/keeping-travel-expense-records/)](/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/keeping-travel-expense-records/)
Keeping receipts of your travel expenses, and a travel diary of your work-related travel activities.

[Travel allowances for overnight travel (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/travel-allowances-for-overnight-travel/)](/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/travel-allowances-for-overnight-travel/)
How to declare your travel allowance and claim expenses. Check the reasonable amounts and record keeping exceptions.

[Quarantine and testing expenses when travelling for work (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/quarantine-and-testing-expenses-when-travelling-for-work/)](/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/quarantine-and-testing-expenses-when-travelling-for-work/)
Deductions for expenses you incur if you're travelling for work during COVID-19 and must quarantine.

Overnight travel expenses

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Overnight-travel-expenses-and-allowances/Overnight-travel-expenses/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Overnight-travel-expenses-and-allowances/Overnight-travel-expenses/)
- Last modified: 26 Apr 2023
- QC 72130

Deductions for travel expenses you incur when you travel and stay away from home overnight for work.

On this page

- Eligibility to claim travel
- Travel expenses you can claim
- Travel expenses you can't claim
- Apportioning travel expenses

For a summary of this content in poster format, see Travel expenses (PDF, 705KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Travelexpenses.pdf) .

Eligibility to claim travel

You can claim a deduction for travel expenses (accommodation, meals and incidental expenses) if you travel and stay away from your home overnight in the course of performing your employment duties.

You can't claim travel expenses if you don't stay away from your home overnight.

You are travelling overnight for work in the course of performing your employment duties if:

- there is no change to your regular place of work (the usual or normal place where you start and finish your work duties for your employer)
- you're away from home for short periods of time
- you stay in short-term accommodation such as a hotel.

For example, you would be travelling and staying overnight for work if you need to travel interstate for a number of days to meet with clients.

An employee travelling away from their home overnight for work usually isn't, or can't be, accompanied by family or have family or friends visit them.

You won't be travelling away from home overnight for work if:

- because of your personal circumstances, you live a long way from where you work
- you're living at a location where you are working
- you choose to sleep at or near your workplace rather than returning home.

Expenses you incur in these circumstances are not deductible because you incur them to start earning employment income. They are private expenses.

Example: not away from home overnight

Mal lives in Hobart and works for an engineering firm.

On occasion, Mal flies to Melbourne for meetings with clients. When Mal's work requires him to attend these meetings, he catches an early flight to Melbourne and returns to Hobart on the same day.

Mal's employer pays him an allowance to cover the cost of his food and drink while he is in Melbourne. The allowance amount is shown on his income statement at the end of the income year.

Mal must include the allowance he receives as income in his tax return.

Mal can't claim a deduction for the amount he spends on food and drink when he travels to Melbourne. Mal is not travelling overnight in the course of performing his employment duties and the expenses are private.

Travel expenses you can claim

Travel expenses you can claim include:

- accommodation expenses – for example, the cost of staying in a hotel, motel, serviced apartment, caravan, or a property booked through a digital platform
- meals (food and drink) expenses
- incidental expenses that are minor but necessary expenses associated with your work-related travel – for example, a car parking fee, bus ticket or a charge for using the phone or internet for work-related purposes at your overnight accommodation
- transport expenses to get to and from the location you are travelling to overnight for work – for example, the cost of flights.

If your travel is for both work and private purposes, you can only claim the expenses that are for work purposes. You'll need to apportion your travel expenses.

You generally need to keep records (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/keeping-travel-expense-records/) such as receipts or other written evidence for your travel expenses.

You claim your deduction for these expenses at **Work-related travel expenses** in your tax return.

Example: deductible travel expenses for work-related trip

Beth is an executive in a large banking company. She travels from her regular workplace in Melbourne to Sydney for a 3-day meeting with clients.

Beth pays for her flights between Melbourne and Sydney, her hotel and all of her meals while she is in Sydney. She also incurs some incidental expenses, including taxi fares from her hotel to the offices of her clients. Beth has receipts for all of these expenses and her employer doesn't reimburse her.

Beth's regular place of work remains her workplace in Melbourne, she is in Sydney for a short period of time and she stays in a hotel. Therefore Beth is travelling away from her home overnight in the course of performing her employment duties. She can claim a deduction for the cost of her flights, accommodation, meals and incidental expenses.

In rare circumstances you may be able to claim expenses for accommodation that you rent or buy to stay in when you travel away from home temporarily to perform your work. These expenses:

- must be proportionate to what you would have paid for suitable commercial accommodation for the period of travel
- must be apportioned if the property is also used for private purposes
- cannot be incurred because of a choice you made to maintain your residence in a different location to your place of employment.

Before making a claim for this type of accommodation, check the rules in TR 2021/4 (/law/view/document?DocID=TXR/TR20214/NAT/ATO/00001&PiT=99991231235958#H95) *Income tax and fringe benefits tax: employees: accommodation and food and drink expenses travel allowances, and living-away-from-home allowances*.

Travel expenses you can't claim

You can't claim travel expenses if:

- you don't incur the expenses – for example,
  - you sleep in accommodation your employer provides
  - you eat meals your employer provides
  - your employer or a third party reimburses you for any costs
- due to your personal circumstances, you live a long way from where you work
- you're living at a location where you are working
- you choose to sleep at or near your workplace rather than returning to your home between your work shifts.

If your travel is for both work and private purposes, you can only claim the expenses that are for work purposes. You'll need to apportion your travel expenses.

Example: living a long way from work – travel expenses not deductible

Craig lives in Brisbane with his family. He accepts a job on a long-term project in Sydney. His employment contract indicates that his place of work is the office on the project site in Sydney.

As Craig lives in Brisbane and doesn't need to be physically on site all the time, he has an informal agreement with his employer to work from home whenever he is not required on site. When it is necessary for Craig to be on site, he is generally there for no longer than 2 weeks at a time. As Craig's regular place of work is in Sydney, his employer does not cover the cost of his flights to Sydney or his accommodation, meals and incidental expenses when Craig stays near the site.

Craig can't claim a deduction for the accommodation, meals and incidental expenses he incurs when he travels and stays in Sydney to work at the project site. Craig incurs the expenses as a consequence of his personal circumstances, that is, it is his decision to live in Brisbane and work in Sydney. The expenses are private expenses.

Craig can't claim the cost of his flights between Brisbane and Sydney for the same reasons.

Example: choosing to sleep near workplace – travel expenses not deductible

Max and Doris have retired from full-time work and spend their time travelling around Australia. They use their caravan as accommodation while they are travelling. When Max and Doris need some extra money, they work as fruit pickers for a couple of weeks at a time.

During the income year, Max and Doris spend 42 weeks travelling around Australia and 10 weeks working at different farms.

Max and Doris can't claim a deduction for the decline in value of their caravan or for any amounts they spend on meals, caravan park rental and incidentals during the 10-week period they spent working. The caravan isn't used for a taxable purpose (for the purpose of gaining or producing their assessable income) and the meals, caravan park rental and incidental expenses are private in nature.

Example: reimbursed travel expenses not deductible

Omar is a sales manager. Under the terms of his employment agreement, Omar is based in his employer's Perth office. He is also responsible for the offices in Albany and Broome.

When Omar travels to the Albany and Broome offices for meetings and staff performance appraisals he is away overnight. His employer books and pays for his flights and his accommodation when he travels. Omar uses his employer's credit card to pay for meals and incidental expenses when he travels.

Although Omar is travelling away from his home overnight for work, he can't claim a deduction for his flights, accommodation, meals or incidental expenses. This is because his employer pays for all of these expenses directly.

Living at a location

If you are living at a location where you are working, you can't claim accommodation, meals or incidental expenses for being at that location.

You will generally be living at a location if all the following are true:

- there is a change in your regular place of work
- the overall period you are away from your home is relatively long
- you stay in longer term or settled accommodation, such as a unit or house.

An employee living at a location usually is, or can be, accompanied by family or have family and friends visit them.

Example: living at a location – travel expenses not deductible

Maria works at her employer's office in Adelaide. She lives close to the office with her family. Maria's employer is setting up a new office in Perth and assigns Maria to the Perth office for 6 months to help set it up.

During the period she is in Perth, Maria lives in a 2-bedroom unit close to the new office, which would be big enough to accommodate her family if they travelled to Perth with her. Maria's family remain in the family home in Adelaide rather than join her in Perth.

Maria is living in Perth for the 6-month period rather than travelling to Perth because:

- she is staying away from her home for a relatively long period
- she is staying in longer term accommodation
- her regular place of work has become the Perth office.

The expenses Maria incurs for her accommodation and meals while she is working in Perth are private expenses. They are not deductible.

Even if Maria travelled home each weekend, she would still be living in Perth for the 6-month period.

Apportioning travel expenses

If your expenses are for both work and a private purpose, you can only claim the work-related expenses.

For example, you need to apportion your travel expenses if:

- you add a holiday to the end of work-related travel
- family or friends travel and stay with you when you travel overnight for work
- you attend a work-related activity while you happen to be on holiday.

If the private part of your travel is incidental to your travel away from your home overnight on a work trip, you may not be required to apportion your costs.

Example: travelling with a partner or family member

Juan is an employee accountant in Adelaide. His employer requires him to travel to Melbourne for a week to visit clients and attend a number of meetings in the Melbourne office. Juan's partner and 2 small children go with him so they can have a holiday in Melbourne while Juan is working. To accommodate his family, Juan books a 2-bedroom apartment.

As Juan is travelling overnight for work purposes, he can claim a deduction for the cost of his accommodation and meals. However, Juan can only claim a deduction for the amount the accommodation and meals would cost if he was travelling alone. For example, Juan would incur the cost of a 1-bedroom apartment when travelling alone.

The cost of accommodation and meals for Juan's family while they are on holiday in Melbourne is private. He can't claim that part of the cost as a deduction.

Example: travel to another destination from a work location

Nitin travels from Melbourne to Perth for a 5-day work conference and adds on a return trip to Broome for 2 days for private purposes.

Nitin can claim a deduction for his flights to and from Perth and the accommodation, meals and incidental expenses that he incurs during the 5 days he spends at the work conference in Perth.

Nitin can't claim a deduction for the cost of travelling between Perth and Broome or for any of his accommodation, meals or incidental expenses while he is in Broome. These expenses are private.

Example: combined personal and work-related trip to same destination

Andrea is in the process of booking a holiday to Sydney to see an art exhibit when her employer asks her if she would attend a 3-day work-related conference. The conference coincidently is to be held from the Monday following the holiday Andrea is planning.

Andrea changes her travel arrangements to include the additional time in Sydney. In total, she spends 3 days in Sydney for private purposes, then an additional 3 days at the conference.

Andrea must apportion the cost of her flights for the private part of her trip (50%). Andrea can only claim the accommodation, meals and incidental expenses she incurs while attending the 3-day work-related conference.

Example: personal travel incidental to work-related travel

Norma is an employee architect. She travels to an 8-day work conference in Hawaii on trends in modern architecture. One day of the conference involves a sight-seeing tour of the island, and a game of golf is held on the final afternoon of the conference.

Norma can claim the cost of her flights to Hawaii and her accommodation, meals and incidental expenses as a deduction. The private activities, the island tour and golf game are incidental to the main purpose of her travel, which is the work conference.

Example: attending work-related events during personal travel

Pablo is holidaying in Cairns when he becomes aware of a work-related seminar which runs for half a day. Pablo pays the seminar fee and attends.

Pablo can claim the cost of attending the seminar. Pablo can't claim his airfares to and from Cairns or accommodation and meals while in Cairns, as the primary purpose of the travel is private.

Keeping travel expense records

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Overnight-travel-expenses-and-allowances/Keeping-travel-expense-records/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Overnight-travel-expenses-and-allowances/Keeping-travel-expense-records/)
- Last modified: 26 Apr 2023
- QC 72131

Keeping receipts of your travel expenses, and a travel diary of your work-related travel activities.

On this page

Records you need for travel expenses

Unless an exception applies, you must keep records to support your claims for travel expenses. This may be a combination of:

- Written evidence of your expenses, such as receipts
- Travel diary or similar record of your travel activities.

You need to keep your travel expense records for 5 years from the date you lodge your tax return.

If you don't keep written records of your travel expenses, you can't claim your travel expenses as a deduction.

If you receive a travel allowance from your employer, you may be eligible for the record keeping exception (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/travel-allowances-for-overnight-travel/record-keeping-exceptions-for-travel-allowance-expenses/).

Written evidence of your expenses

Written evidence of your expenses is a receipt or other document (paper, digital or electronic) that you get from the supplier of the goods or services. It must include all of the following:

- name of the supplier
- amount of the expense (in the currency in which you incur the expense)

- nature of the goods or services
  - if this is not shown on the document, you can write the missing details on the document yourself. You must do this before you lodge your tax return
- date you incur the expense
  - if this is not shown on the document, you can use your bank statement, credit card statement or some other reasonable, independent evidence to show when you paid the expense
- date the receipt or document is created.

If you incur the expense in Australia the document must be in English. If you incur the expense in another country the document can be in a language of that country.

Travel diary or record of your activity

A travel diary is a document in which you record your travel activities.

The purpose of a travel diary is to help work out the work-related and private elements of your trip. You can only claim deductions for the work-related part of your expenses.

Do you need to keep a travel diary?

You don't need to keep a travel diary if you are away for fewer than 6 nights in a row.

If you are away for 6 or more nights in a row, you generally need to keep a travel diary.

If you receive a travel allowance from your employer, there are some circumstances where you may not need to keep a travel diary (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/travel-allowances-for-overnight-travel/record-keeping-exceptions-for-travel-allowance-expenses/), even if you are away for 6 or more nights in a row.

Although you don't need to keep a travel diary if your trip is for less than 6 nights in a row, you may still find it helpful to keep details of your travel.

How to keep a travel diary

For each activity on your trip, record:

- where you were
- what you were doing
- when you stopped for meals
- the date, and start and end times, of the activity.

Record the activity before it ends or as soon as possible afterwards. The diary must be in English.

Example: travel diary

Noel is a manager of a tool manufacturing company that has plants in Australia and New Zealand. He travels to New Zealand for 9 days to attend a conference in Auckland and visit the factory in Christchurch.

Before returning to Australia, Noel spends a few days visiting friends and sightseeing near Christchurch.

As Noel will be staying away from his home for more than 6 nights, he keeps the following diary of his travel.

Example travel diary entry

Date	Activity
Mon 7 October	7:10 am flight to Auckland. Arrive 12:15 pm 6:30 pm – 9:30 pm Opening night of conference
Tue 8 October	9:30 am – 4:30 pm Conference

Wed 9 October	9:30 am – 4:30 pm Conference 5:00 pm – 6:30 pm Teleconference with Australia
Thu 10 October	9:30 am – 5:30 pm Conference
Fri 11 October	9:00 am flight to Christchurch, arrive 10:25 am 11:30 am – 6:00 pm Work at Christchurch plant
Sat 12 October	Day off
Sun 13 October	8:30 am – 12:30 pm Management planning session
Mon 14 October	8:00 am – 6:30 pm Work at Christchurch plant
Tue 15 October	8:00 am – 3:00 pm Work at Christchurch
Wed 16 October	Holiday with friends
Thu 17 October	Holiday with friends
Fri 18 October	Holiday with friends 6:05 pm flight to Sydney, arrive 7:25 pm

Noel's diary entries show he was travelling for 12 days, 3 of these days are for a private purposes. He can only claim deductions for the work-related part of his travel. He can claim 75% of the cost of his flights (the part of the trip that was work-related).

Noel keeps his travel records for a period of 5 years from when he lodges his tax return.

Travel allowances for overnight travel

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Overnight-travel-expenses-and-allowances/Travel-allowances-for-overnight-travel/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Overnight-travel-expenses-and-allowances/Travel-allowances-for-overnight-travel/)
- Last modified: 26 Apr 2023
- QC 72132

How to declare your travel allowance and claim expenses. Check the reasonable amounts and record keeping exceptions.

What is a travel allowance? (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/travel-allowances-for-overnight-travel/what-is-a-travel-allowance-/)
Check if the payment you receive from your employer is a proper travel allowance.

Declaring your travel allowance and claiming expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/travel-allowances-for-overnight-travel/declaring-your-travel-allowance-and-claiming-expenses/)
What to do if you receive a travel allowance to cover your travel expenses when travelling for work.

Record keeping exceptions for travel allowance expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/travel-allowances-for-overnight-travel/record-keeping-exceptions-for-travel-allowance-expenses/)
You may not need to keep receipts or a travel diary for travel allowance expense claims within the reasonable amounts.

What is a travel allowance?

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Overnight-travel-expenses-and-allowances/Travel-allowances-for-overnight-travel/What-is-a-travel-allowance-/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Overnight-travel-expenses-and-allowances/Travel-allowances-for-overnight-travel/What-is-a-travel-allowance-/)
- Last modified: 26 Apr 2023
- QC 72133

Check if the payment you receive from your employer is a proper travel allowance.

On this page

About travel allowances and travel allowance expenses

A travel allowance is money your employer pays you to cover the costs you might incur when you travel away from your home overnight to perform your work duties.

We call these costs 'travel allowance expenses'.

Your travel allowance may or may not be shown on your income statement or payment summary.

Definition of a travel allowance

For an allowance to be a travel allowance, it must be:

- reasonably capable of meeting your expected costs
- for travel that involves sleeping away from home overnight
- a payment to cover a specific journey
- payment as an allowance
- paid to cover travel allowance expenses

Expected costs

The travel allowance you receive from your employer must reasonably be expected to cover the costs you will incur while travelling overnight for work. It needs to be more than a token amount.

Example: allowance not expected to cover costs

Josh is a server engineer who is travelling from Melbourne to Hobart for a week in order to oversee some upgrades to that office. He receives an allowance of $5 a day for his meal expenses.

The allowance Josh receives from his employer couldn't reasonably be expected to cover the costs of buying 3 meals per day. This means the allowance isn't a travel allowance.

As Josh is travelling away from his home overnight for work, Josh can claim a deduction for the amount he spends on meals while he is in Hobart. Josh must keep written evidence of all his meal expenses.

Sleeping away from home overnight

The travel allowance must be an amount you receive for travel that involves you sleeping away from your home overnight to perform your employment duties.

You will not be sleeping away from home overnight if you usually work overnight and occasionally have a short sleep partway through your shift. However, if you take your mandatory long or major rest break while you are travelling away from your home to perform your employment duties, you will meet this condition.

Example: not sleeping away overnight

Freya is a management consultant who works in Sydney. Under her work agreement she receives a meal allowance if she works away from the office for the day.

When Freya visits her clients interstate, she flies to the interstate location in the morning and returns home the same evening. In these circumstances, Freya receives a meal allowance from her employer.

As Freya doesn't sleep away from home overnight, the allowance she receives is not a travel allowance and she can't claim a deduction for any meals she buys.

Specific journey

Allowances that don't cover a specific work journey are not travel allowances.

Example: allowance not paid for specific work journeys

Greg is the regional sales manager for a telecommunication company. As part of his employment duties, he needs to travel to all the stores in his region. Often he has to stay away from his home overnight when he travels.

In recognition of his travel, his employer pays him an allowance of $3,000 a year regardless of how much travel he does.

This allowance is not a travel allowance. The amount is not paid to cover specific journeys and would be paid whether or not he does any overnight travel.

Greg can claim a deduction for the cost of his accommodation, meals and incidental expenses when he travels away from home overnight for work purposes, provided he keeps written evidence of his expenses (and a travel diary if he is away for 6 or more nights in a row).

Payment as an allowance

The amount you receive from your employer must be a separate payment you receive as an allowance. The amount can't be rolled into your salary and wages.

Example: allowance rolled into salary and wages

Idris used to be paid a travel allowance under his employment contract, but he gave up the allowance 2 years ago for an increase in his base pay. The increase in his base pay is not a travel allowance.

Idris can claim a deduction for the cost of his accommodation, meals and incidental expenses when he travels away from home overnight for work purposes, provided he keeps written evidence of his expenses (and a travel diary if he is away for 6 or more nights in a row).

Travel allowance expenses

To be a travel allowance, the allowance must be a payment to cover travel allowance expenses.

This means a travel allowance must cover:

- accommodation

- meals (food or drink)
- incidental expenses.

A travel allowance doesn't have to cover all those expenses. The allowance may still be a travel allowance if it is only paid to cover 1–2 of these expenses.

If the allowance you receive covers an expense other than accommodation, food or drink or incidental expenses, it will not be a travel allowance.

Example: allowance paid to cover food or drink

Helen is travelling from Perth to Darwin to facilitate corporate training for 3 days. She receives a travel allowance to cover her meal expenses (food and drink) but nothing for incidental expenses. Her employer pays for her accommodation directly.

The allowance Helen receives to cover her meal expenses is a travel allowance.

Helen can claim a deduction for her meals, and any incidental expenses she incurs, when she travels to Darwin for 3 days, provided she keeps written evidence of her expenses.

Helen can't claim a deduction for the accommodation expenses her employer pays directly as she doesn't incur an expense.

Example: allowance not paid to cover travel allowance expenses

Minsun works as a salesperson and once a month she must go on a week-long sales tour of regional centres.

Minsun uses her personal car for this trip and receives an allowance from her employer to cover the costs of using her own car.

As the allowance she receives doesn't cover travel allowance expenses, it is not a travel allowance.

Declaring your travel allowance and claiming expenses

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Overnight-travel-expenses-and-allowances/Travel-allowances-for-overnight-travel/Declaring-your-travel-allowance-and-claiming-expenses/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Overnight-travel-expenses-and-allowances/Travel-allowances-for-overnight-travel/Declaring-your-travel-allowance-and-claiming-expenses/)
- Last modified: 26 Apr 2023
- QC 72134

What to do if you receive a travel allowance to cover your travel expenses when travelling for work.

On this page

Deductible travel allowance expenses

Receiving a travel allowance from your employer does not automatically entitle you to claim a deduction for travel expenses.

A travel allowance expense is a deductible travel expense (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/overnight-travel-expenses/#Travelexpensesyoucanclaim):

- you incur when you're travelling away from your home overnight to perform your employment duties
- that you receive an allowance to cover
- for accommodation, meals (food or drink), or incidentals.

You incur a travel allowance expense when you either:

- actually pay an amount for an expense
- have an obligation to pay an amount for the expense.

You can't claim a deduction if your employer either pays for or reimburses you for the expense.

If you don't incur any deducible travel allowance expenses, there is no need to consider if a travel allowance record keeping exception applies (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/travel-allowances-for-overnight-travel/record-keeping-exceptions-for-travel-allowance-expenses/).

Example: no deductible travel allowance expenses incurred

Ainsley lives in Melbourne and is the regional manager of a clothing store chain. She must travel to Sydney for 3 days to attend the annual conference of managers.

Ainsley's employer pays for her accommodation in Sydney, but she buys her own meals. When she returns to the office, Ainsley puts in a reimbursement claim for her meals, and her employer reimburses her for these expenses.

As Ainsley doesn't incur accommodation expenses and receives a reimbursement for the meal expenses, she can't claim a deduction for these expenses.

Since Ainsley hasn't received an allowance and she can't claim a deduction for her accommodation and meals, she doesn't need to consider whether she can rely on the travel allowance record keeping exception.

What to do if you receive a travel allowance

If your travel allowance (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/travel-allowances-for-overnight-travel/what-is-a-travel-allowance-/) is shown as an allowance on your annual income statement or payment summary, you:

- must include the allowance as income in your tax return
- can claim a deduction for the amount you spent on deductible travel allowance expenses
- keep detailed travel expenses records (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/keeping-travel-expense-records/)
    - you don't need to keep detailed records (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/travel-allowances-for-overnight-travel/record-keeping-exceptions-for-travel-allowance-expenses/) if your deduction for travel allowance expenses is within the reasonable amounts we specify.

If your travel allowance isn't shown on your annual income statement or payment summary and you spent the whole amount on deductible expenses, you:

- don't include the allowance as income in your tax return
- can't claim any deduction for your travel allowance expenses
- don't need to keep written evidence or travel records.

If you do this, you will not pay any income tax on your travel allowance.

However, if you spent more than your travel allowance on deductible travel allowance expenses, you:

- include the allowance as income in your tax return
- can claim a deduction for your travel allowance expenses

- keep detailed travel expenses records (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/keeping-travel-expense-records/)
  - you don't need to keep detailed records (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/travel-allowances-for-overnight-travel/record-keeping-exceptions-for-travel-allowance-expenses/) if your deduction for travel expenses is within the reasonable amounts we specify.

Example: travel allowance on income statement

William works for a company in Sydney. William's employer requires him to visit clients in country New South Wales once a month. This involves William sleeping away from his home for 3–4 nights.

William's employer pays him an allowance of $150 per night to cover accommodation, meal and incidental expenses, and includes the allowance on his income statement.

As William's employer reports the travel allowance on his income statement, William must include the allowance as income in his tax return. He can claim a deduction for the amount he spends on accommodation, meals and incidental expenses while he is travelling away from his home overnight for work.

Unless he can rely on the travel allowance record keeping exception, William will have to keep receipts or other written evidence for all his accommodation, meals and incidental expenses.

Example: travel allowance not reported on income statement

George's employment duties require him to occasionally travel away from his home overnight. When he travels overnight for work, his employer pays him an allowance of $80 to cover accommodation expenses and reimburses him for the cost of his meals. George's employer doesn't show the allowance on his income statement.

When George travels overnight for work he stays in the same place, which costs him $100 per night.

As the travel allowance isn't on George's income statement and he has spent the entire allowance on deductible travel allowance expenses, he doesn't need to:

- declare the travel allowance as income in his tax return
- keep written evidence of his accommodation expenses.

George also can't claim a deduction for the expenses.

However, as George has spent more than the amount of the allowance on deductible travel allowance expenses, he can include the amount as income in his tax return. He can then claim a deduction for the amount he spent on accommodation. Unless George can rely on the travel allowance record keeping exception, he will have to keep written evidence.

Record keeping exceptions for travel allowance expenses

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Overnight-travel-expenses-and-allowances/Travel-allowances-for-overnight-travel/Record-keeping-exceptions-for-travel-allowance-expenses/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Overnight-travel-expenses-and-allowances/Travel-allowances-for-overnight-travel/Record-keeping-exceptions-for-travel-allowance-expenses/)

- Last modified: 26 Apr 2023
- QC 72135

You may not need to keep receipts or a travel diary for travel allowance expense claims within the reasonable amounts.

On this page

- Eligibility for the record keeping exception
- Reasonable amounts
- Records to keep if the exception applies

Eligibility for the record keeping exception

Generally, to claim a deduction you need to keep detailed records of your travel allowance expenses as evidence for your claims.

However, you may not need to keep detailed records if you receive a travel allowance and your expenses meet certain conditions.

The eligibility conditions depend on the type of travel:

- Domestic travel
- Overseas travel
- Overseas travel for airline crew

Domestic travel

You will be able to rely on the record keeping exception if:

- you receive a travel allowance (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/travel-allowances-for-overnight-travel/what-is-a-travel-allowance-/) from your employer
- you incur deductible travel allowance expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/travel-allowances-for-overnight-travel/declaring-your-travel-allowance-and-claiming-expenses/#Deductibletravelallowanceexpenses)
  - you must incur the expenses and they must be deductible – merely receiving a travel allowance from your employer does not automatically entitle you to claim a deduction
- your travel allowance expenses are within the reasonable amounts.

If you meet these conditions you don't need to keep written evidence of your accommodation, food and drink and incidental expenses, or a travel diary. But you still need records showing that you incurred the expenses on work-related travel. If your deduction for travel allowance expenses exceeds the reasonable amounts, you will need to keep:

- written evidence for your whole claim
- a travel diary if you travel for 6 or more nights in a row.

Example: expenses incurred less than the reasonable amount

Jasha lives in Darwin and travels overnight for work to Adelaide. He receives a travel allowance of $150 to cover his accommodation. His employer includes the allowance on his income statement.

In Adelaide, Jasha stays at a motel that costs him $90 for the night. For a person in Jasha’s circumstances, the reasonable amount for accommodation in Adelaide is $157.

At the end of the income year, Jasha must include the allowance of $150 in his tax return as income. He can also claim a deduction of $90, the amount he incurred on his accommodation.

Jasha can rely on the travel allowance record keeping exception because:

- he incurs deductible travel allowance expenses, that is, accommodation
- he receives a travel allowance from his employer to cover his accommodation expenses
- his deduction ($90) is less than the reasonable amount ($157).

Example: expenses incurred more than reasonable amount

Quin lives in Adelaide and travels to Perth for work for 3 nights. She receives a travel allowance of $180 per night to cover her accommodation costs.

Quin's employer reports the total allowance ($180 × 3 = $540) on her income statement at the end of the income year.

The reasonable amount for accommodation is $180 for a person in Quin's circumstances.

Quin spends a total of $750 ($250 per night × 3 nights) on her accommodation in Perth.

At the end of the income year, Quin must declare her allowance of $540 as income in her tax return.

Quin can claim a deduction for the amount she incurred ($750) if she keeps written evidence of the whole amount she spends.

If Quin wants to keep more limited records, she can claim a deduction for up to the reasonable amount ($540) for her accommodation.

Overseas travel

The exception from keeping written evidence and a travel diary for overseas travel works in the same way as the exception for domestic travel except:

- you must keep written evidence for all your accommodation expenses
- you must keep a travel diary if you are away from your home for 6 or more nights in a row.

Overseas travel for airline crew

If you are an airline crew member on an overseas flight, you can claim a deduction for your travel allowance expenses without keeping a travel diary, if:

- your travel allowance covers your travel as a crew member on an aircraft
- your travel is principally outside Australia
- your deduction for expenses covered by your travel allowance doesn't exceed the allowance you receive.

This exception only applies to keeping a travel diary.

To rely on the exception from keeping written evidence for your food and drink and incidental expenses:

- you must incur deductible travel allowance expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/travel-allowances-for-overnight-travel/declaring-your-travel-allowance-and-claiming-expenses/#Deductibletravelallowanceexpenses)
- you must receive a travel allowance (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/travel-allowances-for-overnight-travel/what-is-a-travel-allowance-/) from your employer
- your deduction for travel allowance expenses must be within the reasonable amounts.

You must keep written evidence for all your accommodation expenses.

Exception for overseas travel by airline crew – claim within reasonable amounts

Travel period (days)	Written evidence	Travel diary

Less than 6 nights in a row	Yes – for accommodation No – for meals and incidentals	No
6 or more nights in a row	Yes – for accommodation No – for meals and incidentals	Yes, except crew members claiming less than their travel allowance

Exception for overseas travel by airline crew – claim exceeds reasonable amounts

Travel period (days)	Written evidence	Travel diary
Less than 6 nights in a row	Yes – for the whole claim	No
6 or more nights in a row	Yes – for the whole claim	Yes, except crew members claiming less than their travel allowance

Example: travel records and written evidence for international airline crew

Orla works for an airline as a captain and flies long-haul international routes to the United States of America. She receives a travel allowance for meals when she stays overnight.

The amount of Orla's allowance is:

- $25 for breakfast
- $56 for lunch
- $67 for dinner.

Orla's regular itinerary is as follows:

- Days 1 and 2: flies from Sydney to Los Angeles on an overnight flight and spends an additional night in Los Angeles to rest
- Days 3 and 4: flies from Los Angeles to New York and stays 2 nights there to rest
- Days 5 and 6: flies from New York to Los Angeles and spends 2 nights there to rest
- Day 7: flies back to Sydney.

All up, Orla is away from home for 6 nights.

While in Los Angeles, Orla spends:

- $22 on breakfast
- $18 on lunch
- $46 on dinner.

While in New York, Orla spends:

- $23 on breakfast
- $25 on lunch
- $40 on dinner.

Even though Orla is away from her home for 6 nights in a row, she doesn't need to keep a travel diary because the amounts she spends on meals is less than the travel allowance her employer pays her.

Her meal expenses are also less than the reasonable amounts for the United States of America, so Orla does not need to keep written evidence for her meal expenses. She can rely on the overseas travel allowance record keeping exception.

However, Orla can only claim the amount she incurs on meals as a deduction, and she still needs to show how she works out the amount of her claim.

Reasonable amounts

To be eligible for the record keeping exceptions, your deduction for travel allowance expenses must be within the 'reasonable amounts'.

We specify the reasonable amounts in TD 2022/10 (/law/view/document?docid=TXD/TD202210/NAT/ATO/00001) *Income tax: what are the reasonable travel and overtime meal allowance expense amounts for the 2022–23 income year?*

For travel allowance expenses we provide daily rates for:

- accommodation
- food and drink – as an amount for each breakfast, lunch and dinner
- other deductible expenses incidental to the travel.

The reasonable amounts vary depending on:

- your annual salary
- the location you travel to for work.

There are also reasonable amounts (/law/view/document?docid=TXD/TD202210/NAT/ATO/00001#H27) specifically for employee truck drivers.

You can't automatically claim the reasonable amounts as a deduction. You can only claim a deduction for the deductible travel allowance expenses that you actually incur.

Accommodation

The reasonable amount for accommodation is a daily rate and only applies to commercial establishments that offer short stays, such as motels, hotels and serviced apartments.

The reasonable amount doesn't apply to other types of accommodation, such as caravan parks or hostels.

There is no record keeping exception for accommodation expenses you incur while travelling overseas for work purposes. If you travel overseas for work you need to keep written evidence for all your accommodation expenses.

Food and drink

For domestic travel, there is a reasonable amount for breakfast, lunch and dinner. You can't combine the amounts for each meal. That is, you must consider each meal separately to work out whether your claim is reasonable.

For overseas travel, the reasonable amount for food and drink (meals) is set as a daily rate. This means the costs you incur for food and drink during each day you are travelling for work only needs to be less than the reasonable daily amount.

The reasonable amount only applies to the period you are travelling for work purposes.

Example: meal-by-meal approach to reasonable amounts

Lei travels interstate for work purposes. His trip begins at 11:00 am on Wednesday and ends at 4:00 pm the next day (Thursday).

Lei receives a travel allowance from his employer to cover his meals for this trip. During the period Lei is travelling for work, it is reasonable to expect that Lei will incur expenses for lunch and dinner on Wednesday and breakfast and lunch on Thursday.

To work out whether he can rely on the travel allowance record keeping exception, Lei has to consider whether the expenses for each meal are less than the reasonable amount.

If the expenses Lei incurs are less than the reasonable amount for each meal, Lei can claim a deduction and rely on the exception for those meals.

If Lei incurs more than the reasonable amount for dinner on Wednesday night but less than the reasonable amount for lunch on the same day, he can't combine the reasonable amount for lunch and dinner when considering the reasonable amount. He must limit his deduction for dinner to the reasonable amount, or claim the full amount on all meals and keep written evidence for them.

Incidental expenses

The reasonable amount for incidental expenses applies to each day you are away. It is not apportioned for part-day travel on the first and last day of the trip.

Example: incidental expenses and the reasonable amounts

Sheena travels from her regular place of work in Sydney to Canberra to meet with clients. She leaves Sydney at 5:00 pm on Monday, stays in Canberra for 2 nights and returns to Sydney at 4:30 pm on Wednesday.

Sheena receives a $10 travel allowance for each day she is away to cover her incidental expenses.

If Sheena incurs deductible incidental expenses while she is travelling for work, she will have to consider if the amount she incurs on each of the 3 days she is travelling for work was less than the reasonable amount.

Although Sheena is only travelling for part of the day on Monday and Wednesday, she can rely on the travel allowance record keeping exception if her incidental expenses for each day is less than the reasonable amount.

The fact that Sheena receives an allowance to cover her incidental expenses does not mean she can automatically claim the reasonable amount as a deduction. She can only claim the amount she actually spends on incidental expenses.

Travel allowance less than or more than reasonable amounts

It doesn't matter if the travel allowance you receive from your employer is the same as, less than or more than the reasonable amounts. It is the amount you claim as a deduction that must be reasonable, rather than the amount of the allowance you receive.

If you incur deductible travel allowance expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/travel-allowances-for-overnight-travel/declaring-your-travel-allowance-and-claiming-expenses/#Deductibletravelallowanceexpenses) and the allowance you receive is a travel allowance, you can claim a deduction up to the reasonable amounts without keeping written evidence or a travel diary, even if:

- your travel allowance is less than the reasonable amounts
- your travel allowance is more than the reasonable amounts.

Example: allowance more than reasonable amount and expenses less than reasonable amount

Kylie travels for a week to work in Darwin. She receives a travel allowance of $250 for each night she is away to cover her accommodation costs. Her employer reports the allowance on her income statement.

For a person in Kylie's circumstances, the reasonable amount for accommodation in Darwin is $220. Kylie spends $190 a night on accommodation while she is in Darwin for work.

As the accommodation expense is less than the reasonable amount, Kylie can rely on the travel allowance record keeping exception.

At the end of the income year, Kylie must declare her allowance of $250 as income in her tax return. She can also claim a deduction for the amount she spent ($190 per night) without keeping written evidence.

Although Kylie can rely on the travel allowance record keeping exception, if her claim is reviewed she will need to be able to show:

- when she travelled overnight for work
- that she spent the money on accommodation.

Records to keep if the exception applies

Even if the record keeping exception applies to you, we may still check your tax return and ask you to show:

- how you spent the money in the course of performing your work duties – for example, in travelling away from home overnight on a work trip
- how you worked out your deduction – for example, a diary showing the times you were away and how many meals you ate and where
- you spent the money yourself and were not reimbursed – for example, credit card statements or other banking records.
- you correctly declared your allowance as income in your tax return.

Example: relying on exception for domestic travel

Zoran works in Melbourne. His employer requires him to travel to the office in Sydney for a week to meet with a number of clients. Zoran leaves early on Monday morning and returns home on Friday evening.

For the 5 days he is in Sydney, Zoran's employer pays him a travel allowance of $1,030. He receives the allowance to cover:

- accommodation of $170 per night × 4 nights = $680
- food and drink of $70 per day × 5 days = $350

Based on his records, Zoran calculates that he spent $700 on his hotel accommodation and $400 on food and drinks over the 5 days. Zoran determines that the amount he incurred each night on accommodation and the amount he incurred on each meal were less than the reasonable amount set by the ATO.

As Zoran is away from home for less than 6 nights in a row, he doesn't have to keep travel records. He isn't required to keep receipts for his accommodation, food and drink expenses for the trip to Sydney because he meets the requirements for relying on the travel allowance record keeping exception for domestic travel.

However, Zoran keeps:

- records that show he was travelling for work
- his credit card statements to show he spent the amount he is claiming as a deduction
- a record to show he declared the $1,030 allowance in his tax return.

Zoran must keep receipts for any incidental expenses he has when in Sydney. As he didn't receive an allowance for incidental expenses, he can't rely on a travel allowance record keeping exception for incidental expenses.

Quarantine and testing expenses when travelling for work

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Overnight-travel-expenses-and-allowances/Quarantine-and-testing-expenses-when-travelling-for-work/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Overnight-travel-expenses-and-allowances/Quarantine-and-testing-expenses-when-travelling-for-work/)
- Last modified: 26 Apr 2023
- QC 72136

Deductions for expenses you incur if you're travelling for work during COVID-19 and must quarantine.

On this page

Eligibility to claim quarantine and testing expenses

If you travel and stay away from your home overnight on a work trip, you can claim expenses you incur for:

- being required to quarantine because of COVID-19
- taking a COVID-19 test, such as a polymerase chain reaction (PCR) test or rapid antigen test (RAT).

Quarantine expenses

If you must quarantine either during or after overnight work-related travel, your quarantine is an extension of that travel. In these circumstances, the quarantine is part of your employment duties and you can claim a deduction for accommodation, meal and incidental expenses you incur while you are quarantining.

If your overnight travel is not work-related, your quarantine expenses are private in nature. You can't claim a deduction for these expenses.

You also can't claim a deduction for quarantine expenses you incur when you either:

- travel to or from a work location and need to quarantine
- need to quarantine for another purpose (for example, returning from a private holiday), even if you worked, or were able to work, from the quarantine location.

If you incur expenses for both work purposes and private purposes, you will need to apportion your expenses. You can only claim the expenses that relate to your work activities.

Example: quarantine after overnight work-related travel

Mai was travelling for work for a sales tour of Victoria for 3 weeks. On her return to Sydney, Mai must quarantine for 2 weeks in a hotel.

As Mai is only travelling for work duties, she can claim a deduction for costs she incurs while in quarantine for her:

- accommodation
- food and drinks
- incidental expenses.

Example: quarantine expenses after holiday travel

Rojesh lives and works in Brisbane. He travels to Sydney for a holiday for 2 weeks.

Sydney was designated a COVID-19 hotspot during his trip. When he returns to Brisbane, he must quarantine for 2 weeks in a hotel and can't return to work. He pays for his accommodation, food and drink expenses during this 2-week period.

While Rojesh is in quarantine he is able to work using his laptop and keep normal business hours. Even though he is working while in quarantine, Rojesh can't claim a deduction for his accommodation, food and drink expenses.

His expenses are private in nature as his travel was not for work purposes.

Example: returning from overseas working holiday

Phillip takes a year of his long service leave to live and work in the United Kingdom. When his leave ends he returns to Adelaide.

When he arrives in Adelaide, he must quarantine in a hotel for 2 weeks. While in quarantine Phillip works for his Australian employer using his laptop.

As Phillip is returning to live in Australia, the expenses he incurs while in quarantine are not a result of travelling for work. Therefore, his quarantine expenses are private in nature and he can't claim a deduction.

For information about records you need, see:

- Keeping travel expense records (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/keeping-travel-expense-records/)
- Record keeping exceptions for travel allowance expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/travel-allowances-for-overnight-travel/record-keeping-exceptions-for-travel-allowance-expenses/).

COVID-19 testing expenses

You may require a COVID-19 test by the destination jurisdiction in order to:

- enter the overseas country or state
- return to Australia or your home state.

Travel expenses include incidental expenses that are minor but necessary expenses associated with your overnight work-related travel. The cost of a COVID-19 test is an incidental expense when the travel is in the course of your employment. In these circumstances, the cost of a COVID-19 test (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/personal-grooming-health-and-fitness/covid-19-test-expenses/) is a deductible expense.

If you do not have to pay for the COVID-19 test or your costs are reimbursed, you can't claim a deduction

If your travel is for both work and private purposes, you may need to apportion your expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/overnight-travel-expenses/#Apportioningtravelexpenses).

Example: travel expenses are deductible

Therese is employed as the state manager of a company that operates clothing stores. Each year, the state managers attend an 8-day overseas trip to Italy to meet with buyers and distributors. Therese decides to attend the meetings.

Before entry into Italy and return to Australia, Therese buys 2 COVID-19 tests as she will need proof of a negative COVID-19 test taken within the last 3 days. Therese has receipts for the expenses.

As the travel is in the course of Therese’s employment, the cost she incurs on the COVID-19 tests is in the course of performing her income-producing activities. Therese is travelling for work and can claim a deduction for the cost of the COVID-19 tests.

Removal and relocation costs

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Removal-and-relocation-costs/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Removal-and-relocation-costs/)
- Last modified: 26 Apr 2023
- QC 72137

You can't claim a deduction for removal or relocation costs.

This is the case even if relocating is a condition of your employment when you take up:

- a transfer in an existing job
- a new job with a different employer.

Removal and relocation expenses never have a sufficient connection to earning your employment income or income producing activities. You incur these expenses to start earning employment income, so they are private or domestic expenses.

If you receive an allowance from your employer to cover some of the costs of relocating, you must declare the allowance as assessable income in your tax return.

Tools, computers and items you use for work

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/)
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- QC 72138

Deductions for tools, computers, internet, stationery, books and other items you use for work.

Tools and equipment to perform your work (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/tools-and-equipment-to-perform-your-work/)
Deductions for tools or instruments you use for work, including the cost of repairs and insurance.

Mobile phone, mobile internet and other devices (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/mobile-phone-mobile-internet-and-other-devices/)
Deductions for mobile phone calls and internet expenses you incur for a work-related purpose, including the device.

Computers, laptops and software (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/computers-laptops-and-software/)
Deductions for computers, laptops and software you use for work, including the cost of repairs.

Home phone and internet expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/home-phone-and-internet-expenses/)
Deductions for home phone, internet and other online services you use for work.

Bags and cases for work items (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/bags-and-cases-for-work-items/)
Deductions for bags, cases, luggage, lunch boxes and travel mugs you use for work.

Stationery and office supplies (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/stationery-and-office-supplies/)
Deductions for stationery and supplies such as pens, printer ink, and paper you use for work.

Office furniture and equipment (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/office-furniture-and-equipment/)
Deductions for equipment or furniture, such as a desk or chair you use for work, including repairs.

Books, periodicals and digital information (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/books-periodicals-and-digital-information/)
Deductions for books, journals, periodicals, digital information, newspapers and magazines you use for work.

Interest and transaction expenses to buy items for work (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/interest-and-transaction-expenses-to-buy-items-for-work/)
Deductions for interest and transaction fee expenses, you incur on items you buy for work.

Depreciating assets you use for work (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/)
As an employee, find out how to claim for your depreciating assets and work out decline in value.

Tools and equipment to perform your work

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Tools-and-equipment-to-perform-your-work/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Tools-and-equipment-to-perform-your-work/)
- Last modified: 26 Apr 2023
- QC 72139

Deductions for tools or instruments you use for work, including the cost of repairs and insurance.

On this page

Eligibility to claim tool and equipment expenses

To claim a deduction for tools and equipment expenses:

- You must use the items to perform your work duties.
- You must work out if you can claim the cost of the item in the income year you buy it or the decline in value over its effective life.
- You must have a record of your expenses and use of the items.

When you use the items for both private and work purposes, you need to apportion your deduction. You can only claim the work-related use of the item as a deduction.

You can also claim a deduction for the work-related portion of:

- costs you incur to repair and insure your tools and equipment
- interest expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/interest-and-transaction-expenses-to-buy-items-for-work/) you incur on money you borrow to buy these items.

What you can't claim

You can't claim a deduction for:

- your use of the tools or equipment for private purposes
- expenses for tools and equipment that someone else supplies for your use.

Types of tools and equipment you can claim

You can claim the cost of tools and equipment that you use for work, such as:

- hand tools – for example, spanners, hammers and screwdrivers

- power tools – for example, grinders, sanders and hammer drills
- calculators
- cameras
- musical instruments
- safety equipment – for example, a hard hat or steel cap boots
- technical instruments
- electric clippers and scissors
- phones and other devices
- computers, laptops and software (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/computers-laptops-and-software/)
- bags and cases (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/bags-and-cases-for-work-items/)
- stationery and office supplies (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/stationery-and-office-supplies/)
- office furniture and equipment (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/office-furniture-and-equipment/).

This is not an exhaustive list of items or equipment you use for work.

How to calculate your tools and equipment deduction

Tools and equipment are generally depreciating assets that decline in value over time. How you work out your deduction will depend on if the item cost:

- $300 or less
- More than $300

You need to apportion your deduction if you use the item for both work and private purposes.

You claim the deduction in your tax return as **other work-related expenses**. For instructions on how to complete your tax return, see Lodgment options for preparing your tax return (/Individuals/Your-tax-return/How-to-lodge-your-tax-return/#Lodgmentoptions).

$300 or less

An immediate deduction is available for items that cost $300 or less, if you use them more than 50% of the time for a work purpose. You must satisfy the conditions of 4 tests (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-300-dollars-or-less/) to claim an immediate deduction.

You can't claim a deduction for the cost of the item if it is part of a set that cost more than $300, or is identical or substantially identical to similar items that together cost more than $300. In this case you claim a deduction for the decline in value (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/) of the items.

Example: tools costing less than $300

Delia is a violinist in an orchestra and requires a new bow for performances. The new bow costs $200. Delia keeps a copy of the receipt, that shows the cost of the bow and where and when she bought it.

Delia only uses this bow for performances with the orchestra.

Delia can claim an immediate deduction for the full cost of the new bow as:

- it cost less than $300
- the bow is required for work-related duties
- the bow is only used for work purposes
- she has records as evidence she incurred the cost.

More than $300

You can claim a deduction for the decline in value (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/) over the effective life (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/#Effectivelifeofadepreciatingasset) of the item, if the item:

- cost more than $300
- forms part of a set that together cost more than $300
- is identical, or substantially identical to, other items that together cost more than $300.

Example: decline in value for a set of tools costing more than $300

Sammy is an employee mechanic and needs a spanner set for working on cars.

Each spanner costs $22 and can be bought individually. There are 16 spanners in the set costing a total of $352.

Sammy buys one spanner each fortnight of the income year starting in August.

As the spanners are part of a set costing more than $300 in total, to claim a deduction, Sammy must work out the decline in value of the set.

Calculating your claim

Work out your claim for the decline in value for a depreciating asset using our Depreciation and capital allowances tool.

Depreciation and capital allowances tool **(/calculators-and-tools/depreciation-and-capital-allowances-tool/)**

You can manually calculate (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/#Methodsforcalculatingdeclineinvalue) the decline in value of a depreciating asset using either the prime cost method or diminishing value method.

Keeping records for tools and equipment

You must keep records to support your claim for work use of tools and equipment, such as:

- receipts for items you buy
- evidence that you need to use the items for work purposes
- a diary or similar record that shows how you work out your percentage of work-related use.

If you are claiming the decline in value of an asset, you also need to keep records that show how you calculated decline in value (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/keeping-records-for-depreciating-assets/).

For more information on general record keeping requirements and formats, see records you need to keep (/individuals/income-deductions-offsets-and-records/records-you-need-to-keep/).

Mobile phone, mobile internet and other devices

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Mobile-phone-mobile-internet-and-other-devices/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Mobile-phone-mobile-internet-and-other-devices/)
- Last modified: 26 Apr 2023
- QC 72140

Deductions for mobile phone calls and internet expenses you incur for a work-related purpose, including the device.

On this page

Eligibility to claim mobile phone calls and mobile internet

To claim a deduction for mobile phone calls and mobile internet (data), you must meet all of the following conditions:

- You must incur the cost and make the phone calls or use the data to perform your work duties.
- You must have a record of your expenses showing how you calculated your work-related phone calls and data.

You can only claim the work-related portion of your expenses as a deduction.

Similar rules exist for home phone and internet expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/home-phone-and-internet-expenses/) for work purposes.

Eligibility to claim mobile phone and other devices

To claim a deduction for a mobile phone (handset or smartphone) or other devices, you must meet all of the following conditions:

- You must incur the cost and use the item to perform your work duties.
- You must work out if you can claim the cost of the item in the income year you buy it or the decline in value over its effective life (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/).
- You must have a record of your expenses and use of the item.

When you use the items for both private and work purposes, you need to apportion your deduction. You can only claim the work-related use of the item as a deduction.

You can also claim a deduction for the work-related portion of costs you incur to insure your device.

You can claim the costs you incur for the device or mobile internet you use to access the myGovID app on your device to access online services (/General/Online-services/Accessing-online-services-with-myGovID-and-RAM/) to do your work. You need to work out the amount you use your smartphone, device or mobile internet for work purposes.

Example: Employee uses existing smartphone – apportioned personal and work use

Eliza works in the payroll department of a large company. Her duties involve calculating the pay for employees and ensuring that her employer meets their superannuation guarantee obligations. In order to carry out these duties, Eliza requires a myGovID to access ATO online services on behalf of her employer.

Eliza bought her smartphone on 1 July 2021 for $1,100. She uses her smartphone for private phone calls and for making and receiving work-related calls.

On 29 February 2022, she uses the smartphone to set up myGovID. Her employer gives her authorisation to access ATO online services through the Relationship Authorisation Manager.

As Eliza has been using her smartphone for both private and work purposes during the income year, she has kept itemised accounts and diary records representing a 4-week period.

Eliza's records prior to using her smartphone to access ATO online services, show that up until 29 February 2022 when she registered for myGovID, she used her smartphone 40% for work purposes.

From 1 March 2022 when she started using her myGovID for work purposes, Eliza found that her use of the smartphone increased to 50% for work purposes. She works this out by looking at the increase in data used from that date.

As Eliza is on a $50 per month bring your own phone plan, she can claim a deduction for 40% of her monthly plan rate from 1 July 2021 to 29 February 2022.

Eliza took 4 weeks leave during this period so she excludes the 4 weeks from her calculation for that period.

Eliza can also claim a deduction for 50% of her monthly plan for the period from 1 March 2022 to 30 June 2022.

Her deduction of $240 for her monthly plan is calculated as follows:

($50 × 7 months) × 40% = $140

($50 × 4 months) × 50% = $100

$140 + $100 = $240

Eliza can also claim a deduction for the decline in value of her phone ($1,100). She decides to use the diminishing value method and calculates the decline in value using the following formula:

Base value × (days held ÷ 365) × (200% ÷ asset's effective life)

$1,100 × (365 ÷ 365) × (200% ÷ 3 years) = $734

($734 × 7 ÷ 12 months) × 40% = $172

($734 × 4 ÷ 12 months) × 50% = $123

$172 + $123 = $295

In her return for the 2021–22 income year, Eliza can claim a total deduction for her phone expenses of $535 ($240 + $295).

Exceptions to eligibility for working from home

Phone and data expenses you incur when working from home may be included in the method you use to work out your deduction for working from home (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/). Where this is the case, you can't claim any other deduction for phone and data expenses.

You will need to meet the eligibility and record keeping requirements of the work from home method you use.

What you can't claim

You can't claim a deduction for:

- your mobile phone and internet use for private purposes – for example,
  - personal phone calls and texts to family and friends
  - seeking employment – as you are not generating employment income from the use of the phone
- installation and set up costs for mobile phones and other devices
- expenses for mobile phone calls or mobile internet where someone else pays the bill or reimburses you
- expenses for the phone or other device where someone else supplies the item for use
- expenses for phone calls or text messages if you're a casual employee and either
  - an employer phones or texts you to ask you to work
  - you phone or text your employer to check on work availability.

Types of mobile phones and devices you can claim

If you meet all the eligibility conditions, you can claim a deduction for the decline in value of the following depreciating assets:

- your mobile phone – for example, smartphone, basic mobile phone or a feature mobile phone
- electronic devices – for example, tablets, personal digital assistants, and portable GPS navigation receivers.

How to calculate your deduction for phone and data use

You can calculate your mobile phone and data use expenses for a work purpose by:

- claiming incidental use ($50 or less), with basic records to show how you calculated your claim – you can claim:
  - $0.75 for work phone calls made from your mobile phone
  - $0.10 for text messages sent from your mobile phone

- keeping records and written evidence to work out actual expenses for work-related use (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/home-phone-and-internet-expenses/#Howtoworkoutyourworkandprivateuse).

However, even if your mobile phone and data expenses are incidental, if you claim a work from home expenses you need specific records depending on the method you use.

How to work out your work and private use

There are many types of phone and data plans available. You will need to work out your work-related percentage of phone calls and data on a reasonable basis. Your options are based on whether your:

- Use is itemised on your bills
- Use is not itemised on your bills

The way you predominantly use your mobile phone is also relevant to how you calculate your work-related use percentage. For example, if you predominantly use it for phone calls, then comparing your work-related phone calls to your total phone calls will be the most relevant way to calculate your work-related use percentage.

If your work and private use of different functions is quite different, you may also need to apportion the cost of the plan between those services.

For more information on how to calculate your work-related use of your mobile phone, see PS LA 2001/6 (/law/view/document?DocID=PSR/PS20016/NAT/ATO/00001&PiT=99991231235958) *Verification approaches for electronic device expenses.*

Use is itemised on your bills

If you have a phone plan with an itemised bill, you need to work out your percentage of work use over a continuous 4-week period (one monthly bill), that you can then apply to the full income year.

You need to work out your work use percentage using a reasonable basis. This could include the:

- number of work phone calls made as a percentage of total phone calls
- amount of time spent on work phone calls as a percentage of your total phone calls
- amount of mobile internet (data) downloads for work purposes as a percentage of your total data downloads
- any additional costs you incur as a result of your work-related use – for example, if your work-related use results in you exceeding your monthly cap.

Example: phone calls are itemised on your bill

Julie has a $65 per month mobile phone plan, which includes unlimited phone calls and text messaging and 80GB of mobile internet. She receives a bill that itemises her phone calls and shows her monthly data use.

Julie only uses her mobile phone internet for work when she is out of the office for client meetings. These meetings are all scheduled in Julie's work calendar.

Julie uses her phone bill for the month of August to work out her work-related use percentage for the entire year of income. On this bill, she identifies the work-related phone calls and private phone calls. Julie uses her work calendar to work out the data downloaded for work purposes.

Based on the number of work-related phone calls and data downloaded, Julie calculates that 20% of her phone calls and mobile internet use is work-related.

She worked for 11 months during the income year, having had one month of leave.

Julie calculates her deduction for mobile phone expenses as:

$20\% \times \$65 \times 11$ months = $143

Julie can claim a deduction of $143 in her tax return.

Use is not itemised on your bills

If you have a phone plan where you don't receive an itemised bill, you must work out your work-related percentage use by:

- keeping a record of all your work-related and private phone calls and the time you spent using the internet for work and private purposes over a continuous 4-week period
- calculating your claim using a reasonable basis – for example, the number of work-related calls as a percentage of total calls.

Example: non-itemised account

Ahmed has a prepaid mobile phone plan that costs him $50 per month.

Ahmed does not receive a monthly bill, so he keeps a record of the time he spends using his phone for work-related phone calls and using the mobile internet for work for a continuous 4-week period.

During this 4-week period, Ahmed spends 25 hours making work phone calls and using his mobile internet for work and he spends 75 hours using his phone for private purposes.

Ahmed worked for 11 months during the income year, having had one month of leave.

Ahmed's work use percentage is 25% (25 work hours $\div$ 100 total hours).

Ahmed calculates his claim for mobile phone and internet use as:25% $\times$ $50 $\times$ 11 months = $138

He claims a deduction of $138 in his tax return.

How to calculate your deduction for a mobile phone or other electronic devices

Mobile phones and other electronic devices are generally depreciating assets that decline in value over time.

How you treat and work out your deduction will depend on if the item cost:

- $300 or less
- More than $300

You need to apportion expenses if you use mobile phone or other electronic device for both work and private purposes.

$300 or less

An immediate deduction is available for items that cost $300 or less, if you use them more than 50% of the time for a work purpose. You must satisfy the conditions of 4 tests (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-300-dollars-or-less/) to claim an immediate deduction.

More than $300

You can claim a deduction for the decline in value (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/) over the effective life (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/#Effectivelifeofadepreciatingasset) of the item, if the item cost more than $300.

Calculating your claim

Work out your claim for the decline in value for a depreciating asset, using our Depreciation and capital allowances tool.

Depreciation and capital allowances tool **(/calculators-and-tools/depreciation-and-capital-allowances-tool/)**

You can manually calculate (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/#Methodsforcalculatingdeclineinvalue) the decline in value of a depreciating asset using either the prime cost method or diminishing value method.

Keeping records for mobile phone, mobile internet and other devices

You must keep records to support your claim for work use of mobile phones, internet and other devices, except where your claim is for incidental expenses ($50 or less).

Records you need to keep may include:

- diary entries, including electronic diary records, to show how you worked out your percentage of work-related use
- bills for mobile phone and mobile internet (data) services
- receipts for phones and devices you buy
- evidence that you need to use the myGovID app to access online services for work purposes.

If you are claiming the decline in value of an asset, you also need to keep records that show how you calculated decline in value (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/keeping-records-for-depreciating-assets/).

For more information on general record keeping requirements and formats, see records you need to keep (/individuals/income-deductions-offsets-and-records/records-you-need-to-keep/).

Computers, laptops and software

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Computers-laptops-and-software/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Computers-laptops-and-software/)
- Last modified: 26 Apr 2023
- QC 72141

Deductions for computers, laptops and software you use for work, including the cost of repairs.

On this page

- Calculating your deduction
- Keeping records for computers, laptops and software

Eligibility to claim computers, laptops and software

Computers and laptops are generally depreciating assets which decline in value over the time you use them.

If when you buy a computer, if it includes software as part of the purchase price, you don't need to break up the costs to calculate the decline in value. However, if you buy additional software, or it is sold separately you may need to calculate its decline in value.

To claim a deduction for computers and laptops and software expenses:

- You must incur the cost and use the item to perform your work duties.
- You must work out if you can claim the cost of the item in the income year you buy it or the decline in value over its effective life.
- You must have a record of your expenses and use of the item.

When you use the items for both private and work purposes, you need to apportion your deduction. You can only claim the work-related use of the item as a deduction.

You can also claim the work-related portion of:

- costs you incur to repair and insure these items
- interest expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/interest-and-transaction-expenses-to-buy-items-for-work/) you incur on money you borrow to buy these items.

What you can't claim

You can't claim:

- your use of computers, laptops or software for private purposes
- expenses for computers or laptops where someone else supplies the item for your use.

Types of devices you can claim

You can claim the cost of a device you buy and use for work, such as a:

- laptop
- desktop computer or personal computer (PC)
- monitor
- printer.

You can also claim the cost of peripherals such as a mouse, keyboard, docking station or cables (if you buy these separately).

Types of computer software and programs you can claim

You can claim the cost of associated computer software or programs that you use for work, such as:

- physical CDs or apps you buy for your device
- subscriptions
- anti-virus and anti-spyware software
- virtual private networks (VPN).

How to calculate your deduction for computers and laptops, and software

How you treat and work out your deduction will depend on if it cost:

- $300 or less
- More than $300

You need to apportion expenses if you use the computer for both work and private purposes.

You claim the deduction in your tax return as **other work-related expenses**. For instructions on how to complete your tax return, see Lodgment options for preparing your tax return (/Individuals/Your-tax-return/How-to-lodge-your-tax-return/#Lodgmentoptions).

$300 or less

An immediate deduction is available for items that cost $300 or less, if you use them more than 50% of the time for a work purpose. You must satisfy the conditions of 4 tests (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-300-dollars-or-less/) to claim an immediate deduction.

More than $300

You can claim a deduction for the decline in value (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/) over the effective life (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/#Effectivelifeofadepreciatingasset) of the item, if the item cost more than $300.

Example: separate decline in value calculation for the cost of software

Mateo works from home 2 days a week. He buys a computer which comes with the operating system already installed ($999). Mateo only uses the computer when working from home.

He also separately buys an annual subscription for antivirus ($149) and software that he needs for his work ($450).

As the cost is more than $300, Mateo can claim a deduction for the decline in value of both:

- the computer and operating system
- the software.

He can also claim an immediate deduction for the anti-virus software as it is under $300 and only used for a work-related purpose.

Calculating your deduction

Work out your claim for the decline in value for a depreciating asset, using our Depreciation and capital allowances tool.

Depreciation and capital allowances tool **(/calculators-and-tools/depreciation-and-capital-allowances-tool/)**

You can manually calculate (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/#Methodsforcalculatingdeclineinvalue) the decline in value of a depreciating asset using either the prime cost method or diminishing value method.

Keeping records for computers, laptops and software

You must keep records to support your claim for work use of computers, laptops and software, such as:

- receipts for items you buy
- evidence that you need to use the item for work purposes
- a diary or similar record that shows how you work out your percentage of work-related use.

If you are claiming the decline in value of an asset over its effective life, you also need to keep records that show how you calculated decline in value (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/keeping-records-for-depreciating-assets/).

For more information on general record keeping requirements and formats, see records you need to keep (/individuals/income-deductions-offsets-and-records/records-you-need-to-keep/).

Home phone and internet expenses

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Home-phone-and-internet-expenses/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Home-phone-and-internet-expenses/)
- Last modified: 26 Apr 2023
- QC 72142

Deductions for home phone, internet and other online services you use for work.

On this page

Eligibility to claim home phone and internet services

You can claim a deduction for the cost of your home phone and internet use that relates to your work.

To claim a deduction for home phone and internet services, you must meet all of the following conditions:

- You must incur the cost and use the service to perform your work duties.
- You must have a record of your expenses and use of the service.

When you use your home phone and internet for both private and work purposes, you need to apportion your deduction. You can only claim the work-related use of as a deduction.

You can claim a deduction for the work-related portion of the cost of internet devices or equipment – for example, a router.

Similar rules exist for mobile phones, mobile internet and other device expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/mobile-phone-mobile-internet-and-other-devices/) for work purposes.

Exceptions to eligibility for working from home

Home phone and internet expenses you incur when working from home (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/) may be included in the method you use to work out your deduction . Where this is the case, you can't claim any other deduction for home phone or internet expenses.

You will need to meet the eligibility and record keeping requirements of the work from home method you use.

What you can't claim

You can't claim:

- your use of the home phone or internet (data) for private purposes, such as
  - personal emails or phone calls to family and friends
  - watching or subscribing to pay television or streaming services (except in limited circumstances)
  - seeking employment – as you are not generating employment income from the use of the home phone or internet
- installation and set up costs for the service
- expenses for home phone or internet services where your employer or someone else supplies it.

In limited circumstances you can claim the costs you incur to access pay television or streaming services. You must show a direct connection to your work and your deduction is limited to the part of the content that directly relates to your work.

How to calculate your deduction for home phone and internet use

You can calculate your deduction for work-related home phone and internet use by:

- claiming incidental use ($50 or less), with basic records to show how you calculated your claim – you can claim $0.25 for work phone calls made from your home phone
- keeping records and written evidence to work out actual expenses for work-related use.

However, even if your home phone and internet expenses are incidental, if you claim a work from home expenses you need specific records depending on the method you use.

How to work out your work and private use

You need to work out your percentage of work use if you use your home phone and internet for work and private purposes. Keep records that show a detailed pattern of use by you and other members of your household.

Home phones generally use the internet to make calls. The cost of phone calls is either:

- covered by an additional monthly amount added to your home internet plan that covers the cost of all phone calls made
- a charge for each phone call you make.

If you use your home phone for work purposes and private purposes and you pay a monthly amount, you will need to apportion the monthly amount. You can apportion this expense in the same way as where your use is not itemised on your bills (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/mobile-phone-mobile-internet-and-other-devices/#Useisnotitemisedonyourbills).

If you are charged for each phone call you make, you will need to keep a record of your work-related calls. You can claim a deduction for the total amount.

A reasonable basis to work out your work-related internet use could include:

- the amount of data you downloads for work as a percentage of the total data downloads by you and all other members of your household
- any additional costs incurred as a result of your work-related use – for example, if your work-related use results in you exceeding your monthly cap
- the time spent using the internet for work purposes as a percentage of the time spent by you for private purposes and by your family for any purpose.

Keeping a diary for a continuous 4-week period is the easiest way to work out your deduction. If you record a continuous 4-week period that represents your work use, you can use it across the rest of the income year to work out your full deduction.

If you don't have a record of a continuous 4-week period, you will need to keep records for the full income year.

If you have a bundled plan that includes other related services, you need to apportion your costs. You can only claim the work-related use of each service.

Example: calculating work use percentage of internet expenses

Sometimes, Sam works from home connecting to his office through a virtual desktop. He keeps a work diary for a continuous 4-week period and compares it to his data usage on his home internet.

Sam calculates his work use percentage on the download amounts. His household uses 240 GB of data in the 4-week period.

Sam calculates that he uses 48 GB while he is working from home. This gives him a work use percentage of 20%, using the formula:

Data used for work ÷ Total data use = Work use percentage

48 ÷ 240 = 20%

Sam's internet costs $60 per month, so the total claim he could make in a month would be calculated using the formula:

Total bill for each month × Work use percentage = Monthly claim

$60 × 20% = $12

As Sam took all of December off, he wouldn't be able to claim a deduction for that month. To calculate his total deduction at the end of the year he uses the formula:

Monthly amount to be claimed × Number of months = Total claim amount

$12 × 11 = $132

Bundled plans

Internet, home phone and other related services are often bundled together in a plan – for example, pay television or streaming services. If you are claiming deductions for work-related use of one or more services, you need to apportion your costs based on your work use for each service.

If other members of your household also use the services, you need to take into account their use in your calculation.

If you have a bundled plan, before calculating your work-related use of each service, you need to identify the cost of each service covered by the plan. Bundled services can be apportioned based on:

- a supplier's breakdown of relative costs of the bundled services
- the relative costs of the bundled services as if they were purchased separately from the same supplier
- information from a comparable supplier.

Once you have identified the cost of each separate service in a bundled plan, you need to identify your work use for each service over a continuous 4-week period during the income year. This will allow you to work out your pattern of work use, that you can then apply to the full income year.

Example: apportioning bundled services

Sujita has a $100 per month home phone and internet bundle.

The bill shows that the monthly cost of Sujita's phone service in her bundle is $40, and her internet service is $60.

Sujita brings in her pay television of $90 per month and receives a $10 per month discount. Her total costs for all services are $180 per month.

Sujita worked for 11 months during the income year, having had one month of leave.

Based on her itemised accounts, Sujita works out that the work-related use of her internet is 20%. Sujita also uses her home phone for work purposes and works out that 10% of her use is for work. Sujita does not use her pay television for work purposes.

As the components are part of a bundle, Sujita calculates her work-related use as follows:

Step 1: work out the value of each bundled component

- Pay television – Sujita does not need to determine the pay television costs as she does not use this service for work purposes.
- Internet $60 per month
- Home phone $40 per month

Step 2: apportion work-related use

- Internet use: 20% work-related use × $60 per month × 11 months = $132
- Home phone use: 10% work-related use × $40 per month × 11 months = $44

Step 3: add all amounts

- $132 home phone use + $44 home internet use = $176

Sujita claims a deduction of $176 in her tax return.

Example: apportioning bundled services

Des has a $90 per month home phone and internet bundle, and unlimited internet use as part of his plan. There is no clear breakdown for the cost of each service.

By keeping a record of the phone calls he makes over a continuous 4-week period, Des works out that 25% of his phone calls are for work purposes.

Des also keeps a record for 4 weeks of the data downloaded. He works out that 30% of the total amount used was for work.

Des worked for 11 months during the income year, having had one month of leave.

As there is no clear breakdown of the cost of each service (phone calls and downloads), it is reasonable for Des to allocate 50% of the total monthly cost to each service.

Step 1: work out the value of each bundled component

- Internet: $45 per month ($90 ÷ 2 services)
- Home phone: $45 per month ($90 ÷ 2 services)

Step 2: apportion work-related use

- Internet: 30% work-related use × $45 per month × 11 months = $149
- Home phone: 25% work related use × $45 per month × 11 months = $124

Step 3: add all amounts

- $149 internet use + $124 home phone use = $273

In his tax return, Des claims a deduction of $273 for the year.

Keeping records for home phone and internet services

You must keep records to support your claim for work use of home phone and internet.

Records you need to keep may include:

- diary entries, including electronic diary records showing your work use
- bills for internet services
- bills for home phone services
- bills for bundled plans.

If you're claiming incidental use ($50 or less), you will need basic records to show how you calculated your claim.

For more information on general record keeping requirements and formats, see records you need to keep (/individuals/income-deductions-offsets-and-records/records-you-need-to-keep/).

Bags and cases for work items

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Bags-and-cases-for-work-items/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Bags-and-cases-for-work-items/)
- Last modified: 26 Apr 2023
- QC 72143

Deductions for bags, cases, luggage, lunch boxes and travel mugs you use for work.

On this page

Eligibility to claim bags, cases and luggage

To claim a deduction for a bag, case or satchel:

- You must incur the cost and use the bag or case to carry items for work.
- You must need to carry the items for work and the bag or case must be suitable for that purpose.
- You must work out if you can claim the cost of the item in the income year you buy it or the decline in value over its effective life.
- You must have a record of your expenses and use of the bag or case.

Items you carry and use for work may include laptops, tablets, work papers, protective equipment or diaries.

Items such as gym gear, food, or a personal phone, tablet or laptop are not items you need to carry and use for work. These are private or domestic items.

When you use the bag or case for both private and work purposes, you need to apportion your deduction. You can only claim the work-related use of the bag or case as a deduction.

What you can't claim

You can't claim a deduction for bags or cases:

- if you mainly use the bag or case for private purposes, such as carrying your lunch or beauty and hygiene products to work
- you use the bag or case for private purposes, such as weekend travel
- that someone else supplies for your use.

Types of bags and cases you can claim

Bags and cases that you use for work may include:

- a briefcase
- a laptop bag
- a satchel
- luggage – for example, suitcases and carry-on bags
- a handbag (in limited circumstances).

Example: luggage for a work trip

Ibrahim works as cabin crew on long-haul international flights. He buys luggage to use exclusively for work for $200.

He can claim an immediate deduction for the luggage in the income year he buys it, as it costs under $300

Example: deduction for a handbag used for work purpose

Elizabeth buys a handbag for $150 to carry her tablet and work diary between appointments with clients. She only uses the handbag to carry the work items and she carries another bag for her personal items. She does not use the handbag that carries her tablet outside of work hours.

Elizabeth can claim a deduction for the cost of the handbag she uses to carry the work items. As the handbag costs less than $300 and is used 100% for work purposes, she can claim an immediate deduction for the full purchase price.

Types of bags and equipment you can't claim

You can't claim a deduction for the cost of items that you use to take your food or drink to work, or use at work, even when travelling overnight. For example, you can't claim for:

- a lunch bag or lunch box
- cooler or esky
- travel mug, thermos or keep cup
- plate, bowl and cutlery.

Example: travel mug

Olivia is a train driver and uses a travel mug while she is driving. Olivia only uses the mug while at work.

Olivia can't claim a deduction for the cost of her travel mug as it's a private expense.

Example: satchel for personal items

Arki buys a messenger satchel for $220 to carry his lunch and snacks, personal medical kit and private grooming items. He also carries a mini tablet for his work.

Arki also uses the satchel outside of work hours for carrying personal items.

Arki's use of the satchel is not mainly for work purposes, therefore he can't claim a deduction for the satchel.

How to calculate your deduction for bags and cases

Bags, cases, luggage and similar are generally depreciating assets which decline in value over time.

How you treat and work out your deduction will depend on if the item cost:

- $300 or less
- More than $300.

You claim the deduction in your tax return as **other work-related expenses**. For instructions on how to complete your tax return, see Lodgment options for preparing your tax return (/Individuals/Your-tax-return/How-to-lodge-your-tax-return/#Lodgmentoptions).

$300 or less

An immediate deduction is available for items that cost $300 or less, if you use them more than 50% of the time for a work purpose. You must satisfy the conditions of 4 tests (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-300-dollars-or-less/) to claim an immediate deduction.

You can't do this if the item is part of a set that cost more than $300, or is identical or substantially identical to similar items that together cost more than $300. In this case you claim for the decline in value (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/) of the assets.

More than $300

You can claim a deduction for the decline in value (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/) over the effective life (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/#Effectivelifeofadepreciatingasset) of the item, if the item:

- cost more than $300
- forms part of a set that together cost more than $300
- is identical or substantially identical to other items that together cost more than $300.

Example: bag for a work laptop

Maria is an account executive employee. Her job requires her to regularly attend meetings with clients. She has to take her work laptop, phone and the client's file with her to the meetings.

Maria frequently works from home and sometimes goes directly to a client meeting before heading into the office. She buys a bag for $565 that she uses to carry her work laptop and phone, chargers and client briefs. She carries her cash and cards, personal phone and other personal items in a smaller clutch bag.

As Maria's bag is suitable to carry all the items that are necessary for her to transport for work, Maria can claim a deduction for the decline in value of the bag over its effective life.

Calculating your deduction

Work out your deduction for the decline in value for a depreciating asset, using our Depreciation and capital allowances tool.

Depreciation and capital allowances tool **(/calculators-and-tools/depreciation-and-capital-allowances-tool/)**

You can manually calculate (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/#Methodsforcalculatingdeclineinvalue) the decline in value of a depreciating asset using either the prime cost method or diminishing value method.

Keeping records for bags and cases

You must keep records to support your deduction for work use of bags and cases, such as:

- receipts for items you buy
- evidence that you need to use the item to carry items for work purposes
- a diary or similar record that shows how you work out your percentage of work-related use.

If you are claiming the decline in value of an asset over its effective life, you also need to keep records that show how you calculated decline in value (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/keeping-records-for-depreciating-assets/).

For more information on general record keeping requirements and formats, see records you need to keep (/individuals/income-deductions-offsets-and-records/records-you-need-to-keep/).

Stationery and office supplies

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Stationery-and-office-supplies/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Stationery-and-office-supplies/)
- Last modified: 26 Apr 2023
- QC 72144

Deductions for stationery and supplies such as pens, printer ink, and paper you use for work.

On this page

Eligibility to claim stationery and office supplies

To claim a deduction for stationery and office supplies:

- You must use them to perform your work duties.
- You must incur the cost of the items.
- You must have a record of your expenses and use of the item.

When you use the stationery and offices supplies for both private and work purposes, you need to apportion your deduction. You can only claim the work-related use of the stationery and offices supplies as a deduction.

Exception to eligibility for working from home

Stationery and office supply expenses you incur when working from home may be included in the method you use to work out your deduction for working from home (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/). Where this is the case, you can't claim any other deduction for stationery and office supply expenses.

You will need to meet the eligibility and record keeping requirements of the work from home method you use.

Types of stationery and office supplies you can claim

You can claim the cost of stationery and office supplies that you use for work, such as:

- a calculator
- printer ink
- paper
- envelopes
- pens
- a diary
- a logbook.

How to calculate your stationery and office supplies deduction

In most circumstances, stationery and office supplies are small expenses, and you can claim an immediate deduction for the cost of the items.

Stationery and office supplies that cost $300 or more (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/), are part of a set or substantially identical are generally depreciating assets which decline in value over time. For example, if you purchase a printer to use at home that cost $300 or more, you can't claim the cost of the printer in the year you buy it. You can claim the printer's decline in value over its effective life.

Calculating your deduction

Work out your deduction for the decline in value for a depreciating asset, using our Depreciation and capital allowances tool.

Depreciation and capital allowances tool **(/calculators-and-tools/depreciation-and-capital-allowances-tool/)**

You can manually calculate (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/#Methodsforcalculatingdeclineinvalue) the decline in value of a depreciating asset using either the prime cost method or diminishing value method.

Keeping records for stationery and office supplies

You don't have to keep a receipt for small expenses:

- that are $10 or less, as long as your total claim for small expenses is $200 or less
- where you are unable to get a receipt from a supplier.

However, you must instead keep other evidence to support your deduction, and your work use of stationery and office supplies, that shows you spent the money and what you spent the money on, such as:

- a bank or credit card statement that shows the amount, and when and to who it was paid
- other documents that outline the nature of the goods or services
- a written record in your work diary outlining the item purchased, its cost, where it was purchased and the day it was purchased.

For more information on general record keeping requirements and formats, see records you need to keep (/individuals/income-deductions-offsets-and-records/records-you-need-to-keep/).

Office furniture and equipment

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Office-furniture-and-equipment/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Office-furniture-and-equipment/)
- Last modified: 26 Apr 2023
- QC 72145

Deductions for equipment or furniture, such as a desk or chair you use for work, including repairs.

On this page

Eligibility to claim office furniture and equipment

To claim a deduction for office furniture and equipment:

- You must use them in connection with performing your work duties.
- You must work out if you can claim the cost of the item in the income year you buy it or the decline in value over its effective life.
- You must have a record of your expenses and use of the item.

When you use the items for both private and work purposes, you need to apportion your deduction. You can only claim the work-related use of the item as a deduction.

You can also claim the work-related portion of:

- costs you incur to repair and insure your office furniture and equipment
- interest expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/interest-and-transaction-expenses-to-buy-items-for-work/) you incur on money you borrow to buy these items.

What you can't claim

You can't claim:

- your use of office furniture and equipment for private purposes
- expenses for office furniture and equipment where someone else supplies the item for your use.

Types of office furniture and equipment you can claim

You can claim office furniture and equipment that you use for work, such as:

- office desk
- office chair
- desk lamp
- bookshelves
- power boards and charging cables.

You may also be able to claim computers, laptops and similar devices (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/computers-laptops-and-software/) you use for work.

How to calculate your office furniture and equipment deduction

Office furniture and equipment are generally depreciating assets which decline in value over time.

How you treat and work out your claim will depend on if the item cost:

- $300 or less
- More than $300

You need to apportion expenses if you use the office furniture and equipment for work and private purposes.

$300 or less

An immediate deduction is available for items that cost $300 or less, if you use them more than 50% of the time for a work purpose. You must satisfy the conditions of 4 tests (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-300-dollars-or-less/) to claim an immediate deduction.

More than $300

You can claim a deduction for the decline in value (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/) over the effective life (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/#Effectivelifeofadepreciatingasset) of the item, if the item cost more than $300.

You claim the deduction in your tax return as **other work-related expenses**. For instructions on how to complete your tax return, see Lodgment options for preparing your tax return (/Individuals/Your-tax-return/How-to-lodge-your-tax-return/#Lodgmentoptions).

Calculating your deduction

Work out your deduction for the decline in value for a depreciating asset, using our online Depreciation and capital allowances tool.

Depreciation and capital allowances tool (/calculators-and-tools/depreciation-and-capital-allowances-tool/)

You can manually calculate (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/#Methodsforcalculatingdeclineinvalue) the decline in value of a depreciating asset using either the prime cost method or diminishing value method.

Keeping records for office furniture and equipment

You must keep records to support your deduction for office furniture and equipment, such as:

- receipts for items you buy
- a diary or other record that shows how you work out your percentage of work-related use.

If you are claiming the decline in value of an asset over its effective life, you also need to keep records that show how you calculated decline in value (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/keeping-records-for-depreciating-assets/).

For more information on general record keeping requirements and formats, see records you need to keep (/individuals/income-deductions-offsets-and-records/records-you-need-to-keep/).

Books, periodicals and digital information

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Books-periodicals-and-digital-information/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Books-periodicals-and-digital-information/)
- Last modified: 26 Apr 2023
- QC 72146

Deductions for books, journals, periodicals, digital information, newspapers and magazines you use for work.

On this page

Eligibility to claim books, periodicals and digital information

To claim a deduction for books, periodicals and digital information:

- You must use them in connection with performing your current work duties.
- You must work out if you can claim the cost of the item in the income year you buy it or the decline in value over its effective life.
- You must have a record of your expenses and use of the item.

When you use the items for both private and work purposes, you need to apportion your deduction. You can only claim the work-related use of the item as a deduction.

What you can't claim

You can't claim a deduction for:

- your use of the books, periodicals and digital information for private purposes
- expenses for books, periodicals and digital information that someone else supplies for your use.

You generally can't claim a deduction for:

- newspapers, news services and other news subscriptions
- magazines.

The cost of newspapers, news services and other news subscriptions are a private expense. If you can show there is sufficient connection between your specific employment duties and the content of the specific publication, you can claim a deduction.

- If your work-related use is incidental to your private use, you can't claim a deduction for the book, digital information service or periodical.

Types of books, periodicals and digital information you can claim

Books and periodicals you use for work may include:

- library subscriptions
- academic journals
- technical journals
- database subscriptions
- reference books and similar.

Digital information services you use for work may include:

- online subscriptions
- electronic material, such as e-books or e-journals – for example, midwifery journals for obstetric nurses
- other digital materials – for example, annotated legislation for lawyers.

How to calculate your deduction for books

Books, such as reference books or a professional library are generally depreciating assets which decline in value over time.

How you treat and work out your claim will depend on if it cost:

- $300 or less
- More than $300.

You need to apportion expenses if you use the books, periodicals and digital information for work and private purposes.

$300 or less

An immediate deduction is available for items that cost $300 or less, if you use them more than 50% of the time for a work purpose. You must satisfy the conditions of 4 tests (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-300-dollars-or-less/) to claim an immediate deduction.

You can't do this if the item is part of a set that cost more than $300, are identical or substantially identical to similar items that together cost more than $300. In this case you claim for the decline in value of the assets.

More than $300

You can claim a deduction for the decline in value (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/) over the effective life (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/#Effectivelifeofadepreciatingasset) of the item, if the item:

- cost more than $300
- forms part of a set that together cost more than $300
- is identical to other items that together cost more than $300.

Example: set of books

Anh works as a lawyer at a suburban firm. She discovers a series of 3 books about conveyancing that would greatly help in her work. The series is marketed as a set, and each volume builds on the knowledge of the previous one. The 3 books are a set.

The 3 books cost $600 together but can be bought separately for $200 each. Anh buys one book each month for 3 consecutive months in the same income year for a total cost of $600.

Although the cost of each book is less than $300, Anh can't claim an immediate deduction for the books, because they are a set and the cost of the set is over $300.

How to calculate your deduction for periodicals

- Periodicals include subscriptions to journals, newspapers, magazines or specific information.
- You can claim a deduction for the cost of work-related periodicals you incur in the income year you buy them.

For more information, see TD 2004/1 (/law/view/document?DocID=TXD/TD20041/NAT/ATO/00001&PiT=99991231235958) *Income tax: are the costs of subscriptions to share market information and services and investment journals deductible under section 8-1 of the ITAA 1997?*

Example: subscription used in connection with performing current work duties

Tania is an employee taxation lawyer in a large company. Tania subscribes to the *Taxation in Australia* journal to keep up to date with tax changes.

Tania can claim a deduction for the cost of subscribing to the journal. The content of the publication is specific to Tania's employment and there is a direct connection between her work duties and on the content of the publication.

Example: subscription used partly in connection with performing current work duties

Judy is a real estate salesperson who subscribes to the local paper to keep abreast of the properties available for sale and the prices of those properties.

The real estate section only appears in the Wednesday and Saturday editions of the local paper.

Judy can claim a work-related portion of the cost of the Wednesday and Saturday newspapers.

Calculating your deduction

Work out your deduction for the decline in value for a depreciating asset, using our Depreciation and capital allowances tool.

Depreciation and capital allowances tool **(/calculators-and-tools/depreciation-and-capital-allowances-tool/)**

You can manually calculate (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/#Methodsforcalculatingdeclineinvalue) the decline in value of a depreciating asset using either the prime cost method or diminishing value method.

Keeping records for books, periodicals and digital information

You must keep records to support your deduction for books, periodicals and digital information, such as:

- receipts for items you buy
- records that show how you work out your percentage of work-related use.

If you are claiming the decline in value of an asset over its effective life, you also need to keep records that show how you calculated decline in value (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/keeping-records-for-depreciating-assets/).

For more information on general record keeping requirements and formats, see records you need to keep (/individuals/income-deductions-offsets-and-records/records-you-need-to-keep/).

Interest and transaction expenses to buy items for work

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Interest-and-transaction-expenses-to-buy-items-for-work/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Interest-and-transaction-expenses-to-buy-items-for-work/)
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- QC 72148

Deductions for interest and transaction fee expenses, you incur on items you buy for work.

On this page

Eligibility to claim interest expenses

To claim a deduction for interest expenses you incur, you must meet all of the following conditions:

- You must loan (borrow) the funds and incur the interest expenses to buy an item or pay for a service you use to perform your work duties.
- You must have a record of your expenses and the use of the loan funds.
- If you use the loan to purchase private items and services as well, you must apportion the interest expenses and only claim the work-related portion.

For further information on the general principles regarding the deductibility of interest expenses, see paragraphs 2 and 3 of TR 95/25 (/law/view/document?DocID=TXR/TR9525/NAT/ATO/00001&PiT=99991231235958) *Income tax: deductions for interest under section 8-1 of the Income Tax Assessment Act 1997 following FC of T v. Roberts: FC of T v. Smith.*

Eligibility to claim transaction fees

- To claim a deduction for a transaction fee you incur, you must meet all of the following conditions:
- you incur the transaction fee
- you use the item or service the transaction fee relates to, to perform your work duties
- you have a record of your expenses and the use of the item of service for work purposes.
- You can only claim a deduction for the portion of the transaction fee that relates to your work-related use of the item or service.

What you can't claim

You can't claim:

- account keeping fees or overdraft fees
- interest and transaction fee expenses that someone else pays for
- interest and transaction fee expenses you incur on items for private purposes.

Interest and transaction fee expenses you can claim

You can claim expenses such as:

- bank fees
- transaction fees
- interest you incur on money you borrow to pay for work-related expenses.

You must be able to show that the expense relates specifically to the item you buy for work and that you incur the cost. You can only claim the interest and transaction fee expenses to the extent that they relate to the work item.

You need to apportion expenses if you use the items you buy for work and private purposes.

Example: transaction fees

Adrienne buys deductible work-related books from an international retailer and is charged an international transaction fee by her bank. Because the books are a work-related expense, Adrienne can also claim the cost of the international transaction fee imposed by her bank.

Calculating your interest deduction

You can calculate your deduction for interest expenses by adding up the amounts for interest shown on your loan statements only if you borrow the funds solely to purchase items or services you use for work-related purposes.

If you borrow funds to buy items or services you use for private purposes and work-related purposes, you must apportion your interest expenses. How you apportion interest expenses depends on:

- the type of loan you have
- when you used the loan to purchase work-related services and items.

For information on how to calculate your deductible interest expenses, see paragraphs 53 to 73 in TR 2000/2 (/law/view/document?DocID=TXR/TR20022/NAT/ATO/00001&PiT=99991231235958) *Income tax: deductibility of interest on moneys drawn down under line of credit facilities and redraw facilities.*

Depreciating assets you use for work

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Depreciating-assets-you-use-for-work/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Depreciating-assets-you-use-for-work/)
- Last modified: 26 Apr 2023
- QC 72149

As an employee, find out how to claim for your depreciating assets and work out decline in value.

On this page

What are depreciating assets?

Depreciating assets are assets that have a limited effective life and can reasonably be expected to lose value over the time they are used. These assets can be used for a long time (normally more than one year).This includes items such as tools, computers or books.

Costs for capital assets are capital expenditure, and you can't claim a deduction for them under normal deduction rules (known as the general deductions provisions).

You may be able to claim a deduction for the decline in value of depreciating assets each year under the capital allowances provisions . You will need to work out the effective life (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/#Effectivelifeofadepreciatingasset) and the cost of the asset.

Jointly held assets

If you have joint ownership of a depreciating asset with someone else, your interest (portion you own) is the amount that is relevant as the cost of the depreciating asset.

Generally, the owner (or owners if the asset is jointly held) of the depreciating asset can claim a deduction for its decline in value.

Cost of depreciating assets

Before you can claim a deduction for a depreciating asset you need to consider the cost of the asset. There are 2 elements to the cost of an asset:

1. The amount you pay for it (the purchase price) at the time you buy it and any other expenses you incur to acquire the asset (such as shipping).
2. Any amounts you pay after you buy the asset, including the costs to:
    1. bring the asset to its present condition – for example, the cost of making an improvement the asset such as attaching a towbar to your car
    2. bring the asset to its present location – for example, the cost of moving an asset to a different location or getting the towbar you are attaching to your car delivered to you.

There are also 2 different treatments for depreciating assets, depending on whether they cost more or less than $300.

An immediate deduction is allowable for certain capital assets costing $300 or less (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-300-dollars-or-less/). You must satisfy the conditions of 4 tests to claim an immediate deduction.

If you're not eligible to claim the immediate deduction for the asset, you may choose to allocate the depreciating asset to a low-value pool where its cost is less than $1000.

If you're not eligible to claim the immediate deduction, you can claim a deduction for the decline in value of a depreciating asset over the effective life where either:

- The assets cost more than $300 (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/).
- The asset forms part of a set (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-300-dollars-or-less/#Test3theassetisnotpartofasetcostingmoret) or are identical or substantially identical (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-300-dollars-or-less/#Test4assetisnotoneofanumberofitemsthatar) items that together cost more than $300.

You can't treat items that are part of a set or identical separately to avoid working out the decline in value.

You need to apportion your claim if you use the item for both work and private purposes. You must also keep records (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/keeping-records-for-depreciating-assets/) to show how you work out your work-related use.

Assets costing $300 or less

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Depreciating-assets-you-use-for-work/Assets-costing-300-dollars-or-less/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Depreciating-assets-you-use-for-work/Assets-costing-300-dollars-or-less/)
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- QC 72150

The 4 tests to claim an immediate deduction for a depreciating asset you use for work that cost $300 or less.

On this page

Test 1 – asset costs $300 or less

To claim the immediate deduction, the cost of the depreciating asset must be $300 or less.

The cost of an asset is generally what you pay for it (the purchase price), and other expenses you incur to buy it – for example, delivery costs.

If you own a depreciating asset jointly with someone else, the portion of the asset you own is used to calculate the cost of the depreciating asset. For example, if you and someone else buy a depreciating asset for $500 and you each own 50% of the asset, the cost of the asset for you will be $250 (50% × $500).

Example: jointly held assets

Yousef and Giovani together buy a laptop for $1,000 to use for work. Yousef contributes $750 to the cost and Giovani contributes $250. They therefore own 75% and 25% of the laptop respectively.

Giovani may be able to claim an immediate deduction because the cost of his interest in the laptop doesn't exceed $300.

Yousef can't claim an immediate deduction as the cost of his interest exceeds $300. Yousef can claim the deduction for the decline in value for his portion of work-related use of the asset.

Where the cost is $300 or less, you can claim a deduction for the full purchase price in the year you buy it. However, if you use the asset for both private and work-related purposes, you must apportion your deduction. You can claim only the work-related portion of the cost.

Test 2 – you use the asset mainly to produce non-business assessable income

You use the asset mainly (more than 50% of the time) for the purpose of producing assessable income that is not income from carrying on a business.

As long as you meet this test, you can use the asset for other purposes (such as private purposes or to carry on a business) and still claim an immediate deduction. However, if you use an asset for private purposes, you must work out the work-related use (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/#Workrelateduse) of the asset and only claim the work-related portion of costs.

Some examples of assets employees use to produce non-business income include:

- a briefcase
- tools of trade
- computer or laptop.

Example: depreciating asset is not used mainly to produce assessable business income

Rob buys a calculator for $150. He uses the calculator 40% of the time in his sole-trader business and 60% of the time for his job as an employee bookkeeper. As the calculator is used more than 50% of the time for producing assessable income in his employee role, Rob can claim an immediate deduction of $150.

If Rob used his calculator 40% of the time for private purposes and 60% of the time for his job, he is still using the calculator more than 50% of the time for producing non-business assessable income. However, his deduction would be reduced by 40% to reflect his private use of the asset.

Test 3 – the asset is not part of a set costing more than $300

To claim the immediate deduction, the asset must not be part of a set of assets you start to hold during the income year where the total cost is more than $300.

Whether items form a set is determined on a case-by-case basis. Items may be regarded as a set if they are either:

- interdependent on each other
- marketed as a set
- designed and intended for use together.

A set needs to have more than one depreciating asset. In some cases, a single depreciating asset may be made up of more than one item.

A group of assets bought in an income year can be a set in themselves. This is even if they also form part of a larger set you buy over more than one income year.

If the assets bought in an income year are a set, the total cost of that set must not exceed $300 to be able to claim an immediate deduction. If the total cost of the set bought in the same income year is more than $300, you can't claim an immediate deduction – see Assets costing more than $300 (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/).

Assets bought in another income year aren't taken into account when working out whether items form a set or the total cost of a set.

Example: set of items

Brenna, a sales manager, hears about a series of 6 progressive learning CDs. The CDs are designed to develop selling skills in stages. You move through to the next CD only when you are familiar with the lessons on the previous CD.

The CDs are marketed as a set and are designed to be used together. The 6 CDs would be regarded as a set. The 6 CDs cost $360 when bought as a set or individually for $60 each. Brenna buys one CD each week for 6 weeks in the same income year at a total cost of $360.

Although the cost of each CD is less than $300, Brenna can't claim an immediate deduction for the CDs because they are a set and the cost of the set is more than $300.

Example: items not forming part of a set

Mary buys some new tools for her work as a carpenter. She buys a shifting spanner, a boxed set of screwdrivers and a hammer for her toolkit.

Each item individually costs less than $300.

While these tools may comprise or add to Mary's toolkit, they're not a set because they are not interdependent or designed to be used together. It would make no difference if Mary bought the items at the same time and from the same supplier or manufacturer.

An immediate deduction is available for all the items, including the screwdrivers.

Even though the screwdrivers are marketed as a set – as the cost is $300 or less she can claim the full cost as an immediate deduction.

Test 4 – asset is not one of a number of items that are identical or substantially identical

To claim the immediate deduction, the asset must not be one of a number of identical, or substantially identical assets, you start to hold during the income year that together costs more than $300.

You need to work out whether the depreciating asset is identical or substantially identical to other depreciating assets you buy in the same income year. You don't take items into account that you acquired in another income year.

Items are identical if they are the same in all respects.

Items are substantially identical if they are the same in most respects even though there may be some minor or incidental differences.

Factors you would consider include colour, shape, function, texture, composition, brand and design.

Example: identical or substantially identical items

Tahir is employed as a cabinet maker and he supplies his own tools for work. He buys 10 clamps to use in holding cabinets together.

Each clamp cost $40 and all came from the same manufacturer.

Each clamp is sold separately and comes in its own packaging. They have a total cost of $400.

Tahir's clamps are all identical as they are all from the same brand and have the same shape, composition and use. Tahir can't claim an immediate deduction.

Tahir must work out the decline in value of the items over the effective life to claim a deduction.

Assets costing more than $300

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/)
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- QC 72151

Find out how to claim a decline in value deduction for a depreciating asset you use for work and cost more than $300.

On this page

Claiming the decline in value of depreciating assets

Assets that have a limited effective life and can reasonably be expected to lose value over the time they are used are depreciating assets (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/#Whataredepreciatingassets).

For depreciating assets that you use while performing your work duties and cost more than $300, you can claim a deduction for the cost over the effective life of the asset. The amount you claim as a deduction over the asset's effective life is called the decline in value.

Alternatively, you may choose to allocate the depreciating asset to a low-value pool where its cost is less than $1000.

For depreciating assets that cost $300 or less, see Assets costing $300 or less. (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-300-dollars-or-less/)

The amount you can claim for the decline in value deduction depends on all of the following:

- Methods for calculating decline in value
- Effective life of a depreciating asset
- Work-related use

Methods for calculating decline in value

You will need to choose either the prime cost method or the diminishing value method to calculate the decline in value.

You can choose whichever method you prefer however, the method you choose may affect how much you can claim as a deduction. Once you have made a choice, you can't change the method in future income years.

If you get the asset from an associate, such as your spouse, you must continue using the same method that they chose to depreciate the asset.

Select one of the following methods to calculate the decline in value of a depreciating asset:

- prime cost method
- diminishing value method.

Prime cost method

The prime cost method assumes that the value of a depreciating asset decreases uniformly over its effective life. Calculate the annual decline in value using the formula:

> Asset's cost × (Days held ÷ 365) × (100% ÷ Asset's effective life)

If you use the depreciating asset for both work and private purposes, you can only claim the percentage of work-related use as the decline in value deduction.

Diminishing value method

The diminishing value method assumes that the value of a depreciating asset decreases faster earlier in its effective life. Calculate the annual decline in value in the income year where the asset's start time occurs using the formula:

> Base value × (Days held ÷ 365) × (200% ÷ Asset's effective life)

If you use the depreciating asset for both work and private purposes, you can only claim the percentage of work-related use as the decline in value deduction.

The base value for the income year in which the asset's start time occurs is the asset's cost.

In future years, the base value is the asset's opening adjustable value for that year, plus any amount for costs to improve the asset, incurred in the year.

Effective life of a depreciating asset

A depreciating asset's effective life is how long it can be expected to be used by any entity for a specified purpose, including the purpose of producing assessable income. An asset begins to decline in value when you first use or install it for any purpose. This is known as the start time.

The effective life involves considering how the asset will be used.

To calculate the decline in value, you can use the effective life:

- we publish annually to calculate the decline in value
- you estimate based on your expected pattern of use of the asset.

For more information on the Commissioner of Taxation's determination of effective life, see TR 2022/1 (/law/view/document?docid=TXR/TR20221/NAT/ATO/00001) *Income tax: effective life of depreciating assets (applicable from 1 July 2022).*

You can recalculate the effective life of an asset if:

- you make an improvement to the asset that increases its cost by 10% or more in the income year
- circumstances arise that result in your initial estimate of the effective life being inaccurate.

Start time of a depreciating asset

The start time of a depreciating asset is when you first use it, or install it ready to use for any purpose, including a private purpose.

Assets begin decline in value from their start time, but you can only claim a deduction for the decline in value when you start using it for work.

If you first buy an asset for private use, then later use it for work, you need to work out the decline in value from when you first started using it for a private purpose, that is, its start time.

You will also need to work out your work-related use of a depreciating asset and show how you work this out.

If you start using a depreciating asset for work after its effective life has ended and it has fully declined in value, you can't claim any deduction in relation to the asset.

Work-related use

You can claim your work-related use of a depreciating asset.

If you use a depreciating asset for both work and private purposes, you must keep records (for example, a diary) to show how you calculate your percentage of work and private use.

If you are keeping a diary, you should:

- keep it for a continuous 4-week period
- fill it in at the time you undertake the activity, not retrospectively
- include sufficient detail to support your calculations

If you record a continuous 4-week period that represents your work-related use of your depreciating assets, you can use it across the rest of the income year to work out your full deduction. However, if your work pattern changes substantially you need to create a new record.

You must reduce your deduction for the decline in value to account for your private use.

Example: work out the decline in value deduction adjusted to remove private use

Julian is an employee gardener. On 1 July 2022, he buys an electric hedge trimmer for $680. Julian also uses the hedge trimmer at home when he is working in his own garden.

Based on his records, he works out that he used the hedge trimmer:

- 20% of the time for private purposes

- 80% of the time for work purposes.

As the hedge trimmer cost more than $300, he must calculate the decline in value.

Julian can only claim a deduction for his work-related use (80%) of the hedge trimmer.

Julian uses the published effective life of 4 years and calculates the decline in value using the prime cost method for the first year as below:

$680 × (365 ÷ 365) × (100% ÷ 4 years) = $170

Julian can claim a deduction of $136 ($170 × 80%).

Calculating your deduction

To help you work out your deduction for the decline in value for a depreciating asset, use our depreciation and capital allowances tool.

Depreciation and capital allowances tool **(/calculators-and-tools/depreciation-and-capital-allowances-tool/)**

Alternatively, you can manually calculate the decline in value using the formula for the method you have chosen.

Keeping records for depreciating assets

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Depreciating-assets-you-use-for-work/Keeping-records-for-depreciating-assets/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Depreciating-assets-you-use-for-work/Keeping-records-for-depreciating-assets/)
- Last modified: 26 Apr 2023
- QC 72152

Which records to keep for depreciating assets so you can claim a deduction and show how you calculate work use.

On this page

How long to keep records

You must keep records for depreciating assets from the time you buy them.

You need to keep these records for 5 years from the date of your last claim for decline in value.

Your records can be in paper or electronic form.

We may ask that you show us your records during the 5 years. It is important that you have sufficient evidence to support your claims.

Types of records you need

For depreciating assets, you must keep records that include:

- when and where you buy the item and its cost
- when you started using the item for a work-related purpose
- how you work out your percentage of work-related use, such as a diary that shows the purpose of and use of the item for work
- one of either
  - a copy of the Commissioner of Taxations determination of effective life (/law/view/document?DocID=TXR/TR20221/NAT/ATO/00001) you use to work out the decline in value of the item
  - how you work out the effective life if you don't use the Commissioners determination
- which method you chose to calculate the decline in value.

Records for percentage of work use

You must keep records that show how you work out your percentage of work-related use, such as a diary.

If you are keeping a diary, you should:

- keep it for a continuous 4-week period
- fill it in at the time you undertake the work activity, not retrospectively
- include sufficient detail to support your calculations.

For more on the format and importance of keeping records, see records you need to keep (/individuals/income-deductions-offsets-and-records/records-you-need-to-keep/).

You can record your expenses or upload a photo of receipts or invoices in the myDeductions tool in the ATO app.

myDeductions tool **(/General/Online-services/Online-services-for-individuals-and-sole-traders/ATO-app/myDeductions/)**

Clothes and items you wear at work

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Clothes-and-items-you-wear-at-work/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Clothes-and-items-you-wear-at-work/)
- Last modified: 26 Apr 2023
- QC 72153

Deductions for clothes, glasses, protective gear and other items you wear at work.

Clothing, laundry and dry-cleaning expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/clothes-and-items-you-wear-at-work/clothing-laundry-and-dry-cleaning-expenses/)
Deductions when you buy, repair or launder occupation-specific or protective clothing, or distinctive uniforms.

Glasses, contact lenses and protective glasses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/clothes-and-items-you-wear-at-work/glasses-contact-lenses-and-protective-glasses/)
Deductions for safety goggles or sunglasses you use to protect your eyes from the risk of illness or injury while working.

Watches and smart watches (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/clothes-and-items-you-wear-at-work/watches-and-smart-watches/)
With few exceptions, you can't claim a deduction for a watch or smart watch.

Protective items, equipment and products (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/clothes-and-items-you-wear-at-work/protective-items-equipment-and-products/)
Deductions for items that protect you from the real and likely risk of illness or injury while working.

Clothing, laundry and dry-cleaning expenses

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Clothes-and-items-you-wear-at-work/Clothing-laundry-and-dry-cleaning-expenses/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Clothes-and-items-you-wear-at-work/Clothing-laundry-and-dry-cleaning-expenses/)
- Last modified: 26 Apr 2023
- QC 72154

Deductions when you buy, repair or launder occupation-specific or protective clothing, or distinctive uniforms.

On this page

For a summary of this content in poster format, see Clothing and laundry (PDF, 845KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Clothingandlaundry.pdf) .

When you can't claim a deduction

You can’t claim a deduction for buying, hiring, repairing or cleaning conventional clothing you buy for work, even if your employer says the clothing is compulsory or you only wear it at work.

'Conventional clothing’ is everyday clothing worn by people regardless of their occupation – for example, black trousers worn by waiters, business attire worn by office workers, or jeans or drill shirts worn by tradespeople.

You also can't claim a deduction if your employer:

- buys, repairs, replaces or cleans your work clothing
- reimburses you for expenses you incur for work clothing.

Occupation-specific clothing

You can claim your costs to buy or clean occupation-specific clothing that distinctly identifies you as a person associated with a particular occupation, such as:

- a chef's chequered pants
- a judge's robe.

You can't claim for clothes you wear for work that are not specific to your occupation, may be worn in multiple professions or are everyday clothes. For example, you can't claim for:

- a bartender's black trousers and white shirt
- a business suit
- a swimming instructor's swimwear.

Example: occupation-specific clothing

Joe is a chef with 2 jobs. When working at a restaurant he wears the traditional chef’s uniform of chequered pants, white jacket and chef’s toque. He also works on a food truck, but just wears jeans and a t-shirt at that job.

Joe can claim his traditional chef’s uniform, but not his food truck clothing. The chef’s clothing is relevant to his profession, but the jeans and t-shirt are conventional clothes.

For more information about clothing you can claim, check our Occupation and industry specific guides (/individuals/income-deductions-offsets-and-records/occupation-and-industry-specific-guides/).

Protective clothing

You can claim a deduction for clothing and footwear you wear to protect you from the real and likely risk of illness or injury from your work activities or your work environment.

There has to be a link between your work-related activities, the risk presented by your work environment and the form and function of the clothing to mitigate that risk.

To be considered protective, the items must have both:

- protective features or functions
- a sufficient degree of protection against the risk of illness and injury you are exposed to in carrying out your work.

Protective clothing includes:

- fire-resistant clothing
- sun-protection clothing with a UPF sun protection rating
- safety-coloured vests
- non-slip nurse's shoes
- protective boots, such as steel-capped boots or rubber boots for concreters
- gloves and heavy-duty shirts and trousers
- occupational heavy duty wet-weather gear
- boiler suits, overalls, smocks or aprons you wear to avoid damaging or soiling your ordinary clothes during your work activities.

You can’t claim a deduction for conventional clothes that don't have features for protection against the risks of illness or injury at your work. For example, you can't claim for jeans, drill shirts, shorts, trousers, socks or everyday enclosed shoes.

Clothing that provides a sufficient degree of protection against the risk of illness or injury includes, but is not limited to, clothing that:

- is made to cope with more rigorous conditions, where conventional clothing would be inadequate
- is designed to protect you – for example heavy duty shirts and trousers, distinct from ordinary cotton drill trousers, shorts and short sleeve shirts that may be considered as work wear but do not adequately protect the wearer from the risk of injury or illness
- has a density of weave which gives a UV rating sufficient to protect you from the sun where your job requires you to work outdoors.

Example: conventional clothing

Bob works on a building site. He wears jeans with T-shirts or long sleeve shirts at work. Bob wears these clothes to work as they are comfortable. Although they are not very durable, they do provide Bob some protection from skin abrasions when handling tools and building materials at the building site.

The jeans and shirts are conventional clothing, so Bob can't claim a deduction for the cost of these items. This is the case even if Bob only wears the items at work.

The cost of the clothing is a private expense because it only provides limited protection from injury and the items are worn mainly for Bob's comfort.

Example: protective clothing

Bert works on a building site and wears heavy denim abrasion-resistant trousers and steel capped boots when working. As the trousers and boots protect Bert from the risk of injury while he is working, he can claim a deduction for the cost of these items.

The expense is not private in nature and there is the necessary connection between the expense and Bert's income-earning activities.

Compulsory work uniform

You can claim the costs you incur to buy and clean a compulsory uniform you wear at work.

A compulsory uniform is a set of clothing that identifies you as an employee of an organisation. Your employer must make it compulsory to wear the uniform through a strictly enforced workplace agreement or policy.

A compulsory uniform must either:

- be distinctive to your particular organisation, so that a casual observer can clearly identify you as working for a particular employer
- identify the products or services provided by your employer.

Shoes, socks and stockings are generally not deductible. In limited circumstances, you can claim a deduction for shoes, socks and stockings if:

- they are an essential part of a distinctive compulsory uniform
- the characteristics (colour, style and type) are an integral and distinctive part of your uniform that your employer specifies in the uniform policy.

You can claim for a single item of clothing, such as a jumper, if it's distinctive and compulsory for you to wear it at work. Clothing is unique and distinctive if it:

- has been designed and made only for the employer
- has the employer's logo permanently attached and is not available to the public.

Conventional or everyday clothing is not a compulsory uniform, even if your employer requires you to wear it, or you pin a name badge to it.

Example: conventional clothes worn with a uniform

Rick works at a supermarket. His employer’s uniform policy requires him to buy and wear a shirt with the supermarket’s logo embroidered on it. If he shows up to work not wearing this shirt he is sent home and issued with a warning.

The uniform policy also includes a requirement to wear black pants and closed black shoes, but doesn’t stipulate any other qualities of those items.

Rick can claim a deduction for the cost of the shirts as they are a compulsory uniform, but he can't claim the cost of the pants or shoes.

Even though his employer requires him to wear a specific colour, they are not distinctive enough to make them part of his uniform and are still conventional clothes.

Non-compulsory work uniform

You can't claim for non-compulsory work uniforms unless your employer has registered the design with AusIndustry. This means the uniform is on the Textile, Clothing and Footwear Corporatewear Register (https://www.business.gov.au/grants-and-programs/textile-clothing-and-footwear-corporatewear-register#eligibility) and you wear the uniform at work.

Shoes, socks and stockings can never form part of a non-compulsory work uniform. Neither can a single item of clothing, such as a jumper.

Example: registered non-compulsory uniform

Lena works in administration for a bus company. The administration staff usually wear a suit in the company colour with the company logo.

It's not compulsory for Lena to wear the suit, however her employer encourages staff members to wear it. Lena's employer has registered the suit as a non-compulsory uniform with AusIndustry.

Lena can claim a deduction for the cost of buying the suit. This is because it is registered with AusIndustry on the Textile, Clothing and Footwear Corporatewear Register.

Laundry, dry-cleaning and repair

You can claim the costs you incur to launder, dry-clean or repair clothing you wear at work, even if the clothing is supplied by your employer, if the clothing is:

- occupation-specific and not conventional
- protective
- a compulsory uniform
- a non-compulsory uniform registered with AusIndustry.

Laundry expenses

You can claim the costs you incur to wash (launder), dry and iron work clothing from one of the categories above.

This includes laundromat expenses.

You can't claim a deduction if your employer launders your clothing or reimburses you.

We consider that a reasonable basis for working out your laundry claim is:

- $1 per load if it only contains work clothing from one of the categories above
- 50c per load if you mix personal items of clothing with work clothing from one of the categories above.

If you receive an allowance from your employer for laundry expenses:

- you can only claim a deduction for the amount you actually spent, not simply the amount of your allowance
- the allowance is assessable income that you must include on your tax return.

Dry-cleaning and repair expenses

You can claim a deduction for the actual costs you incur to dry-clean and repair work clothing from one of the categories above.

Keeping records for clothing, laundry and dry-cleaning

You need to keep receipts to claim a deduction for buying, dry-cleaning or repairing work-related clothing.

Your records need to show:

- the name or business name of the supplier
- the amount you spent
- the nature of the items you paid for
- the date you made the payment
- the date the receipt or other document was produced.

If you don't (or can't) get a receipt, you can provide other forms of evidence for your expenses. This evidence needs to show all of the information described above. Other forms of evidence might include:

- bank statements
- invoices
- purchase orders.

If your total claim for work-related expenses (including laundry expenses but excluding car, travel and overtime meal allowance expenses) is less than $300, you can claim the amount without providing receipts. However, you need to be able to show how you have come up with the total of your claim.

If you claim a deduction for laundering (washing and drying), you must keep details of how you work out your claim.

If your laundry expenses (washing, drying and ironing but **not** dry-cleaning expenses) are $150 or less, you can claim the amount you incur on laundry without providing written evidence of your laundry expenses. This is the case even if your total claim for work-related expenses is more than $300 including your laundry expenses. However, if your total claim for work-related expenses is more than $300, you must have written evidence for your other work-related expenses.

You must have written evidence, such as diary entries and receipts, for your laundry expenses if both:

- your total claim for work-related expenses is more than $300
- your total claim for laundry expenses is more than $150.

You need to be able to show how you came up with the total of your laundry expense claim. This isn't an automatic deduction.

If you choose a different basis to work out your claim, we may ask you to explain that basis.

Example: laundry expenses

Jelani receives a uniform from her employer. She washes, dries and irons her uniforms in a separate load of washing twice a week. Jelani works 48 weeks during the year. Her claim of $96 for laundry expenses is worked out as follows:

Number of claimable laundry loads per week $\times$ Number of weeks $=$ Total number of claimable laundry loads

$2 \times 48 = 96$

Total number of claimable laundry loads $\times$ Reasonable cost per load $=$ Total claim amount

$96 \times \$1 = \$96$

Jelani also claims $250 in union fees for her job, but no other work-related expenses. As her total claim for laundry expenses is under $150 ($96 \times \$1 = \$96$) she does not have to provide written evidence of her laundry expenses.

However, as her total claim for work-related expenses is over $300 ($\$96 + \$250 = \$346$), Jelani will have to keep written records of her other work expenses (that is, her union fees).

Although Jelani is not required to substantiate her claim for laundry, if asked, she will still need to explain how she calculated her claim.

You can use the myDeductions (/General/Online-services/Online-services-for-individuals-and-sole-traders/ATO-app/myDeductions/) tool in the ATO app to record your expenses, or upload a photo of receipts or invoices.

For more information about the format for keeping records and how long to keep them, see Records you need to keep (/individuals/income-deductions-offsets-and-records/records-you-need-to-keep/).

Glasses, contact lenses and protective glasses

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Clothes-and-items-you-wear-at-work/Glasses-contact-lenses-and-protective-glasses/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Clothes-and-items-you-wear-at-work/Glasses-contact-lenses-and-protective-glasses/)
- Last modified: 26 Apr 2023
- QC 72155

You can't claim a deduction for prescription glasses or contact lenses, even if you wear them while working. These are private expenses.

You may be able to claim a deduction for the work-related cost of:

- safety goggles or glasses – if your work requires you to be in an environment that could be harmful to you if you don't take adequate safety precautions
- protective sunglasses – if your work requires you to be outdoors and you're exposed to the risk of eye damage from sunlight.

Protective sunglasses include prescription sunglasses, photochromatic and anti-glare glasses.

To claim a deduction, you must be able to show that wearing them:

- has a direct connection with your work duties
- protects you from the real and likely risk of illness or injury while at work.

You only claim a deduction for the work-related use of the item.

Example: prescription sunglasses and glasses

Sergei works as a landscaper and spends most of his days outdoors in the sun. He gets prescription sunglasses to protect his eyes from the glare. When he is working in his office, he wears his regular prescription glasses.

Sergei can claim a deduction for his prescription sunglasses as they protect him from the risk of illness or injury while performing his work-related activity.

The prescription glasses he wears in the office offer no protection. They are a private expense and he can't claim a deduction for them.

As Sergei wears his prescription sunglasses on his days off, he apportions the cost of his sunglasses to account for his private use.

Watches and smart watches

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Clothes-and-items-you-wear-at-work/Watches-and-smart-watches/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Clothes-and-items-you-wear-at-work/Watches-and-smart-watches/)
- Last modified: 26 Apr 2023
- QC 72156

With few exceptions, you can't claim a deduction for a watch or smart watch.

On this page

Watches

You can't claim a deduction for the cost of buying or maintaining watches or timepieces, even if you require one as part of your job. This is a private expense.

However, you can claim a deduction if your watch has special characteristics that you use for a work-related purpose. For example, a nurse can claim the cost of their fob watch.

Example: specialty watch deductible

Alastair is a nurse. When he started working in a hospital, he bought a nurses' fob watch for $150 that he only wears during work hours. Alastair can't wear a normal wristwatch for hygiene reasons.

Alastair can claim a deduction for the expense.

Smart watches

As with ordinary watches, a smart watch (that connects to a phone or other device to provide notifications, apps and GPS, for example) is a private expense and not deductible under ordinary circumstances.

However, if you require some of the smart watch's functions as an essential part of your employment activities you can claim a deduction for the expenses related to your work-related use of the smart watch.

To show your work-related use of the watch, you need to keep a diary or similar record of your use of the device for a representative period.

Example: smart watch not deductible

Dan is a personal trainer who mainly trains his clients one-on-one. As part of his role, he tracks his clients' progress, including reps and weights used. Dan's employer provides him with a device and a program for recording these details.

The device provided by Dan's employer doesn't allow him to check his messages while he is working so he buys a smart watch. He receives both private and work-related messages through the smart watch.

Dan can't claim a deduction for the smart watch because his employer has provided him with the necessary tools to do his work. The ability to check messages during work with his smart watch is not part of his employment duties.

Expenses you can claim

If you are entitled to claim a deduction for a watch or smart watch:

- you can claim for the cost of buying and maintaining the watch, including repairs, batteries and watchbands
- if the watch cost more than $300, you claim a deduction for its decline in value over its effective life (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/#Effectivelifeofadepreciatingasset)
- you can only claim a deduction for the amount you use the item at work – if you also wear it for private purposes you must apportion your claim.

Example: specialty watch apportioned for private use

Bianca works on the police diving squad. She buys a diving watch that she uses every day for work. She also uses the watch when she goes diving recreationally.

As the watch cost more than $300, she can claim a deduction for the decline in value of the watch. However, Bianca would need to apportion the decline in value amount between her work and private use, and claim only the portion that relates to her work.

Protective items, equipment and products

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Clothes-and-items-you-wear-at-work/Protective-items-equipment-and-products/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Clothes-and-items-you-wear-at-work/Protective-items-equipment-and-products/)
- Last modified: 26 Apr 2023
- QC 72157

Deductions for items that protect you from the real and likely risk of illness or injury while working.

On this page

Personal protective equipment (PPE)

You may be able to claim a deduction for personal protective equipment (PPE) you buy and use at work.

You must incur the expense for the protective items, equipment or products. You can't claim a deduction if your employer:

- pays for the items
- provides the items
- reimburses you for the cost you incur.

To claim a deduction, you must need to use the PPE in direct connection to earning your employment income. This means:

- you are exposed to the risk of illness or injury in the course of carrying out your work duties
- the risk is not remote or negligible
- in the circumstances there would be reason to expect the use of that kind of protective item
- you use the item in the course of carrying out your work duties.

PPE includes items such as:

- hard hats and helmets
- safety glasses or goggles
- earplugs
- gloves
- face masks or face shields
- sanitiser
- anti-bacterial spray.

The PPE you can claim as a deduction will depend on the nature of your employment duties.

Example: deduction allowable for helmet and safety visor

Wiremu works on a building site. He is required to wear a helmet and safety visor on site. If he doesn't wear them, he is at risk of being injured.

There is a direct connection between the expense he incurs to buy the helmet and safety visor and the protection the items provide for him at work.

Wiremu can claim a deduction for the cost of the helmet and safety visor.

Personal protective equipment during COVID-19

During the COVID-19 pandemic, you can claim a deduction for the cost of buying a face mask to wear at work if all the following conditions are met:

- your employment duties require you and other employees to be at your place of work
- a face mask is not provided to you by your employer
- you need to wear a mask because your duties bring you in close contact with clients.

To claim a deduction for other items of PPE such as gloves, sanitiser or anti-bacterial spray, your specific work duties must either:

- require you to have physical contact or be in close proximity to clients or customers while carrying out your duties
- involve you cleaning a premises.

This will usually be people working in the following industries:

- medical industry (such as doctors, nurses, dentists and allied health workers)
- cleaning industry
- airline industry
- hairdressing and beautician industry
- retail, café and restaurant industry.

If you work in these industries or occupations, the risk is not remote or negligible.

To claim a deduction for PPE items, you will need to keep records (/individuals/income-deductions-offsets-and-records/records-you-need-to-keep/), such as a receipt, to prove your claim. You also must not have been reimbursed for the expense.

If your private use of the item is no more than incidental to your protection from the risks you are exposed to while carrying out your work duties, you don't have to apportion the expense. However, if your private use is more than incidental, you can only claim a deduction for the portion of the expense that relates to your work-related use.

Example: no deduction allowable for face masks

Kate is an employee website designer who works from home. As a result of COVID-19, she does not meet her clients face to face.

To break up her day, Kate likes to leave the house to eat her lunch and do some exercise. When she leaves the house, Kate wears a face mask. Although the face mask protects Kate from the risk of COVID-19, she is not performing work duties when she is on her lunch break or exercising.

Kate can't claim a deduction for the face masks she buys. The risk of illness from her work environment (her home) is remote. She only wears a face mask when undertaking private activities.

Sunscreen and sunhats

You can only claim a deduction for the cost of sunscreen and sunhats if:

- your work exposes you to the effects of the sun because you are required to perform your duties for prolonged periods outdoors
- you wear them while you are at work to protect you from that risk.

You need to apportion your expenses for sunscreen and sunhats if you use them for work and private purposes.

If a product is safe and effective as a sunscreen, it is given an Australian Register of Therapeutic Goods identification (ARTG ID) number by the Therapeutic Goods Administration. This is displayed on the product as an AUST L number.

Any product with an ARTG ID and an AUST L number on the label will be accepted as sunscreen. The AUST L number is different to the SPF number.

To find out whether a product has been given an ARTG ID, visit the Therapeutic Goods Administration (https://www.tga.gov.au/) website.

You can't claim a deduction for a cosmetic with added sunblock protection (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/personal-grooming-health-and-fitness/personal-appearance-and-grooming/) unless it has an AUST L number.

Example: sun protection

Jackie, a teacher, is required to attend a weekly school sports afternoon held outdoors. She buys a bottle of high-protection sunscreen, sunhat and sunglasses to wear at the sports afternoons. She doesn't wear that sunscreen at any other time.

Jackie can claim a deduction for the cost of the sunscreen, sunglasses and sunhat. If Jackie uses the sunglasses and sunhat for private purposes as well, she will have to apportion her deduction for those items.

Protective glasses and clothing

You can claim a deduction for protective clothing (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/clothes-and-items-you-wear-at-work/clothing-laundry-and-dry-cleaning-expenses/#Protectiveclothing) or protective glasses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/clothes-and-items-you-wear-at-work/glasses-contact-lenses-and-protective-glasses/) that:

- protect you from the real and likely risk of illness or injury at work
- directly provide a degree of protection against that risk.

Working from home expenses

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Working-from-home-expenses/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Working-from-home-expenses/)
- Last modified: 26 Apr 2023
- QC 72158

Deductions for expenses you incur to work from home such as stationery, energy and office equipment.

On this page

Eligibility to claim

To claim working from home expenses, you must:

- be working from home to fulfil your employment duties, not just carrying out minimal tasks, such as occasionally checking emails or taking calls
- incur additional running expenses as a result of working from home
- have records that show you incur these expenses.

To calculate your deduction for working from home expenses, you must use one of the methods set out below.

Where you incur running expenses for both private and work purposes, you need to apportion your deduction. You can only claim the work-related portion as a deduction.

Additional running expenses

Running expenses relate to the use of facilities within your home. These expenses are generally considered private and domestic expenses. You can claim a deduction for additional running expenses you incur as a direct result of working from home.

Additional running expenses may include:

- electricity or gas (energy expenses) for heating or cooling and lighting
- home and mobile internet or data expenses
- mobile and home phone expenses
- stationery and office supplies

- the decline in value of depreciating assets you use for work – for example
  - office furniture such as chairs and desks
  - equipment such as computers, laptops and software
- the repairs and maintenance to depreciating assets.

In limited circumstances where you have a dedicated home office, you may also be able to claim:

- occupancy expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/occupancy-expenses/) (such as mortgage interest or rent)
- cleaning expenses.

If your employer pays you an allowance to cover your working from home expenses, you must include it as income in your tax return.

If you're a sole trader or business owner and your home is your principal place of business, see Deductions for home-based business expenses (/Business/Income-and-deductions-for-business/Deductions/Deductions-for-home-based-business-expenses/).

Choosing a method to calculate your claim

From 1 July 2022 there are 2 methods available to calculate your claim:

- Revised fixed rate method (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/fixed-rate-method---67-cents/)
  - an amount per work hour for additional running expenses
  - separate amount for expenses not covered by the revised fixed rate, such as the decline in value of depreciating assets
  - you no longer need a dedicated home office.
- Actual cost method (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/actual-cost-method/)
  - the actual expenses you incur as a result of working from home.

You must keep records to show you incur expenses as a result of working from home. The type of records you need to keep will depend on the method you choose to calculate your expenses.

For a summary of this information in PDF format, see Working from home deduction (PDF, 777 KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Workingfromhomededuction.pdf) .

Prior year work from home methods

To work out your deduction for working from home expenses in prior income years, use the table below for the methods available.

Availability of work from home expenses methods

Method	Availability	Rate
Actual cost (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/actual-cost-method/)	Always available	Calculate actual costs
Fixed rate method (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/fixed-rate-method---52-cents/)	1 July 2018 to 30 June 2019 1 July 2019 to 30 June 2020 1 July 2020 to 30 June 2021 1 July 2021 to 30 June 2022	52 cents per work hour

Shortcut method (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/shortcut-method/)	1 March 2020 to 30 June 2020 1 July 2020 to 30 June 2021 1 July 2021 to 30 June 2022	80 cents per work hour

For the work from home fixed rates before 2018–19, see PS LA 2001/6 (/law/view/document?DocID=PSR/PS20016/NAT/ATO/00001&PiT=99991231235958) *Verification approaches for home office running expenses and electronic device expenses*

Expenses you can't claim

You can't claim a deduction for:

- coffee, tea, milk and other general household items, even if your employer may provide these at work
- costs that relate to your children's education, such as equipment you buy – for example, iPads and desks, subscriptions for online learning
- items your employer provides – for example, a laptop or a mobile phone
- expenses where your employer reimburses you for the cost.

Fixed rate method - 67 cents

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Working-from-home-expenses/Fixed-rate-method---67-cents/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Working-from-home-expenses/Fixed-rate-method---67-cents/)
- Last modified: 02 Jun 2023
- QC 72159

Check your eligibility to calculate your working from home expenses using the fixed rate method – 67c per hour.

On this page

Changes to the fixed rate method

The fixed rate method for calculating your deduction for working from home expenses has been revised. This revised method is available from 1 July 2022.

The fixed rate method has been revised to:

- increase the rate per work hour that you can claim when you work from home
- change the expenses the rate covers
- change the records you need to keep
- remove the requirement to have a home office set aside for work.

If you don't use the revised fixed rate method, you need to use the actual costs method to claim a deduction for the additional expenses you incur as a result of working from home.

If you are working out your claim for working from home expenses for 2021–22 or earlier income years, see Prior year work from home methods (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/#Prioryearworkfromhomemethods).

Media: Working from home deductions
https://tv.ato.gov.au/ato-tv/media?v=bd1bdiudscnt7b (https://tv.ato.gov.au/ato-tv/media?v=bd1bdiudscnt7b) (**Duration:** 01:23)

Eligibility to claim

To use the revised fixed rate method, you must:

- incur additional running expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/#Additionalrunningexpenses) as a result of working from home
- have a record of the total number of hours you work from home and the expenses you incur while working at home
- have records for expenses the fixed rate per work hour doesn't cover and that show the work-related portion of those expenses.

How it works

You can claim 67 c for each hour you work from home during the relevant income year. The rate includes the additional running expenses you incur for:

- home and mobile internet or data expenses
- mobile and home phone usage expenses
- electricity and gas (energy expenses) for heating, cooling and lighting
- stationery and computer consumables, such as printer ink and paper.

The rate per work hour (67c) includes the total deductible expenses for the above additional running expenses. If you're using this method, you can't claim an additional separate deduction for these expenses.

How to claim expenses the fixed rate doesn't include

You can separately claim a deduction for the work-related use of technology and office furniture such as chairs, desks, computers, bookshelves. These are generally depreciating assets that decline in value over time. You can also claim the repairs and maintenance of these items.

If the item cost $300 or less and you use it mainly for a work-related purpose, you can claim an immediate deduction for the cost in the year you buy it. This may include items, such as keyboards, computer mouses, power boards, desk lamps and chargers.

You can claim a deduction for the decline in value of depreciating assets (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/) over the effective life of the item, if it either:

- cost more than $300
- forms part of a set that together cost more than $300.

You may choose to work out the decline in value of low-cost assets and low-value assets with a cost or opening adjustable value of less than $1,000 through a low-value pool (/Forms/Guide-to-depreciating-assets-2022/?page=11#Low_value_pools). You calculate decline in value of depreciating assets in a low-value pool using a diminishing value rate.

Where you use your depreciating assets for both work and private purposes, you need to apportion your decline in value deduction. You can only claim the work-related portion as a deduction.

In limited circumstances where you have a dedicated home office, you may also be able to claim:

- occupancy expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/occupancy-expenses/) (such as mortgage interest or rent)
- cleaning expenses (such as the cost of cleaning that relates to the work-related use of a room in your house set up as a home office).

For more information about the deductions allowable for 'home office' expenses, see PCG 2023/1 (/law/view/document?DocID=COG/PCG20231/NAT/ATO/00001) *Claiming a deduction for additional running expenses incurred while working from home - ATO compliance approach*

Example: no additional deduction as expense covered by fixed rate

Keisha is an employee engineer. During 2022–23, Keisha works from home and uses her timesheets to record the hours she spends working from home.

At the end of the income year, Keisha works out that she worked at home for a total of 843 hours.

When she is working from home, Keisha incurs electricity expenses, internet expenses and mobile phone expenses. However, Keisha also uses her mobile phone for work purposes on days when she is not working from home.

If Keisha uses the revised fixed rate method to calculate her working from home expenses deduction, she can claim a deduction of $564. That is, 843 hours × 67c per work hour in her 2022–23 tax return.

Keisha can't claim a separate deduction in her tax return for the mobile phone expenses she incurs when she's not working from home as the rate per work hour includes this expense.

If Keisha wants to claim all of her work-related mobile phone expenses, she will need to use the actual costs method to calculate her claim for working from home expenses.

Calculate your deduction

Use our home office expenses calculator to help work out your deduction.

Home office expenses calculator **(/calculators-and-tools/home-office-expenses-calculator/)**

You can also calculate your deduction manually using the steps below.

Steps for calculating your work from home deduction manually

Before you calculate your deduction, check you have all the records you are required to keep.

Step 1: Work out the total number of hours you worked from home

Work out the total number of hours you worked from home during the income year using your records – for example, your timesheets, rosters, diary or similar document you keep at the same time as when you work.

Step 2: Multiply your total work from home hours by the rate per hour

Multiply the total number of hours worked from home during the year by 67c per hour.

Step 3: Work out the decline in value of depreciating assets used for working from home

Calculate the work-related decline in value of any depreciating assets that you used to work from home during the income year.

Use our Depreciation and capital allowances tool (/calculators-and-tools/depreciation-and-capital-allowances-tool/) to help work this out.

For more information, see Depreciating assets you use for work (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/).

Step 4: Work out the amount of any other working from home expenses you incurred that the rate per hour doesn't cover

Use your records to work out the amount of any other work-related expenses you incurred as a result of working from home.

Don't include any amount for expenses the rate per work hour covers.

Step 5: Add the amounts at step 2, step 3 and step 4 together

The total of step 2, step 3 and step 4 is the amount you claim as a working from home deduction in your tax return.

Example: deduction calculated using revised fixed method

Yang is employed as a software engineer. On 6 December 2022, Yang starts working from home 2 days a week and at the office 3 days a week.

On 1 December 2022, Yang buys a desk for $250 and an office chair for $299. Yang only uses the desk and office chair when working from home.

When working from home, Yang uses his work laptop, his personal internet connection and his personal mobile phone. Yang also uses the air conditioner in his spare room to cool and heat the room he works in.

Yang uses a spreadsheet to record the time he starts and finishes working from home. Yang also keeps one quarterly invoice for his electricity expenses, one monthly internet bill and one monthly mobile phone bill for the period between 6 December 2022 and 30 June 2023.

At the end of the 2022–23 income year, Yang decides to use the revised fixed rate method to calculate his working from home deduction. Yang calculates his deduction manually as follows:

1. Yang uses his spreadsheet to calculate that he worked from home for a total of 560 hours.
2. Yang calculates his deduction for electricity, mobile phone and internet by multiplying the total number of hours he worked from home by the hourly rate.
   His calculation is:
   560 hours × 67c per work hour = $375
3. Yang works out his decline in value deduction.
   As the desk and office chair Yang bought cost less than $300 each and he only uses them when he works from home, he can claim the full cost of the desk and the office chair as a decline in value deduction for the 2022–23 income year.

   His deduction is:
   Chair – $299
   Desk – $250
4. Yang has no other expenses.
5. Yang calculates his total deduction by adding the amount he calculated at Step 2 and Step 3. This is calculated as:
   $375 + $299 + $250 = $924 (rounded to the nearest whole dollar)

When he lodges his 2022–23 tax return, Yang includes a deduction of $924 for his working from home expenses.

Record keeping for the fixed rate method

To claim your working from home deduction using this method, you must keep:

- a record of the number of actual hours you work from home during the entire income year – for example, a timesheet, roster, diary or other similar document
- at least one record for each of the additional running expenses you incur that the rate per work hour includes – for example, if you incurred electricity and stationery expenses keep one quarterly bill for your electricity expenses and one receipt for your stationery expenses

You need to keep your records (/individuals/income-deductions-offsets-and-records/records-you-need-to-keep/) for 5 years (in most cases) from the date you lodge your tax return.

You must keep records for depreciating assets (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/keeping-records-for-depreciating-assets/) from the time you buy them, that shows

- the amount spent on depreciating assets you buy
- the percentage of the year you use your depreciating assets (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/#Workrelateduse) exclusively for work, such as a diary or similar document.

You must also keep these records for other running expenses you are claiming as a separate deduction.

You need to keep these records for 5 years from the date of your last claim for decline in value.

Record keeping for 2022–23

If you haven't been keeping a record of the actual hours you worked from home, **for the 2022–23 income year only**, you must be able to provide both:

- a representative record of the total number of hours worked from home during the period from 1 July 2022 to 28 February 2023 – for example, any kind of record of the hours you worked from home for a particular period that you can apply to the whole 8 month period.
- a record of the total number of actual hours worked from home for the period 1 March 2023 to 30 June 2023.

If you haven't kept receipts or written evidence of your depreciating assets, you may still be able to claim a decline in value deduction if:

- you didn't keep it because you were using the fixed rate method or shortcut method to calculate your working from home deduction in the income year you purchased the asset
- you have other evidence or records which show
  - you incurred the cost of the depreciating asset
  - when you bought the depreciating asset
  - your work-related use of the depreciating asset.

For more information, see TR 97/24 (/law/view/document?DocID=TXR/TR9724/NAT/ATO/00001&PiT=99991231235958) *Income tax: relief from the effects of failing to substantiate.*

Example: Representative record of hours worked from home

Wanda has an agreement with her employer to work from home one day a week. She is required to work 8 hours each working day (40 hours per week). Wanda sits at her kitchen table when she works at home and uses her employer provided laptop and mobile phone. Wanda uses her own internet connection and electricity.

Wanda keeps one monthly internet bill and a quarterly electricity bill but she doesn't keep any records of the hours she spent working from home during the period from 1 July 2022 to 28 February 2023.

Wanda has evidence of:

- her agreement to work at home one day per week
- her regular working hours
- taking annual leave for 2 weeks during the period.

Wanda can use these documents to work out the hours she worked from home during the first 8 months of the year. She works this out as:

Weeks from 1 July 2022 to 28 February 2023 = 34 weeks

34 weeks − 2 weeks (annual leave) = 32 weeks

(32 weeks × 1 day per week) × 8 hours per day = 256 hours

For the period from 1 March 2023 to 30 June 2023, Wanda keeps a record in her email calendar of when she starts and finishes work (including any breaks) on the day she works from home each week. At the end of the 2022–23 income year, Wanda calculates the hours she worked from home during this 4 month period as 129 hours.

Wanda can claim a deduction for her working from home expenses using the revised fixed rate method because she has kept records of:

- the expenses she incurred which are covered by the rate per hour, that is, her electricity and internet expenses
- a representative record of her hours worked from home for the period 1 July 2022 to 28 February 2023
- a record of the actual hours she worked from home during the period 1 March 2023 to 30 June 2023.

Wanda calculates deduction as:

(256 hours + 129 hours) × 67c = $257 (rounded up to the nearest whole dollar).

You can use the myDeductions tool in the ATO app to keep track of your expenses and receipts throughout the year.

myDeductions tool **(/General/Online-services/Online-services-for-individuals-and-sole-traders/ATO-app/myDeductions/)**

Fixed rate method – 52 cents

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Working-from-home-expenses/Fixed-rate-method---52-cents/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Working-from-home-expenses/Fixed-rate-method---52-cents/)
- Last modified: 26 Apr 2023
- QC 72160

Check your eligibility to calculate work from home expenses using the fixed rate method – 52 cents per hour.

On this page

Eligibility to claim

The fixed rate (52 cents per work hour) was the rate available to calculate your work from home expenses from 1 July 2018 to 30 June 2022. If you are working out your claim for working from home expenses for 2022–23, see Choosing a method how to calculate your claim (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/#Choosingamethodtocalculateyourclaim).

To use the fixed rate method, you must:

- incur additional running expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/#Additionalrunningexpenses) as a result of working from home
- have a dedicated home office that you use when you work from home
- have records that show the work-related portion of expenses not covered by the fixed rate per hour
- have records of the number of hours spent working at home for the whole income year.

How it works

You can claim the fixed rate of 52 cents for each hour you worked from home. The rate includes the additional running expenses you incur for:

- the decline in value of home office furniture and furnishings – for example, a desk
- electricity and gas (energy expenses) for heating, cooling and lighting
- cleaning your dedicated home office.

You can also claim the work-related portion of the following expenses, which are not covered by the 52 cents per hour rate, if you incur these expenses as a result of working from home:

- home phone and internet expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/home-phone-and-internet-expenses/), including the decline in value of the handset
- stationery and computer consumables (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/stationery-and-office-supplies/), such as printer ink and paper
- decline in value of depreciating assets (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/) other than home office furniture and furnishings used for work purposes – for example, computers and laptops.

Where you incur running expenses for both private and work purposes, you need to apportion your deduction. You can only claim the work-related portion as a deduction.

In limited circumstances where you have a dedicated home office, you may also be able to claim occupancy expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/occupancy-expenses/) (such as mortgage interest or rent).

Calculate your deduction

Use our home office expenses calculator to help work out your deduction.

Home office expenses calculator **(/calculators-and-tools/home-office-expenses-calculator/)**

Record keeping for the fixed rate method

To claim your working from home expenses, you must keep:

- either a record showing
  - the number of actual hours you work from home during the entire income year – for example, a timesheet or roster
  - a continuous 4-week period that represents your usual pattern of working at home – for example, a diary
- receipts or other written evidence that shows the amount spent on expenses and depreciating assets you buy
- phone accounts identifying your work-related phone calls and private phone calls to work out your percentage of work-related use for a continuous 4-week period
- a diary or similar document that shows
  - your work-related internet use, your private internet use and any internet use by other members of your household
  - the percentage of the year you use your depreciating assets exclusively for work.

If you record the hours you work from home during a continuous 4-week period, you can use it across the rest of the income year to work out the total number of hours you work from home. However, if your work pattern changes you need to create a new record.

You will need to keep records for the entire income year, if you don't keep records showing a representative 4-week period of your work hours or the work-related use of your phone, internet and depreciating assets.

You can use the myDeductions tool (/General/Online-services/Online-services-for-individuals-and-sole-traders/ATO-app/myDeductions/) in the ATO app to keep track of your expenses and receipts throughout the year.

Actual cost method

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Working-from-home-expenses/Actual-cost-method/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Working-from-home-expenses/Actual-cost-method/)
- Last modified: 19 Jul 2023
- QC 72161

Check if you're eligible to calculate your work from home expenses using the actual cost method.

On this page

Eligibility to claim

To use the actual cost method to claim actual expenses, you must:

- incur additional running expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/#Additionalrunningexpenses) as a result of working from home
- keep records or other written evidence, which shows the amount:
  - you spend on expenses
  - you spend on depreciating assets you buy and use while working from home
  - of work-related use for your expenses and depreciating assets.

You don't incur additional running expenses if other members of your household (who are not working from home) are in the same room as you while you are working from home.

Example: Working from a lounge room

Lee works from her lounge room while her partner and 3 children watch television. Lee isn't incurring any additional costs for lighting, heating or cooling as a result of working in that room, so she can't claim a deduction for them.

How it works

Using the actual costs method, you work out your deduction by calculating the actual additional expenses you incur when working from home. This includes expenses you incur for:

- the decline in value of depreciating assets – for example, home office furniture (desk, chair) and furnishings, phones and computers, laptops or similar devices.
- electricity and gas (energy expenses) for heating, cooling and lighting
- home and mobile phone, data and internet expenses
- stationery and computer consumables, such as printer ink and paper
- cleaning your dedicated home office.

Where you incur running expenses for both private and work purposes, you need to apportion your deduction on a fair and reasonable basis. You can only claim the work-related portion as a deduction.

In limited circumstances, you may also be able to claim occupancy expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/occupancy-expenses/) (such as mortgage interest or rent).

Decline in value of depreciating assets

If the item cost $300 or less and you use it mainly for a work-related purpose, you can claim an immediate deduction for its cost in the year you buy it.

You can claim a deduction for the decline in value of depreciating assets (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/) over the effective life of the item, if it either:

- cost more than $300
- forms part of a set that together cost more than $300.

You may choose to work out the decline in value of low-cost assets and low-value assets with a cost or opening adjustable value of less than $1,000 through a low-value pool (/Forms/Guide-to-depreciating-assets-2022/?page=11#Low_value_pools). You calculate decline in value of depreciating assets in a low-value pool using a diminishing value rate.

If you use the asset for work and private purposes, you can only claim the work-related portion of the decline in value as a deduction.

For example, if you buy a device for $289 that you use 80% of the time for work-related purposes and 20% of the time for private purposes, you can only claim a deduction of $231 (80% × $289) in the income year you buy it.

You can use the depreciation and capital allowances tool (/Calculators-and-tools/Depreciation-and-capital-allowances-tool/) to calculate your deduction for the decline in value of equipment, furniture and furnishings.

To claim a deduction for the decline in value of depreciating assets, you must:

- keep receipts showing the amount you spent on the assets
- show the percentage of the year you used those depreciating assets exclusively for work.

Cleaning expenses

If you have a dedicated home office, work out the cost of your cleaning expenses and apportion your claim for any:

- private use of your home office
- use of the home office by other members of your household.

For example, if you have a room set up as a home office, add together your receipts for cleaning expenses and multiply by the floor area of the dedicated work area, divided by the whole floor area of the house. Then reduce this amount by the percentage of private use by yourself and the use of the home office by other household members.

Electricity and gas for heating, cooling and lighting

You can work out the cost of your electricity and gas (energy expenses) for heating, cooling and lighting by using the:

- cost per unit of power you use (your utility bill has this information)
- average units you use per hour, which is the power consumption (this information may be found in the manufacturer information, the star energy rating label or by searching the internet) and is
  - per kilowatt (kw) hour for each electrical appliance, equipment or light you use
  - per megajoule (MJ) hour for gas heating appliances you use

- total annual hours used for work-related purposes by checking your record of hours worked or your diary.

Example: electricity for cooling and heating

Ben works at home several days per week and keeps a record of the total hours he works from home. His record shows he worked a total of 768 hours from home in 2022–23.

When he works from home, Ben sits in a separate room of his house and always uses the air conditioner in the room when he is working. His air conditioning unit is a small with a 3.5 kilowatt (kw) capacity. Based on the unit's energy efficiency rating, the unit costs Ben 1.09 kw per hour to run.

Based on his electricity bills, Ben pays 27.81c per kilowatt hour (28 c rounded up) for electricity.

Ben calculates the cost of cooling and heating for the room he uses when he is working from home as:

1.09 kw per hour × 0.28 per hour = 30.52c per kw hour

768 hours × 30.52 c = $234.39.

Ben can also use the online home office expenses calculator to work out his actual expenses. Ben would fill out the following:

- Select income year: 2022–23
- Do you want to claim a deduction based on actual expenses?: Yes
- Choose one of the following methods to calculate electricity expenses: Actual running expenses
- Cost per unit of electricity used: 0.28c

- Average units of electricity used per hour for income producing purposes: 1.09kw
- Hours of electricity used for income producing purposes during the year: 768.

Phone, data and internet

If you receive an itemised phone or internet bill (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/mobile-phone-mobile-internet-and-other-devices/#Useisitemisedonyourbills), you need to work out your work-related use over a continuous 4-week period. You can use your work-related percentage for the 4-week period to work out your expenses for the whole income year.

For example, you can mark your work-related calls on your monthly phone bill and work out your work-related use based on the number of those phone calls compared to your total calls.

For more information, see PSLA 2001/6 (/law/view/document?DocID=PSR/PS20016/NAT/ATO/00001&PiT=99991231235958) *Verification approaches for electronic device usage expenses.*

Stationery and computer consumables

Work out the cost of computer consumables and stationery by using receipts for the items you buy. If you use the item for both private and work-related purposes, you can only claim the work-related portion of the expense.

Calculate your deduction

Use our home office expenses calculator to help work out your deduction.

Home office expenses calculator **(/calculators-and-tools/home-office-expenses-calculator/)**

Record keeping for actual costs method

To claim your work from home expenses using actual costs, you must keep:

- either a record showing
  - the number of actual hours you work from home during the entire income year – for example, a timesheet or spreadsheet
  - a continuous 4-week period that represents your usual pattern of working at home – for example, a diary.

You must also keep records that show:

- the additional running expenses you incurred while working from home, such as receipts, bills and other documents
- how you worked out the amount of your deduction.

You can use the myDeductions tool in the ATO app to keep track of your expenses and receipts throughout the year.

myDeductions tool **(/General/Online-services/Online-services-for-individuals-and-sole-traders/ATO-app/myDeductions/)**

Shortcut method

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Working-from-home-expenses/Shortcut-method/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Working-from-home-expenses/Shortcut-method/)
- Last modified: 24 Jul 2023
- QC 72162

Check if you're eligible to calculate your working from home deduction using the shortcut method – 80 cents per hour.

On this page

Eligibility to claim

The shortcut method (80c per work hour) is temporary, you can **only** use it to work out your deduction for work from home expenses:

- between 1 March 2020 to 30 June 2020 in the 2019–20 income year
- for the 2020–21 and 2021–22 income years.

If you are working out your claim for working from home expenses for 2022–23, see Choosing a method to calculate your claim (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/#Choosingamethodtocalculateyourclaim).

You can use the shortcut method if you:

- incur additional running expenses as a result of working from home
- have a record of the total number of hours you worked from home.

How it works

The temporary shortcut method simplifies how you calculate your deduction for working from home expenses.

Using this method, you:

- can claim 80 cents per hour for each hour you work from home
- can't claim any other expenses for working from home, even if you bought new equipment.

The shortcut method covers all your working from home expenses, such as:

- phone and data expenses
- internet expenses
- the decline in value of equipment and furniture
- electricity and gas (energy expenses) for heating, cooling and lighting.

The shortcut method includes decline in value of all items. If you choose to use this method there is no requirement to separately calculate the decline in value of equipment or depreciating assets or any other working from home expense.

However, as you may need to use a different method to work out your working from home deduction in later years it's important to keep the:

- receipts for depreciating assets or equipment you use when working from home
- records of how you calculated your work-related use of the asset
- your decline in value calculations (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/work-from-home-expenses-and-decline-in-value/).

Calculate your deduction

Use our home office shortcut method calculator to help work out your deduction.

Home office shortcut method calculator **(/calculators-and-tools/home-office-expenses-calculator/#accessshortcutcalc)**

Record keeping for the shortcut method

You must have a record of the total hours you worked from home – for example, a timesheet, roster or diary.

Completing your tax return

Once you calculate your deduction, enter the amount at **Other work-related expenses** in your tax return.

Include in the description field **COVID-19 hourly rate** if lodging through myTax.

Occupancy expenses

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Working-from-home-expenses/Occupancy-expenses/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Working-from-home-expenses/Occupancy-expenses/)
- Last modified: 26 Apr 2023
- QC 72163

Check if you're eligible to claim occupancy expenses when you work from home because there is no alternative workplace.

On this page

Eligibility to claim

To claim occupancy expenses when you work from home, you must show that:

- it was necessary for you to work from home because your employer doesn't provide you with an alternative place to work from
- the area of your home that you use for work is exclusively or almost exclusively used for work purposes and isn't readily capable of being used for any other purpose.

Occupancy expenses include:

- mortgage interest
- rent
- council and water rates
- land taxes
- house insurance premiums.

As an employee working from home, generally:

- you can't claim occupancy expenses
- there are no capital gains tax (CGT) implications for your home.

Calculate your occupancy expenses

Occupancy expenses can generally be apportioned on a floor area basis. You must also apportion your expenses on a time basis if you only use that area of your home for work purposes for part of the year.

Example: occupancy expenses deductible

Abdul works for a statutory authority in Brisbane who permanently closed all their offices at the end of January 2022. From 1 February 2022, Abdul sets aside a room in his house for his work with the statutory authority. The floor area of the room is 10% of the floor area of the whole house.

His employer provides him with the equipment necessary to fulfil his work functions and they pay for a work, health and safety check on the room he uses for working at home.

Abdul doesn’t use the room for non-work purposes. Abdul can claim a deduction for occupancy expenses relating to working from home for 5 months of the year because:

- his employer doesn't provide him with a work location
- it is necessary for him to work from home
- the room he uses is used exclusively for work purposes.

Abdul's occupancy expenses for the 2021–22 income year are $24,918. That is:

- mortgage interest $19,524
- council and water rates $4,259
- home insurance $1,135.

Abdul calculates his deduction for occupancy expenses as follows:

> Total occupancy expenses × floor area percentage × time used for work purposes
>
> $24,918 × 10% × (5 months ÷ 12 months) = $1,038.

As Abdul can claim mortgage interest expenses as a deduction, he will be required to pay tax on any capital gain he makes when he sells his home. He can't claim the full main residence exemption.

Record keeping for occupancy expenses

You must keep records for all of your occupancy expenses, including:

- bank statements for your mortgage interest
- rental receipts
- quarterly invoices for your water and council rates
- invoices or receipts for your house insurance
- land tax assessment notices and evidence of payment
- a floor plan of your home with the floor area used when working from home clearly marked
- records of time spent using the area for a purpose other than working from home
- records showing how you apportioned your occupancy expenses.

There may be CGT implications when you sell your home, if you can claim occupancy expenses. Find out more about how your home may be affected if you use your home in earning your income (/Individuals/Capital-gains-tax/Property-and-capital-gains-tax/Your-main-residence---home/Using-your-home-for-rental-or-business/).

You must keep records for the property (/Individuals/Capital-gains-tax/Property-and-capital-gains-tax/Keeping-records-for-property/), including:

- the purchase and sale contract for your home
- records of any incidental expenses you incur on the purchase and sale of your home – for example, real estate agent commission and stamp duty
- records of the occupancy expenses for every year you claim them.

If you start using a part of your home for income producing purposes sometime after you buy it and you're eligible to claim a deduction for interest expenses, you won't be eligible for the full main residence exemption (/Individuals/Capital-gains-tax/Property-and-capital-gains-tax/Your-main-residence---home/Eligibility-for-main-residence-exemption/). It doesn't matter whether you actually had a home loan or whether you claimed a deduction for interest, your main residence exemption will still be affected. However, there are special rules around the cost of your home in these circumstances. As such, you should get a market valuation for your house at the time you first start using it for income producing purposes.

These records must be kept for the entire period that you own your home and for 5 years after you sell it.

Work from home expenses and decline in value

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Working-from-home-expenses/Work-from-home-expenses-and-decline-in-value/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Working-from-home-expenses/Work-from-home-expenses-and-decline-in-value/)
- Last modified: 26 Apr 2023
- QC 72164

Decline in value when you claim working from home expenses using the fixed rate method 52c or the shortcut method 80c.

On this page

Decline in value and the work from home method

Regardless of the work from home method you choose to use, depreciating assets continue to decline in value from when you buy them so it is important to keep records such as:

- receipts of any depreciating assets you use while working from home
- how you calculated your work-related use of the asset
- your decline in value calculations.

For example, a $2,000 laptop with an effective life of 2 years will decline in value over the 2 years regardless of how much you use the asset for a work-related purpose or claim as a deduction.

Keeping records will ensure you can calculate the decline in value of your depreciating asset and claim a deduction for it in future income years if you change from using the temporary shortcut (80c) or fixed rate (52c) methods.

It will also allow you to claim a deduction for depreciating assets you start using for a work-related purpose that were previously used for a different purpose.

How decline in value works with the work from home methods

Depending on the work from home method you used in previous income years, the rate per hour may include your deduction for:

- your additional running expenses
- some or all of the decline in value for depreciating assets.

You can claim a separate deduction for the decline in value of depreciating assets if you use the actual cost method (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/actual-cost-method/). If you have always used this method, you continue to calculate your decline in value deduction as you always have.

If you used the fixed rate method (52c) or the temporary shortcut method (80c) and purchased depreciating assets in an income year prior to 2022–23, you will need to keep records that show the cost of the asset and when you purchased it, to work out the decline in value of those depreciating assets.

The temporary shortcut method (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/shortcut-method/), covered **all** additional running expenses incurred as a result of working from home, including the decline in value of:

- home office furniture and furnishings

- phones
- computers, laptops and other similar devices.

This meant there was no need to separately calculate the decline in value of these depreciating assets. However, the temporary shortcut method was only available for period from 1 March 2020 to 30 June 2022.

Under the fixed rate method (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/fixed-rate-method---52-cents/) (52 cents per hour worked) the decline in value of home office furniture and furnishings was included in the rate. However, you had to separately calculate the decline in value of depreciating assets such as a phone handset, computer, laptop or other similar device you use for work purposes.

The fixed rate method (52c) is not available for the 2022–23 income year or later income years.

For the 2022–23 income year on, the methods you can choose to calculate your working from home expenses (revised fixed rate method and actual cost method) allow you to claim a separate deduction for the decline in value of items used while working from home.

Example: change in method

Colin an employee solicitor buys a new desktop computer for his home office on 1 July 2019 at a cost of $1,970. Colin only uses the computer when he works from home. He uses his laptop for private purposes and the other members of his household use their own personal devices.

During the 2019–20, 2020–21 and 2021–22 income years, Colin works from home for at least one day per week and keeps a record of the number of hours he works from home. In each of these years, Colin uses the all-inclusive shortcut method to calculate his deduction for his working from home expenses. As the shortcut method covers decline in value, Colin can't claim a separate deduction for the decline in value of his computer but he keeps the receipt for his desktop computer for warranty purposes.

In the 2022–23 income year, Colin continues working at home at least one day per week and keeping a record of the hours he works from home.

Although Colin can’t claim a separate deduction for the decline in value of his computer for the 2019–20, 2020–21 and 2021–22 income years, he will be able to claim a separate deduction in the 2022–23 income year. This is because he continues to use his computer when he works from home, he has kept the receipt for it and he can't use the shortcut method.

To claim a deduction, Colin must calculate the opening adjustable value (base value) of the desktop computer for the 2022–23 income year.

Colin uses the depreciation and capital allowances tool (/calculators-and-tools/depreciation-and-capital-allowances-tool/) to work out the decline in value of his desktop computer using the diminishing value method, including the base value, for each year.

Diminishing value – desktop computer

Income year	Opening adjustable value	Decline in value	Adjustable value at the end of year
2019–20	$1,970.00	$987.70	$982.30
2020–21	$982.30	$491.16	$491.15
2021–22	$491.15	$245.58	$245.57
2022–23	$245.57	$122.79	$122.78
2023–24	$122.78	$61.56	$61.22
2024–25	$61.22	$30.61	$30.61
2025–26	$30.61	$15.31	$15.30

2026–27	$15.30	$7.65	$7.65
2027–28	$7.65	$3.84	$3.81
2028–29	$3.81	$1.91	$1.90
2029–30	$1.90	$1.90	$0.00

For the 2022–23 income year Colin's decline in value deduction for his desktop computer is $122.79.

Education, training and seminars

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Education-training-and-seminars/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Education-training-and-seminars/)
- Last modified: 26 Apr 2023
- QC 72165

Deductions for self-education, conferences and training. You can't claim children's school fees or care.

Self-education expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/education-training-and-seminars/self-education-expenses/)
You can claim a deduction for self-education expenses if the education relates to your employment activities.

School fees and child care (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/education-training-and-seminars/school-fees-and-child-care/)
You can't claim a deduction for child care, or for school or higher education fees for your children.

Seminars, conferences and training courses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/education-training-and-seminars/seminars-conferences-and-training-courses/)
Deductions for attending seminars, conferences, and first aid or other training courses connected with your work.

Self-education expenses

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Education-training-and-seminars/Self-education-expenses/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Education-training-and-seminars/Self-education-expenses/)
- Last modified: 02 Jun 2023
- QC 72166

You can claim a deduction for self-education expenses if the education relates to your employment activities.

On this page

- Calculate your self-education deduction
- Keeping records for self-education expenses

For a summary of this content in poster format, see Self-education expenses (PDF, 691KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Selfeducationexpenses.pdf) .

What are self-education expenses?

Self-education expenses are the costs you incur when you:

- undertake courses at an educational institution (whether or not the courses lead to a formal qualification)
- attend work-related conferences or seminars
- do self-paced learning and study tours (whether within Australia or overseas).

Eligibility to claim self-education expenses

You can claim a deduction for a self-education expense if, at the time you incur the expense, it has a sufficient connection to earning income from your employment activities.

Self-education has a sufficient connection to earning your employment income if it either:

- maintains or improves the specific skills or knowledge you require in your employment activities
- results in, or is likely to result in, an increase in your income from your employment activities.

Your employment activities are the duties and tasks expected of you to perform your job and are usually set out in your duty statement.

You may also be eligible if you undertake a course to maintain your right to receive a taxable bonded scholarship.

Example: course related to apprenticeship

Isaiah is employed as an apprentice hairdresser. As part of his apprenticeship he's required to work 4 days a week at his employer's salon receiving on-the-job training, and one day a week at TAFE doing a Certificate 3 in Hairdressing. Isaiah pays for the TAFE course himself.

The course will improve the knowledge and skills that Isaiah requires to carry out his employment activities. Isaiah can claim a deduction for the self-education expenses he incurs.

Example: course leading to increased income

Ranita is one of several systems administrators employed by a large company. Ranita's employer pays systems administrators more if they know how to use a particular programming language.

Ranita enrols in and pays for a course on how to use the programming language. On completion, Ranita's employer gives her a pay rise.

Ranita can claim a deduction for the self-education expenses she incurs because the course results in an increase in income from her employment activities.

When you can't claim a deduction

You can't claim a deduction for a self-education expense if, at the time you incur the expenses:

- it doesn't have a sufficient connection to your employment activities at that time
- you are not employed

- it only relates in a general way to your employment activities at that time – such as undertaking a full-time fashion photography course and working as a casual sales assistant on the weekends
- it enables you to get new employment or change employment – such as moving from employment as a nurse to employment as a doctor.

Example: expense only generally related to employment

Louis is a computer science student who works at the university laboratory installing computers. The course and the job are generally related, and what Louis learns might help him in his job.

However, the high-level professional skills Louis acquires from his studies are well beyond the skills he requires for his current job. There isn't a sufficient connection between his current employment income and his course so Louis can't claim a deduction for his self-education expenses.

Example: employment ceases while studying

Callum is an employee software developer. To improve his skills in his current employment, Callum starts a Graduate Diploma in Advanced Software and Network Technology. The course takes one year and is paid for in 2 instalments, which become due as each semester starts. Callum’s employer is supportive of his study and offers paid leave for Callum to study each week.

During semester 1, Callum is made redundant. He chooses to continue studying the course while unemployed.

Callum can claim a deduction for the semester 1 payment, as he was working and earning income when he made the payment and the course had a sufficient connection to his employment income at that time.

Callum can’t claim a deduction for the semester 2 payment. As Callum was unemployed at the time he made the semester 2 payment, it was not incurred in earning his income.

Taxable bonded scholarship recipients

You can claim a deduction for self-education expenses if you do the course to satisfy study requirements to maintain your right to a taxable bonded scholarship (/individuals/income-deductions-offsets-and-records/income-you-must-declare/scholarships-prizes-and-awards/scholarship-payments/).

If you're an employee of the scholarship provider, normal work-related self-education rules apply.

Expenses you can claim

If your self-education expenses meet the eligibility criteria, you can claim a deduction for the following expenses:

- Tuition, course, conference or seminar fees
- General course expenses
- Decline in value of depreciating assets
- Car and other transport expenses
- Accommodation and meal expenses (incurred when the self-education requires you to travel and be away from your home for one or more nights)
- Interest on borrowings

For self-education expenses incurred before 1 July 2022 (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/education-training-and-seminars/self-education-expenses/self-education-reduction-in-expenses/), you generally can't claim the first $250 of expenses.

Tuition, course, conference or seminar fees

You can claim a deduction for tuition fees, including student and amenities fees, you incur if you are enrolled in a full fee paying place at a university or other higher education institution. You incur deductible course or tuition fees when the debt becomes a legal obligation you need to pay back (for example, on the census date). This is not when you make a repayment.

This includes fees that you pay with the assistance of a:

- FEE-HELP loan
- VET Student Loan (formerly known as VET-FEE HELP).

You can't claim a deduction for voluntary or compulsory repayments of these loans in your tax return.

If you're unsure whether you are enrolled in a full fee paying place, you can check with your university or higher education institution.

Example: deduction for course fees

Tara enrols in 2 subjects for her Master of Business Administration course. Each subject cost $10,000. Tara has deferred payment of the course fees through a FEE-HELP loan.

Tara's subjects have a census date of 22 March, meaning she will not need to pay the course fees if she withdraws from the subject before this date.

Tara decides to withdraw from one subject on 17 March due to an unexpected increase in workload. On 22 March Tara incurs the course fees of $10,000 for the remaining subject she enrolled in.

Tara can claim a deduction for the course fees of $10,000 she incurs on 22 March in the income year it occurs, even though she has a deferred payment through a FEE-HELP loan.

On 15 June, Tara gets a bonus of $5,000 from her employer. She decides to use the bonus to make a voluntary repayment of $5,000 to her FEE-HELP loan.

Tara can't claim a deduction for the voluntary repayment of $5,000 that she makes to her FEE-HELP loan. She also can't claim a deduction for the repayment when she is required to make a compulsory repayment to her FEE-HELP loan.

There are certain tuition fees you can't claim as a deduction.

For seminars, conferences and similar courses, you can claim a deduction for the cost you incur to attend the event or enrol in the course.

You can't claim a deduction for tuition, course, conference or seminar fees if your employer reimburses you or pays the fees on your behalf.

General course expenses

You can claim a deduction for the following general course expenses you incur:

- computer consumables – for example, printer cartridges
- equipment repairs – for example, the cost of repairing a computer
- internet and data usage (excluding connection fees)
- phone calls
- postage
- stationery
- student union fees
- textbooks
- trade, professional, or academic journals

Decline in value of depreciating assets

A depreciating asset is an asset that loses its value over time. You can claim a deduction each year for the decline in value (depreciation) until the value of the asset is nil. This period is called the effective life of the asset.

You can claim a deduction for the decline in value (depreciation) of assets you use for work-related self-education purposes. For example:

- computers
- professional libraries
- desks and chairs
- filing cabinets and bookshelves
- calculators
- technical instruments and tools
- other equipment (such as desk lamps).

$300 or less

You can claim the cost of a depreciating asset you purchase in the year you buy it if:

- the asset cost $300 or less
- you use it for work-related self-education (or in the course of earning other non-business assessable income) in the income year you buy it.

You need to apportion your claim if you also use the asset for private purposes.

More than $300

If the depreciating asset you are using for work-related self-education cost more than $300, you can claim a deduction for its decline in value over its effective life.

You must reduce your claim if you either:

- bought the asset part-way through the income year
- use the asset partly for private purposes.

To work out your claim for the decline in value of a depreciating asset, use our online Depreciation and capital allowances tool.

Depreciation and capital allowances tool (/Calculators-and-tools/Host/?anchor=DCA&anchor=DCA/questions/assets)

You can manually calculate (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/Assets-costing-more-than-300-dollars/#Methodsforcalculatingdeclineinvalue) the decline in value of a depreciating asset using either the prime cost method or diminishing value method.

Example: apportioning deduction for decline in value of assets

Danika is employed full time as a senior manager and is completing a Masters of Business Administration (MBA) part time. Danika can claim a deduction for the cost of the MBA because:

- the course will improve the skills and knowledge she needs to carry out her current duties
- on completion of the course, Danika's employer will give her a pay rise.

On 1 February, Danika purchases a laptop for $1,400 and a desk for $229.

Based on her records, Danika works out that she uses the laptop and desk 80% for self-education purposes and 20% for private purposes.

As the desk cost less than $300, she can claim the cost in the year she purchased it. However, because Danika used her desk for private purposes as well as self-education purposes, she must apportion her deduction. Danika calculates her deduction as:

$229 (purchase cost) × 80% (time used for self-education purposes) = $183.20

Danika chooses to use the diminishing value method to calculate the decline in value of her laptop. She uses the Depreciation and capital allowances tool to calculate her deduction. The tool calculates Danika's deduction as follows:

- Year of purchase
  - Opening adjustable value: $1400.00
  - Decline in value: $575.33
  - Taxable use: 80%
  - Days held: 150
  - Deductible decline in value: $460.26
  - Adjustable value at end of year: $824.67

- Year 2
  - Opening adjustable value: $824.67
  - Decline in value: $824.67
  - Taxable use: 80%
  - Days held: 365
  - Deductible decline in value: $659.74
  - Adjustable value at end of year: $0.00

Danika can claim a deduction of $460.26 for the decline in value of her laptop in the year she purchased it. She can claim $659.74 in the following year, at which time the value of the asset is nil. This means Danika can't claim any further deductions for the laptop.

Car and other transport expenses

If your self-education expenses have a sufficient connection to earning income from your employment activities, you can claim transport expenses for both trips when you travel from your:

- home to your place of education and back home
- work to your place of education and back to work.

You can only claim the first leg of your trip when you travel from your:

- home to your place of education and then to work
- work to your place of education, and then home.

The second leg of these trips is private and you can't claim a deduction for the transport costs you incur for them.

If you incur parking fees when you attend your place of education or venue where the course or seminar is being held, you can claim a deduction for the cost of those fees as well.

For information on how to calculate your deduction for these expenses, see Motor vehicle and car expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/motor-vehicle-and-car-expenses/).

Example: car and parking expenses deductible

Akito is a mechanical engineer. Akito's employer pays for him to attend a 5 day conference on current issues and trends in the industry. The conference will allow Akito to improve the specific knowledge that he needs to carry out his current employment activities.

Akito drives his own car from his home to where the conference is being held and pays $15 for parking each day. At the end of each day, Akito drives directly back to his home. His employer does not reimburse him for the cost of using his car or his parking fees.

Akito can claim a deduction for the car expenses he incurs when he travels between his home and the conference centre each day. Akito can also claim the cost he incurs for parking at the conference centre each day.

Example: certain public transport fares deductible

Lyle is employed as an assistant visual merchandiser in a retail store. To improve his skills and apply for a promotion to be a visual merchandiser specialist, Lyle enrols in a Diploma of Visual Merchandising. The course requires Lyle to attend the place of education for 3 hours one day per week.

On the day he attends the place of education, Lyle takes:

- the train from his house to the place of education in the morning (trip1)
- the bus from the place of education to his place of work after lunch (trip 2)
- the bus from his place of work to home at the end of the day (trip 3).

Lyle can claim a deduction for the cost of his train fares for the journey from his home to the place of education (trip 1).

Lyle can't claim a deduction for the cost of trip 2 or 3. These are private travel expenses being from the place of education to his work and then work to his home.

Accommodation and meal expenses

The day-to-day costs you incur relating to your accommodation and meals are generally private living expenses.

You can claim the cost of accommodation and meals only when:

- you are participating in work-related self-education activities
- the self-education requires you to be temporarily away from home (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/) for one or more nights.

Example: attending a conference

Amara is employed as a computer programmer. Amara is taking a holiday in the United States of America (USA) and decides to attend the annual 3-day conference on software developments in Las Vegas immediately following her holiday. She arrives in Las Vegas at dinner time the day before the conference begins. Due to the finish time on the last day, Amara stays the night in Las Vegas and flies home the next day.

Amara's employer is supportive of her attending the conference and pays the registration fee for her to attend as it will improve the skills and knowledge she uses to carry out her employment activities. Her employer doesn't pay or reimburse Amara for any accommodation or meal expenses.

Amara can claim a deduction for the amount she spends on 4 nights of accommodation in Las Vegas (one night before the conference and 3 nights of the conference) and the meals she purchases during this time.

Amara can't claim a deduction for the amount she spends on accommodation and meals leading up to the conference. These are private expenses.

Example: study expenses while on leave from work

Jamal is an employee research laboratory assistant in Adelaide. Jamal takes 12 months leave without pay to do a postgraduate course on understanding research methods at a university in London.

Jamal moves out of his rented unit in Adelaide and moves to London for a year. While he is in London, Jamal rents a unit with another course participant.

Even though the course will improve the skills and knowledge Jamal requires to carry out his current employment activities, he can't claim a deduction for the cost of accommodation and meals while he is in London studying. The expenses are private living expenses.

Interest on borrowings

You can claim the interest on a loan where you use the borrowed funds to pay for deductible self-education expenses.

You can't claim a deduction for repayments of loan principal.

Example: interest on borrowings

Tim is a solicitor undertaking a Master of Law degree part-time. He borrows $10,000, repayable over 3 years, to pay for his tuition fees. He incurs $1,000 interest each year.

Tim can claim a deduction of $1,000 for interest in each of the 3 years.

Expenses you can't claim

You can't claim the following expenses in relation to your self-education:

- tuition fees paid by someone else or that your employer or a third-party reimburses you for
- tuition fees for Commonwealth supported places at a university or higher education provider, which includes any fees you pay with the assistance of a HECS-HELP loan
- repayments of study and training support loans such as
  - Higher Education Loan Program (HELP), including FEE-HELP and HECS-HELP
  - Student Financial Supplement Scheme
  - VET Student Loans
  - Student Start-up Loans
  - ABSTUDY Student Start-up Loans
  - Trade Support Loan Program
- accommodation and meals where you are not required to be temporarily away from home (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/) for one or more nights.

You also can’t claim a deduction for self-education expenses you incur if your only income is a qualifying Australian Government allowance or payment (/individuals/income-deductions-offsets-and-records/income-you-must-declare/government-payments-and-allowances/). This allowance or payment is a rebatable benefit and is eligible for the beneficiary tax offset.

For self-education expenses incurred before 1 July 2022 (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/education-training-and-seminars/self-education-expenses/self-education-reduction-in-expenses/), you generally can't claim the first $250 of expenses.

Example: receiving Austudy payments

Alison starts a full-time Bachelor of Pharmacy. As she has 2 young children, she applies for and receives Austudy payments from Centrelink to support herself while studying.

Austudy is a taxable government assistance payment and is eligible for the beneficiary tax offset.

Alison can't claim a deduction for her self-education expenses because the Austudy payments are her sole income and Austudy is a rebatable benefit.

For more information see TR 98/9 (/law/view/document?DocID=TXR/TR989/NAT/ATO/00001&PiT=99991231235958) *Income tax: deductibility of self-education expenses incurred by an employee or a person in business*

Apportioning expenses

If you incur an expense for work-related self-education purposes and private purposes, you can only claim the work-related portion of the expense. This means you need to apportion the expense. See Example: apportioning deduction for decline in value of assets.

If the self-education isn't connected to your current employment income overall, but particular subjects of a qualification or components of a course are, you may be able to claim a deduction for the cost of those subjects or components. You can claim a deduction if the subjects or components have a sufficient connection to your employment activities at the time you incur the expense and you can work out their cost.

Example: course overall isn’t connected to current employment

James is an employee civil engineer. His duties include designing water and sewerage systems, determining the materials to be used for the systems, carrying out environmental impact studies, and project management of the projects he works on.

After 10 years in a workplace, James decides to enrol in a Master of Business Administration (MBA) at a university to broaden his career opportunities, including possibly opening his own firm in the future. The cost of each subject is identified in documents he receives from the university.

Not every subject in the MBA has a sufficient connection with James’ current employment activities, and so James can't claim a deduction for the total course fees. However, if James studies a subject on project management as part of his MBA qualification, that particular subject would have a sufficient connection to his current employment activity of managing projects. James would be able to claim the cost of the project management subject as a deduction.

Calculate your self-education deduction

Use the calculator to work out your eligibility and estimate your self-education deduction.

Self-education expenses calculator (/Calculators-and-tools/Host/?anchor=SelfEdExpenses&anchor=SelfEdExpenses/questions)

Keeping records for self-education expenses

You must keep receipts for all self-education expenses you incur, including:

- course fees
- text books
- stationery
- depreciating assets such as computers, laptops and office equipment
- transport and travel expenses.

You also need to be able to explain how the course directly relates to your employment activities at the time you incurred the self-education expense.

If you are claiming a deduction for a depreciating asset that you have used for self-education, you must keep:

- your receipts or invoices that clearly show the cost of the depreciating asset and the date of purchase

- details of how you worked out the effective life of the depreciating asset where you haven't used the effective life determined by the ATO
- details of how you work out your claim for decline in value, including which method you used and the opening adjustable value
- details of the percentage of time you use the asset for self-education.

Use the myDeductions tool in the ATO app to keep records of your expenses and income in one place, including photos of your receipts and invoices.

myDeductions tool (/General/Online-services/Online-services-for-individuals-and-sole-traders/ATO-app/myDeductions/)

Self-education reduction in expenses

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Education-training-and-seminars/Self-education-expenses/Self-education-reduction-in-expenses/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Education-training-and-seminars/Self-education-expenses/Self-education-reduction-in-expenses/)
- Last modified: 26 Apr 2023
- QC 72167

How to calculate your self-education expenses deduction and whether you need to reduce your deduction by $250.

On this page

What is the $250 reduction?

Before 1 July 2022, you were required to reduce your allowable self-education expenses by $250 to calculate your deduction.

Expenses from 1 July 2022

If you're claiming a deduction for self-education expenses incurred from 1 July 2022:

- you no longer need to reduce your allowable expenses by $250
- you can claim a deduction for all allowable self-education expenses
- the information below does not apply to you.

Expenses before 1 July 2022

If you're claiming a deduction for self-education expenses incurred before 1 July 2022, you may have to reduce your allowable self-education expenses by $250.

That is, you may need to reduce your self-education expenses for 2021–22 or earlier income years.

Calculating your claim

Use the calculator to work out your eligibility to claim a deduction and the amount of your self-education deduction.

Self-education expenses calculator (/Calculators-and-tools/Self-education-expenses/)

Alternatively, you can work it out manually using the following procedures.

There are 5 categories of self-education expenses, as shown in the table below.

Self-education expense categories

Category	Expenses
A	Tuition fees, textbooks, stationery, student union fees, student services and amenities fees, public transport fares, car expenses worked out using the 'logbook' method (other than the decline in value of a car), running expenses for a room set aside specifically for study.
B	Decline in value (depreciation) deductions for items such as a computer, desk, or car for which you are claiming a deduction in Category A under the 'logbook' method.
C	Repair costs to assets used for self-education purposes. Don't include car repair expenses here as it is part of car expenses in Category A or D.
D	Car expenses using the 'cents per kilometre' method – you can't use this method if you have used the 'logbook' method in category A.

E	Expenses you have incurred but can't claim as a deduction – for example:
	• child care costs related to attendance at lectures or other self-education activities
	• for work-related self-education, travel expenses for the last stage of travel from your
	  ◦ home to place of education and then to your workplace, or
	  ◦ workplace to your place of education and then to your home
	• for taxable bonded scholarship recipients who are not employed by the scholarship provider, travel expenses from your home to your normal place of education and back
	• capital costs of items acquired in the income year and used for self-education purposes, such as a computer or desk (you can take the cost of the asset into account for the purpose of category E in this table; it doesn't affect your decline in value (depreciation) deductions at category B in this table).
	While you can't claim a deduction for these expenses, you can use them to offset the $250 reduction to your allowable self-education expenses where you incurred them before 1 July 2022.
	From 1 July 2022 you do not need to record category E expenses.

Reducing your expenses by $250

If the total of your expenses consists solely of Category A items, your total must be reduced by $250.

Example: category A expenses

Maureen is an apprentice hairdresser studying hairdressing at a TAFE college. Her course fees, textbooks and public transport fares are all Category A expenses totalling $290. Maureen does not have any expenses in category B, C D or E. Maureen can only claim $40 after the $250 reduction.

If you have expenses in Categories C, D or E, you can use these amounts to offset against the $250 reduction before you reduce your Category A amount.

The formula for calculating your claim for work-related self-education expenses is:

Total claim estimate = (A – [$250 – (C+D+E expenses)]) +B+C+D

If the total of (C+D+E expenses) is greater than $250 it is reduced to **0** (zero), not a negative amount. For example, if the total of your Categories C, D and E expenses is $290, then the amount in square brackets in the formula above will be nil ($250 – $250=$0) and your deduction for self-education expenses will be the total of your Categories A, B, C and D expenses.

To calculate an estimate of your claim, complete the steps in the following table.

Steps to manually calculate your claim

Step 1: Add together the expenses you incurred for Category A expenses.

Step 2: Add together the totals for your Categories C, D and E expenses.

Step 3:Subtract the Step 2 total from $250. If this is a negative amount, show '0' (zero).

Step 4: Subtract the Step 3 amount from the Step 1 amount. If this is a negative amount, show '0' (zero).

Step 5: Add the Step 4 amount to Categories B, C and D expenses. This amount is the estimate of your self-education claim.

When calculating travel expenses for a car, you can only use one calculation method. If you choose to include car expenses in Category A using the 'logbook' method, you can't calculate an amount for Category D using the 'cents per kilometre' method.

A car's repair expenses should be included as part of car expenses in Category A if you are using the logbook method. If you are using the cents per kilometre method, repairs to your car are covered by the rate per kilometre and are included at the amount shown at Category D. Do not include a car's repair expenses in Category C.

If you are claiming car expenses at more than one question (for example, at 'Work-related self-education expenses' and 'Work-related car expenses') then you will need to allocate the applicable expenses between the questions. You must use the same method (logbook or cents per kilometre) for calculating your work-related car expenses and your work-related self-education car expenses.

For more information see TR 98/9 (/law/view/document?docid=TXR/TR989/nat/ato/00001) *Income tax: deductibility of self-education expenses incurred by an employee or a person in business*

School fees and child care

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Education-training-and-seminars/School-fees-and-child-care/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Education-training-and-seminars/School-fees-and-child-care/)
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- QC 72168

You can't claim a deduction for child care, or for school or higher education fees for your children.

On this page

School fees (including university and TAFE fees)

You can't claim a deduction for the cost of educating your children (or any other students), including school fees, university fees and TAFE fees. These are private expenses that are not connected with earning your employment income.

Example: private school fees

Troy, a single father, works 2 jobs so that he can afford private school fees for his twins Yasmine and Jasmine.

Troy can't claim a deduction for the school fees. The expense has no connection to his employment income and is private in nature.

You may be able to claim a deduction for your self-education and study expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/education-training-and-seminars/self-education-expenses/) if the education relates to your employment activities.

If you make a donation to the school building fund of your child's school:

- you can claim a deduction for your donation if the school building fund is a deductible gift recipient
- you can't claim a deduction if the donation isn't truly a gift – for example, if you make a payment to the school building fund as an alternative to an increase in your child's school fees, or for placement on a waiting list.

For more information, see Gifts and donations (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/gifts-and-donations/).

Child care

You can't claim a deduction for the cost of child care, or before or after school care.

This is a private expense that isn't directly connected with earning your employment income.

Seminars, conferences and training courses

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Education-training-and-seminars/Seminars-conferences-and-training-courses/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Education-training-and-seminars/Seminars-conferences-and-training-courses/)
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- QC 72169

Deductions for attending seminars, conferences, and first aid or other training courses connected with your work.

On this page

What you can claim

You can claim a deduction for the cost of attending seminars, conferences, or training courses to maintain or increase the knowledge, capabilities or skills you need to earn your income in your current employment.

You can claim:

- fares to attend the venue where the seminar, conference or training course is held (unless it is held at your normal workplace)
- registration costs
- accommodation and meals, but only if you need to travel and stay away from home overnight to attend the event.

Reducing your deduction for private components of the event

If there is a private component to attending the seminar, conference, or training course, you may not be able to claim all of your expenses as a deduction.

If the private component is incidental to the event (for example, a catered lunch or reception for delegates), you can still claim all of your expenses as a deduction.

Example: private component is incidental

Gary, a qualified architect, attends an 8-day work-related conference in Hawaii on modern trends in architecture. One day of the conference involves a sight-seeing tour of the island, and a networking game of golf is held on the final afternoon.

As his main purpose is work-related, Gary can claim a deduction for all of his expenses (conference fees, air fares, accommodation, and meals).

If your main purpose is private and the conference, seminar or training course is merely incidental, you can only claim the direct costs of the conference, seminar, or course (for example, registration costs).

Example: seminar is incidental to trip

Jodie is holidaying in Cairns when she becomes aware of a half-day work-related seminar nearby. She attends the seminar.

Jodie can claim a deduction for the cost of attending, but she can't claim her airfares to and from Cairns, or her accommodation and meals, as the primary purpose of her travel is private.

If there is a private component and your attendance involves travel, you may need to reduce your deduction to exclude the private part of your trip.

Example: dual-purpose trip

Megan flies to London for a 10-day work-related conference. She stays over for an extra 15 days to sightsee.

As the sightseeing is not an incidental part of the conference or the trip as a whole, Megan can only claim a deduction for:

- the work-related portion of the airfares, which is 40% (10 days / 25 days)
- the accommodation and meals for the 10 days she attends the conference.

Megan can't claim a deduction for her accommodation and meals for the 15 days of private travel.

First aid courses

You can claim a deduction if it is necessary for you, as a designated first aid person, to undertake first aid training to assist in emergency situations at work.

You can't claim a deduction if:

- your employer pays for the training or reimburses you
- you're required to have a first aid qualification before you can be employed in an occupation. This is because you incurred the expense to enable you to start your employment, not during your employment.

Example: first aid course

Leanne is a flight attendant. She is required to hold a first aid qualification as she may need to apply first aid in the event of an emergency.

Leanne can claim a deduction for the cost of a first aid course.

Memberships, accreditations, fees and commissions

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Memberships-accreditations-fees-and-commissions/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Memberships-accreditations-fees-and-commissions/)
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- QC 72170

Deductions for union fees, professional memberships, working with children check, agency fees and commissions.

Union fees, subscriptions to associations and bargaining agents fees (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/memberships-accreditations-fees-and-commissions/union-fees-subscriptions-to-associations-and-bargaining-agents-fees/)
Deductions for union fees, subscriptions to trade, business or professional associations and payment of a bargaining agent's fee.

Professional memberships and accreditations (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/memberships-accreditations-fees-and-commissions/professional-memberships-and-accreditations/)
Deductions for the cost of a membership, accreditation or annual practising certificate you need to work in your field.

Working with children check (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/memberships-accreditations-fees-and-commissions/working-with-children-check/)
Deductions for the cost of a working with children check if you currently work with children.

Agency fees, commissions and payments (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/memberships-accreditations-fees-and-commissions/agency-fees-commissions-and-payments/)
Deductions for fees or commissions you pay to an agency, and for wages you pay to staff who help you earn your income.

Election expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/memberships-accreditations-fees-and-commissions/election-expenses/)
Deductions for the costs in contesting an election, such as candidate costs in contesting government elections.

Union fees, subscriptions to associations and bargaining agents fees

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Memberships-accreditations-fees-and-commissions/Union-fees-subscriptions-to-associations-and-bargaining-agents-fees/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Memberships-accreditations-fees-and-commissions/Union-fees-subscriptions-to-associations-and-bargaining-agents-fees/)
- Last modified: 26 Apr 2023
- QC 72171

For the industry you work in, you can claim a deduction for:

- union fees
- subscriptions to trade, business or professional associations
- payment of a bargaining agent’s fee to a union for negotiations on a new enterprise agreement or award with your existing employer.

You can only claim payments of levies to a strike fund where the fund's sole use is to maintain or improve the contributors' pay.

You can't claim a deduction for the payment of levies to a strike fund if the fund provides financial support to members who are in financial hardship during a period of industrial action. The levies are not incurred in earning your assessable income.

You can also claim up to $42 per income year for the cost of each subscription you incur for membership of a trade, business or professional association that doesn't directly relate to earning your employment income.

Most unions and associations send their members a statement of the fees or subscriptions they pay.

Example: subscriptions

Michael is an accountant and pays $700 a year for membership of his professional accounting body. He is also studying actuarial science and decides to join that professional body as a student member, which costs $200 per year.

Michael can claim a deduction for:

- the full amount of $700 for the accounting body membership, because that relates to his employment
- $42 of the actuarial professional membership, because it is not directly related to his employment.

Professional memberships and accreditations

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Memberships-accreditations-fees-and-commissions/Professional-memberships-and-accreditations/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Memberships-accreditations-fees-and-commissions/Professional-memberships-and-accreditations/)
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- QC 72172

You can claim a deduction for the cost of renewing an annual practising certificate, membership or accreditation if you need it to work in your field.

These include:

- trade licences for plumbers, electricians and carpenters
- crane, hoist and scaffolding licences for construction workers
- responsible service of alcohol and gaming licences for hospitality workers
- registration for nurses, teachers and doctors.

If you're required to have a practising certificate, professional membership or accreditation before you can be employed in an occupation, the initial cost of obtaining it isn't deductible. This is because you incurred the expense to enable you to start your employment, not during the course of your employment.

To claim a deduction, the expense must be related to your current employment.

Example: renewing registration

Brenden is a nurse and must renew his registration annually to continue working as a nurse. He can claim a deduction for the cost of renewing his registration each year. He incurs the expense in earning his employment income.

Example: obtaining certificate as a prerequisite to work

Drew has finished his legal training in Townsville and is preparing to start his career as a solicitor. To practise as a solicitor, Drew must apply to the Supreme Court of Queensland to be admitted as a lawyer, and then apply for a practising certificate. Until he is granted both, he can't practise law.

Drew isn't entitled to claim a deduction for the cost of his admission or practising certificate because he incurs these costs to start earning employment income. Once he is employed, he can deduct the cost of renewing his practising certificate each year, as it allows him to continue earning his employment income.

Working with children check

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Memberships-accreditations-fees-and-commissions/Working-with-children-check/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Memberships-accreditations-fees-and-commissions/Working-with-children-check/)
- Last modified: 26 Apr 2023
- QC 72173

Deductions for the cost of a working with children check if you currently work with children.

On this page

When you can claim a working with children check

You can claim a deduction for the cost of a working with children check if you are:

- an existing employee and need to either obtain or renew a suitability notice to continue to earn assessable income in your position
- a new employee and your recent employment income is from continuous employment in a child-related field.

Example: new teacher previously employed in child-related employment

Freda receives most of her income in the child-related employment field. For years she has worked at a range of schools as a teacher, employed under a series of temporary contracts. Her last contract ended in March and she accepted another contract at a different school in May of the same year.

The principal of the new school is required to apply for a suitability notice for Freda so that she can start the contract. Freda pays the application fee for the suitability notice to work with children.

Freda can claim the cost of the application as a deduction. Although she is a new employee at this particular school, she has been continuously employed in the child-related employment field and the expense is necessary to her employment.

When you can't claim a working with children check

If you're a new employee, you can't claim a deduction for the cost of getting an initial working with children check unless you've recently been working in a child-related employment field.

Example: cleaner not previously in child-related employment

Catriona was once employed as a cleaner in a school. However, she has not worked in child-related employment for an extended period, and her suitability notice to work with children has expired. During this time she works as an office cleaner.

Catriona accepts a new position as a cleaner with a school. The principal of the school applies for a suitability notice for her. Catriona pays the application fee.

Catriona can't claim a deduction for the fee. Although her previous employment was child-related, the time elapsed, and the fact that she has since had jobs in other fields of employment, removes the connection between the expense and her income.

She needs the notice to allow her to re-enter the field of child-related employment as a new employee, rather than to preserve the continuity of existing income.

For more information for Queensland school employees, see CR 2001/38 (/law/view/document?DocID=CLR/CR200138/NAT/ATO/00001) *Income tax: The deductibility for Queensland school employees of the cost of obtaining a suitability notice for working with children.*

Agency fees, commissions and payments

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Memberships-accreditations-fees-and-commissions/Agency-fees-commissions-and-payments/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Memberships-accreditations-fees-and-commissions/Agency-fees-commissions-and-payments/)
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- QC 72174

Deductions for agency fees or commissions, and for wages you pay to someone who helps you earn your commission income.

On this page

Agents and agency fees

Agents include talent agents, employment agents, recruitment agents, modelling agents and booking agents.

You can't claim a deduction for the upfront costs of joining or using the services of an employment and recruitment agency or an agent to get work. This is because the expense is incurred before you start employment.

If your employment contract allows for renegotiation, review or extension of the contract, any costs of doing so will be an allowable deduction. These expenses are incurred in earning your employment income.

Example: agent fees

Zahra joins an acting agency to help further her career. She pays a setup fee as part of joining the agency. Zahra is offered a contract to be one of the leads in a TV series for one year, with a mutual option to extend the contract. The show turns out to be a success and her agency negotiates to extend the contract for another year.

Zahra can't claim a deduction for the cost of joining the agency as it enables her to get work. She can claim a deduction for the cost to renegotiate her contract as it is part of her employment activity.

Commissions

If you pay an agency a commission for work you've gained, you can claim a deduction for the commission you actually incur. To claim the deduction you must either pay the commission to the agency separately or the agency must deduct the commission from the fee you receive.

Example: agency commission

Geoff is an employee agency nurse. He works one night at a hospital and is paid $600. He pays a commission of $48 to the agency.

Geoff declares the $600 as income in his tax return and can claim a deduction for the $48 commission. He incurs the cost of the commission in the course of earning his wages as an agency nurse.

Wages you pay

If you're an employee earning commission-only income, you may be able to claim a deduction if you pay someone to provide services and assistance directly relating to your employment activities.

You need to show that:

- the arrangement is not a private arrangement
- hiring the person allows you to earn additional income from your employment activities.

Example: genuine support to earn additional income

Claire is employed as a regional wine sales executive and works on a commission-only basis. She hires Jake as an administration support person for 4 hours a day, 5 days a week.

Jake's duties are to:

- ensure Claire's sales orders are processed and sent to her customers
- book her appointments with clients
- undertake other administrative tasks.

Hiring Jake allows Claire to earn more income from selling wine, as she has more time to see potential customers and promote the product she is selling. Claire can claim a deduction for the cost of Jake's wages as there is a clear connection with her employment activity.

Example: private arrangement

Pawel is an employee computer systems salesperson and works on a commission-only basis. He pays his son $100 a week to answer the home phone when he isn't around.

Pawel doesn't expect his son to be at home at certain times and if his son doesn't answer the phone, it will divert to Pawel's mobile. He rarely gives his home phone number out to clients.

Pawel can't claim a deduction for the expense of paying his son as there is no connection between the expense and his employment activities.

If you are paying wages to a relative, the amount you can claim as a deduction is limited to what would be a reasonable payment for the service performed. A reasonable payment is the amount an employer would be expected to pay to an unrelated person who had similar skills and experience in the same role.

Example: overpayment

Verity is an employee real estate agent on a commission-only basis. She pays her son $50 an hour to deliver advertising leaflets in the region in which she operates. The market rate for such a service is $21 an hour.

Verity can only claim a deduction of $21 an hour for the wage expenses.

Election expenses

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Memberships-accreditations-fees-and-commissions/Election-expenses/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Memberships-accreditations-fees-and-commissions/Election-expenses/)
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Deductions for the costs of contesting parliamentary and local government elections, and union elections.

On this page

Parliamentary and local government elections

You can claim a deduction for expenses you incur as a candidate in contesting an election, provided the expense is the type you would incur to further your chances of being elected to a Parliament. This includes the candidate's costs to contest:

- state or territory elections
- federal elections.

You can also claim a deduction for expenses you incur in contesting a local government election for membership of a local governing body such as a city, town, municipal or shire council. Your deduction can't exceed $1,000 for each election contested, even if you incur the expense in more than one income year.

You can't claim a deduction for entertainment expenses as election expenses unless you're either:

- providing entertainment that is available to the public generally
- buying food and drink for yourself while you are travelling overnight in the course of a campaign and the food and drink expenses are not incurred in entertaining another person.

If you claim a deduction for any election expense and you get a reimbursement, you must include the amount as income in your tax return.

For more information see, TR 1999/10 (/law/view/document?Docid=TXR/TR199910/NAT/ATO/00001) *Income tax and fringe benefits tax: Members of Parliament - allowances, reimbursements, donations and gifts, benefits, deductions and recoupments.*

Union elections

If you are a salaried, elected trade union official, you can't claim a deduction for contributions into a general fund for the election of trade union officials. The expense is not incurred in gaining your assessable income, but rather to assist in obtaining future employment for yourself and others.

For more information, see TR 2000/7 (/law/view/document?DocID=TXR/TR20007/NAT/ATO/00001&PiT=99991231235958) *Income tax: subscriptions, joining fees, levies and contributions paid to associations by individuals.*

Meals, entertainment and functions

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Meals-entertainment-and-functions/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Meals-entertainment-and-functions/)
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- QC 72176

Deductions for meals, snacks, overtime meals, entertainment and functions.

Meals and snacks (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/meals-entertainment-and-functions/meals-and-snacks/)
With limited exceptions relating to travel and overtime, the cost of food and drink is private and not deductible.

Overtime meal expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/meals-entertainment-and-functions/overtime-meal-expenses/)
Deductions for meals you buy and eat while working overtime.

Entertainment and functions (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/meals-entertainment-and-functions/entertainment-and-functions/)
You can't claim the cost of attending functions or participating in entertainment involving food, drink or recreation.

Meals and snacks

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Meals-entertainment-and-functions/Meals-and-snacks/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Meals-entertainment-and-functions/Meals-and-snacks/)
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With limited exceptions relating to travel and overtime, the cost of food and drink is private and not deductible.

Example: buying food at work

Scarlett works evenings at the candy bar in a movie theatre. She gets a long break, during which she buys dinner and usually buys some peanuts and water to snack on throughout her shift.

Scarlett can't claim a deduction for the cost of snacks or her evening meal. The cost of the food and drink she has bought is private and not connected to her employment activities.

Similarly, you can't claim the cost of a meal you buy when you are going between different jobs.

Example: meals between jobs

Owen has 2 jobs, as a bank teller and a shop assistant at a liquor store. He finishes work at the bank at 5 pm and starts work at the liquor store at 6 pm. Before starting work at his second job, Owen buys an evening meal.

Owen can't claim a deduction for his evening meal. The cost of the food and drink is private and not connected to his employment activities.

You can generally claim a deduction for the cost of meals you incur when you travel and stay away from your home overnight (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/) in the course of your work.

You may also be able to claim a deduction for the cost of a meal you buy and eat while working overtime (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/meals-entertainment-and-functions/overtime-meal-expenses/).

Overtime meal expenses

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Meals-entertainment-and-functions/Overtime-meal-expenses/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Meals-entertainment-and-functions/Overtime-meal-expenses/)
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- QC 72178

Deductions for meals you buy and eat while working overtime.

On this page

When you can claim overtime meal expenses

Generally, the cost of food and drink (meals) while working are a private expense and you can't claim a deduction.

However, you can claim a deduction for an overtime meal if:

- you buy and eat the meal while working overtime
- you receive an overtime meal allowance under an industrial award or enterprise agreement
- the overtime meal allowance is shown on your annual income statement and you declare it as income in your tax return.

A meal you buy and eat while you are working overtime is an expense you incur in earning your employment income.

Example: deduction for overtime meal expense

Moana completes her 8-hour shift and her employer asks her to work for an additional 3 hours. She is given a meal break and paid a meal allowance of $20 under her enterprise bargaining agreement. Moana buys and eats a meal costing her $21 during her overtime.

At the end of the income year Moana's employer reports the allowance on her income statement. Moana declares the allowance as income in her tax return.

Moana can claim a deduction for $21 for overtime meal expenses.

When you can't claim overtime meal expenses

You can't claim a deduction if you don't:

- buy the overtime meal yourself – for example, your employer provides you with a meal or reimburses you for the cost of your meal
- eat the meal while you are working overtime – for example, you eat the meal on your way home after you work overtime.
- receive an overtime meal allowance to purchase a meal while working overtime and declare the allowance as income in your tax return.

Example: no overtime meal expense

Nerissa is paid an overtime meal allowance under an award when she works overtime on a Sunday. On the day, Nerissa's manager buys pizza for the team, so Nerissa doesn't buy any food or drink herself.

As Nerissa hasn't incurred any expenses on food or drink during her overtime, she can't claim a deduction for an overtime meal.

Example: meal purchased and eaten after overtime

Michael is asked to work 3 hours overtime after finishing his normal shift. He is given a meal break and paid a meal allowance of $20 under his enterprise agreement. Michael takes his break but doesn't buy any food. After his overtime shift finishes, Michael buys some food on the way home.

Michael can't claim a deduction for the cost of this food, as he hasn't incurred the expense as part of earning his assessable income.

What is an overtime meal allowance?

An overtime meal allowance is:

- an amount your employer pays you to buy food and drink (a meal allowance)
- a payment specifically for working overtime
- a payment you receive under an industrial instrument – for example, an award or enterprise bargaining agreement
- reasonably expected to cover the cost of food and drink you consume on overtime.

An amount for overtime meals that has been folded into your normal salary and wages isn't an overtime meal allowance.

Example: meal allowance folded into wages

Luke received an overtime meal allowance under his previous enterprise agreement. In the most recent agreement, the overtime meal allowance is folded into the general pay structure and is no longer a specific allowance to buy food and drink on overtime.

The amount folded into Luke's general pay is a not an overtime meal allowance. It is not paid to enable Luke to buy a meal specifically while working overtime.

Example: meal allowance not paid for overtime

Ophelia is a paramedic and her pay and conditions are covered by an industrial award. She receives a meal allowance if, because of her work, she is away from her home station during a rostered meal break. Ophelia also receives a broken meal allowance if she is called out to duty while on a meal break.

Neither of these allowances are overtime meal allowances as they are not paid in connection with working overtime.

Ophelia also receives an allowance to buy a meal when she works overtime. This is an overtime meal allowance.

If an overtime meal allowance is only made in reference to an industrial instrument, but is not enforceable under it, it is not paid under that industrial instrument.

Example: not paid under an industrial instrument

Joe works as a project manager on building sites. His salary is determined by his employer using a starting amount greater than the applicable industrial award. He is also paid amounts to cover notional overtime, vehicle use, meals and work performed at home. Joe receives a fixed weekly amount as his salary.

Joe's salary does not take into account the actual overtime he works. He gets paid the same amount whether or not he works overtime. Although the calculation of his salary was made by reference to an industrial award, he is not being paid an allowance under an industrial award.

Joe has not been paid an overtime meal allowance.

Overtime meal allowance expense records

Generally, you must keep written evidence (such as receipts) of your overtime meal expenses.

If the amount you claim is within the reasonable amount we specify, you may qualify for the record keeping exception and not need to keep written evidence of overtime meal expenses.

Written evidence

Written evidence is a receipt or other document (paper, digital or electronic) that you get from the supplier of the goods or services, such as an itemised receipt. It must include all of the following:

- name or business name of the supplier
- amount of the expense
- nature of the goods or services
  - if this is not shown on the document, you can write the missing details on the document yourself. You must do this before you lodge your tax return
- date you incur the expense
  - if this is not shown on the document, you can use your bank statement, credit card statement or some other reasonable, independent evidence to show when you paid the expense
- date the document (evidence) is created.

Generally, you need to keep this written evidence for 5 years from the date you lodge your return.

Record keeping exception for overtime meals

You don't need to keep written evidence of your overtime meal expenses if:

- you receive an overtime meal allowance from your employer
- you incur a deductible overtime meal expense
  - you must incur the expense and it must be deductible – merely receiving an overtime meal allowance from your employer does not automatically entitle you to claim a deduction
- the amounts you claim for overtime meals, covered by your allowance is within the reasonable amounts we specify.

You still need to be able to show that you actually incurred the expense and are entitled to claim it.

Each meal that you claim a deduction for must be less than the reasonable amount.

If your overtime meal expense claim exceeds the reasonable amount, you will need to keep written evidence for your whole claim.

Reasonable amount

The reasonable amount for overtime meal expenses in the 2022–23 income year is $33.25.

The reasonable amounts are published each income year. See TD 2022/10 (/law/view/document?docid=TXD/TD202210/NAT/ATO/00001) *Income tax: what are the reasonable travel and overtime meal allowance expense amounts for the 2022–23 income year?*

The reasonable amount is not an amount you can automatically claim as a deduction. You can still only claim a deduction for the deductible overtime meal expenses you actually incur.

Example: overtime meal expenses less than reasonable amount

Raisa works overtime one night to complete an urgent task. She receives an overtime meal allowance of $15.94 under her industrial award. The allowance is shown on her income statement and she includes the amount as income in her 2022–23 tax return.

During her overtime meal break, Raisa spends $20 on her meal.

The reasonable amount for overtime meal expenses in the 2022–23 income year is $33.25.

Raisa can claim a deduction for the $20 she spent without keeping written evidence because she:

- incurs a deductible overtime meal expense
- is paid an overtime meal allowance by her employer
- is claiming less than the reasonable amount for her overtime meal expense.

Although Raisa is not required to keep written evidence, she will still need to show:

- how she calculated her total deduction at the end of the year
- that she included the overtime meal allowance in her income tax return.

If your expenses are above the reasonable amount

If your overtime meal expenses are more than the reasonable amount, you can either:

- claim the amount you spent and keep written evidence of your whole claim (it's not sufficient to only have records for the expenses above the reasonable amount)
- claim only the reasonable amount and keep fewer records.

Example: overtime meal expenses more than reasonable amount

Stefan is paid an overtime meal allowance of $18.32 under his industrial award. On his overtime meal break, Stefan goes to a restaurant and buys a meal and coffee. The bill is $48.55, which is higher than the reasonable amount of $33.25 in 2022–23 for an overtime meal.

Stefan can either:

- claim $33.25 and not keep written evidence of his claim
- claim $48.55 and keep written evidence of his whole claim.

Records to keep if the exception applies

Even if the record keeping exception applies to you, we may still check your tax return and ask you to provide documents showing that:

- you worked overtime
- you purchased a meal – for example, a credit card statement or other record
- your overtime meal allowance was paid under an industrial instrument
- you correctly declared the overtime meal allowance in your tax return.

Entertainment and functions

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Meals-entertainment-and-functions/Entertainment-and-functions/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Meals-entertainment-and-functions/Entertainment-and-functions/)
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You can't claim the cost of attending functions or participating in entertainment involving food, drink or recreation.

This includes events, dinners, dances and cocktail parties, even if they are attended exclusively by your work colleagues, you discuss work at the functions and they are compulsory. These aren't deductible expenses.

Example: attending work function

Leroy, a business development manager, attends a number of functions such as lunches, cocktail parties and dinners where he engages with potential new clients.

Despite the fact that Leroy conducts work-related discussions at these functions, he can't claim a deduction for the cost of attending. The expense is for entertainment (food and drinks).

Personal grooming, health and fitness

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Personal-grooming-health-and-fitness/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Personal-grooming-health-and-fitness/)
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Deductions for medical assessments, vaccinations, COVID-19 tests, gym fees, cosmetics and personal grooming.

Medical assessments and vaccinations (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/personal-grooming-health-and-fitness/medical-assessments-and-vaccinations/)
Deductions for a compulsory medical assessement in your current job. You can't claim for a vaccination.

COVID-19 test expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/personal-grooming-health-and-fitness/covid-19-test-expenses/)
Deductions if you pay for a COVID-19 test for a work-related purpose.

Personal appearance and grooming (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/personal-grooming-health-and-fitness/personal-appearance-and-grooming/)
As a rule, you can't claim the costs of personal grooming or cosmetics.

Gym fees and fitness-related expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/personal-grooming-health-and-fitness/gym-fees-and-fitness-related-expenses/)
Except in very limited circumstances, you can't claim gym fees or fitness-related expenses.

Medical assessments and vaccinations

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Personal-grooming-health-and-fitness/Medical-assessments-and-vaccinations/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Personal-grooming-health-and-fitness/Medical-assessments-and-vaccinations/)
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- QC 72181

Deductions for a compulsory medical assessment in your current job. You can't claim for a vaccination.

On this page

- Compulsory medical assessments
- Flu and other vaccinations

Compulsory medical assessments

You can claim a deduction for compulsory assessments and medical examinations your employer requires you to take in your current employment. For example, if you are employed as a driver, you can claim for a compulsory fitness to drive assessment.

From 1 July 2021 you can claim for a COVID-19 test (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/personal-grooming-health-and-fitness/covid-19-test-expenses/) that you are required to take to attend work.

You can’t claim a deduction for compulsory pre-employment assessments and medical examinations you take to obtain employment.

Example: pre-employment compulsory assessment

Ros is interviewed for a new job as a train driver. She is offered the position, subject to getting a pre-employment medical assessment done and providing the medical report to her employer. The assessment and report costs Ros $125.

Ros can't claim a deduction for this assessment and report, as it's a requirement for her to have this assessment to gain employment as a train driver.

Flu and other vaccinations

You can't claim a deduction for the cost of vaccinations, even if your employer requires you to have the vaccination. These are private expenses.

Example: flu vaccination

Penelope is a personal carer and works with clients who are medically compromised. Her employer requires that she obtains the flu vaccination each year.

Penelope can't claim a deduction for the cost of being vaccinated against the flu, even though it is a requirement of her employment. Vaccinations, including the flu shot, are private expenses.

COVID-19 test expenses

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Personal-grooming-health-and-fitness/COVID-19-test-expenses/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Personal-grooming-health-and-fitness/COVID-19-test-expenses/)
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- QC 72182

Deductions if you pay for a COVID-19 test for a work-related purpose.

On this page

When you can claim COVID-19 testing

From 1 July 2021, you can claim a deduction for the cost of a COVID-19 test if:

- the test is to determine if you can attend or remain at work
- the test is either a
  - polymerase chain reaction (PCR) test through a private clinic
  - test listed in the Australian Register of Therapeutic Goods, including rapid antigen test (RAT) kits
- you pay for the test yourself (that is, your employer doesn't give you a test or reimburse you for the cost)
- you keep a record to prove that you incurred the cost (usually a receipt).

The deduction is available to employees, sole traders and contractors.

You can only claim a deduction for a COVID-19 test that was used by you to determine whether you may attend or remain at work. For example, if you buy a multipack of COVID-19 tests and some of these tests are used for private purposes (such as by other family or household members or for leisure activities), you must only claim a deduction for the portion of the expense you used for a work-related purpose.

We will accept claims for a deduction for the COVID-19 tests in the income year you paid for the tests if the purpose of buying the tests was solely for a work-related purpose and this intention has not changed for any unused tests remaining at the end of an income year. This is to make it easier for you to comply with your tax obligations.

When you can't claim COVID-19 testing

You can't claim the cost of a COVID-19 test where any of the following apply:

- you use the test for private purposes – for example, to test your children before they attend school or day care
- you are reimbursed for the expense by your employer or another person
- you received a free COVID-19 test
- you work from home and don't attend another place to either gain or produce your assessable income, or to carry on a business for that purpose.

You also can’t claim a deduction for the travel or parking expenses you incur to buy your COVID-19 test. This isn't part of the cost of the test.

Example: COVID-19 tests you can claim

Mary is a casual employee at a local café. In April 2022 she buys a box of 5 qualifying COVID-19 tests, that she only uses before starting a shift if she has any COVID-19 symptoms or has been in contact with a person who has COVID-19. Her employer doesn't reimburse her for the cost of the COVID-19 tests.

As Mary uses all 5 tests to check her COVID-19 status before starting a shift, she can claim a deduction for the total cost of the box of 5 COVID-19 tests.

Example: personal and work-related use and deductibility

Vinh buys a box of 2 COVID-19 tests at the local pharmacy for $20. He uses one test to confirm he doesn't have COVID-19 before attending a local sporting event. A week later he realises that he has been exposed to COVID-19 and uses the other test to check his COVID-19 status before attending his place of work.

As Vinh uses only one of the tests to determine whether he can attend work, he can only claim a deduction of 50% ($10) of the purchase price he paid for the pack of 2 tests.

Keeping records for COVID-19 tests

You need to keep records of COVID-19 tests to show that you paid for the test and it was for a work-related purpose. This may include a receipt or invoice, and evidence such as:

- correspondence from your employer stipulating the requirement to test
- your employer's COVID-19 safety plan or policy
- relevant state health advice or requirements
- diary notes made by you that you used a test to determine whether you could attend or remain at work.

If you don't have a record of your expenses before the law changed on 31 March 2022, we will accept reasonable evidence of your expenses. This may include:

- bank and credit card statements
- a diary or other documents, including receipts, that shows a pattern of buying COVID-19 tests after the law change that could reasonably have applied from 1 July 2021.

Completing your tax return

Once you calculate your deduction, if you're an employee enter the amount at **Other work-related expenses** in your tax return. Include in the description 'COVID-19 tests'.

If you are a sole trader or contractor, enter the amount at **All other expenses** in your **Business and professional items** schedule.

Personal appearance and grooming

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Personal-grooming-health-and-fitness/Personal-appearance-and-grooming/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Personal-grooming-health-and-fitness/Personal-appearance-and-grooming/)
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- QC 72183

As a rule, you can't claim the costs of personal grooming or cosmetics.

On this page

What you can and can't claim

Costs related to personal appearance, including cosmetics or makeup, skin care, shaving products, haircuts, hairdressing and hair products, aren't deductible. These are private expenses.

This is the case even if your employer expects you to maintain certain standards of grooming, or pays you an allowance to cover your grooming expenses.

Example: cosmetics used for personal grooming

Isabella works as an executive assistant to the managing director of a large company. She is required to be well groomed at work and her employer has advised that her presentation will be regularly monitored. In recognition of the importance of grooming to her employer, Isabella is paid a grooming allowance of $50 a week, which she includes in her assessable income.

Even though Isabella uses the allowance to buy cosmetics that she uses solely for work, and her employer expects her to be well groomed, she can't claim a deduction. The connection between Isabella's expenditure on cosmetics and her employment activities is insufficient.

Example: haircuts not deductible

Hugo is in the army and is required to maintain a short hairstyle. Hugo can't claim a deduction for the cost of haircuts, as this is a private expense.

In limited circumstances, there may be sufficient connection between personal appearance expenditure and earning your employment income to make the expenditure deductible.

Example: performer's hairdressing and makeup expenses

Johannes is employed to perform in a touring production that runs for 6 months. The role requires him to keep his hair in a short buzz cut and he buys makeup to age his appearance by 20 years.

As the makeup and hairdressing expenses have a sufficient connection to earning his employment income, Johannes can claim a deduction.

For more information see Taxation Ruling TR 96/18 (/law/view/document?DocID=TXR/TR9618/NAT/ATO/00001&PiT=99991231235958) *Income tax: cosmetics and other personal grooming expenses.*

Cosmetics containing sun protection

Some creams and cosmetics can function both as sun protection and as a cosmetic. If the primary purpose of the item is for use as a cosmetic or the product is marketed as a cosmetic, it generally won't be treated as a sun protection product.

You can only claim a deduction for the cost of a product containing sun protection if:

- your work exposes you to the effects of the sun because you are required to perform your duties for prolonged periods outdoors
- you wear a sunscreen while you are at work to protect you from that risk.

If you use a sunscreen for private purposes and work purposes, you need to apportion for your private usage. You can only claim for the work-related use of these products.

Is your product a sunscreen or a cosmetic?

The Therapeutic Goods Administration (TGA) determines if a product is safe and effective as a sunscreen.

If a product is safe and effective as a sunscreen, it's given an Australian Register of Therapeutic Goods identification (ARTG ID) number by the TGA. This is displayed on the product as an AUST L number. The AUST L number is different from the SPF number.

Any product with an ARTG ID and an AUST L number on the label will be accepted as sunscreen.

To find out whether a product has been given an ARTG ID you can visit the TGA website (https://www.tga.gov.au/) .

Example: no deduction for product that is not a sunscreen

Jackie is a teacher and has bought a cosmetic with added sunblock. Once a week, Jackie is required to supervise pupils at their sports afternoon outdoors. Jackie wears the cosmetic every day and she finds it suitable as sun protection, but it isn't a sunscreen approved by the TGA.

As Jackie uses the product primarily as a cosmetic, she can't claim a deduction for buying it.

If the product Jackie purchased had an ARTG ID from the TGA, she can claim a deduction but would have to apportion her claim to account for her personal use. Her personal use would include the time Jackie does not spend in the sun performing her duties and any other time she wears the cosmetic outside school hours.

Example: deduction allowed for cosmetic containing sunscreen

Wendy works as a gardener and spends the majority of her working day outdoors.

Wendy buys a tinted moisturiser with a high-level sunblock to use on her face when she is working, along with a sunscreen for her arms and legs. She doesn’t use these products when she isn't working.

Wendy checks the TGA website and finds that both the products she uses have an ARTG ID.

As Wendy is exposed to the sun for long periods while performing her duties and she only wears the products when she is working, the cost of the products is incurred in earning her assessable income. This means she can claim a deduction for the tinted moisturiser and sunscreen.

Gym fees and fitness-related expenses

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Personal-grooming-health-and-fitness/Gym-fees-and-fitness-related-expenses/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Personal-grooming-health-and-fitness/Gym-fees-and-fitness-related-expenses/)
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Except in very limited circumstances, gym fees and other fitness expenses (such as skipping ropes, weights and other fitness equipment) are private expenses. You can't claim a deduction for these expenses.

This is the case even if you're required to pass medical examinations and fitness tests to maintain your employment.

Members of the regular Australian Defence Force, police officers and firefighters can't claim their fitness expenses.

However, there are very limited circumstances where you can claim a deduction if your employment requires an extremely high level of fitness. This means strenuous physical activity is an essential and regular element of your work.

Regardless of your circumstances, you can't claim a deduction for conventional clothing you use in the course of keeping fit. This includes such things as tracksuits, running or aerobic shoes, socks, T-shirts and shorts.

Example: private fitness expense

Mahendra is an intelligence officer for the Royal Australian Navy. He prepares intelligence briefings and generally carries out intelligence analysis tasks. Most of this work is done at his desk.

Mahendra has a membership at a private gym and goes there 3 times a week to maintain the fitness levels required for his employment in the Navy.

Mahendra can't claim the costs of his gym membership as it is a private expense. While Mahendra needs to keep a certain level of fitness for his employment, his duties don't require strenuous physical activity.

Example: deductible fitness expense

Nola is a trapeze artist and tumbler with a circus. She has a gym membership and takes regular Pilates and yoga classes. She also trains and rehearses with her company to develop new trapeze and tumbling routines, and performs 6 nights a week.

Nola would be able to claim her fitness costs. Her job is to rehearse and perform trapeze and tumbling acts for the circus, which is a strenuous physical activity that is an essential and regular part of her duties. Maintaining an extremely high level of physical fitness is essential to her job.

Example: deductible expense and private expense

Bill is a police academy physical training instructor. He regularly attends a commercial gym to ensure he can perform his duties. Bill's fitness expenses for the year include gym fees and the cost of a tracksuit.

As Bill's ordinary duties require regular strenuous physical activity, he can deduct his gym fees but not the cost of the tracksuit. The tracksuit is conventional clothing, so the expense is private in nature.

If Bill was a general duties police officer, he wouldn't be entitled to claim a deduction for his gym fees. Although he would have to maintain a standard level of fitness, his role wouldn't involve strenuous physical activity. Bill's expenses in these circumstances would be private.

Gifts and donations

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Gifts-and-donations/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Gifts-and-donations/)
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- QC 72185

Deductions for gifts or donations you make to deductible gift recipients, and the records you need.

On this page

- When a gift or donation is deductible
- What is a deductible gift recipient?
- What you can claim
- What you can't claim
- Keeping records of gifts and donations

For a summary of this content in poster format, see Gifts and Donations (PDF, 548KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Giftsanddonations.pdf) .

When a gift or donation is deductible

You can only claim a tax deduction for a gift or donation to an organisation that has the status of a deductible gift recipient (DGR).

To claim a deduction, you must be the person that gives the gift or donation and it must meet the following 4 conditions:

1. It must be made to a DGR.
2. It must truly be a gift or donation – that is, you are voluntarily transferring money or property without receiving, or expecting to receive, any material benefit or advantage in return. A material benefit is something that has a monetary value.
3. It must be money or property – this can include financial assets such as shares.
4. It must comply with any relevant gift conditions – for some DGRs, the income tax law adds conditions affecting the types of deductible gifts they can receive.

DGRs sometimes authorise a business to collect donations on their behalf. For example, a supermarket may be authorised to accept a donation at the register that they then send onto the DGR. You can claim a deduction for a gift or donation you make in this way, if:

- it meets the 4 conditions above
- you have a receipt from the third party (/Non-profit/Gifts-and-fundraising/Tax-deductible-donations/Keeping-a-record-of-your-donation/#Receiptsfromthirdparties).

If you receive a material benefit in return for your gift or donation to a DGR – for example, you purchase a ticket to a fundraising dinner – it's considered a contribution and extra conditions apply (/Non-profit/Gifts-and-fundraising/Tax-deductible-donations/is-it-a-gift-or-contribution-/#Contributions).

To claim a deduction, you must have a record of your donation such as a receipt.

What is a deductible gift recipient?

A DGR is an organisation or fund that registers to receive tax deductible gifts or donations.

Not all charities are DGRs. For example, crowdfunding campaigns are a popular way to raise money for charitable causes. However, many of these crowdfunding websites are not run by DGRs. Donations to these campaigns and platforms aren't deductible.

You can check the DGR status of an organisation at ABN Look-up: Deductible gift recipients (https://abr.business.gov.au/Tools/DgrListing) .

What you can claim

The amount you can claim as a deduction depends on the type of gift:

- Gifts of money – you can claim the amount of the gift, but it must be $2 or more.
- Gifts of property or shares – there are different rules depending on the type and value of the property – see Gift types, requirements and valuation rules (/Non-profit/Gifts-and-fundraising/Tax-deductible-donations/gift-types,-requirements-and-valuation-rules/).
- Gifts under the Heritage and Cultural programs – there are special circumstances where donations can also be deductible – see:
    - Donating under the Cultural Gifts Program (/Non-profit/Gifts-and-fundraising/Tax-deductible-donations/Gift-types,-requirements-and-valuation-rules/Donating-under-the-Cultural-Gifts-Program/)

- Heritage gifts (/Non-profit/Gifts-and-fundraising/Tax-deductible-donations/gift-types,-requirements-and-valuation-rules/Heritage-gifts/)
- Claiming conservation covenant concessions (/Non-profit/Gifts-and-fundraising/In-detail/Fundraising/Claiming-conservation-covenant-concessions/)

If you receive a token item for your donation you can still claim a deduction. Token items are things of no material value that are used to promote the DGR, such as lapel pins, wristbands and stickers.

You claim the deduction for your gift in the income year in which you give the gift. In some circumstances you may elect to spread the tax deduction over a period of up to 5 income years (/Non-profit/Gifts-and-fundraising/Tax-deductible-donations/when-can-i-claim-/).

Bucket donations

If you made one or more small cash donations, each of $2 or more, to bucket collections – for example, to collections conducted by a DGR for natural disaster victims – you can claim a total tax deduction of up to $10 for those donations for the income year without a receipt.

To claim donations of more than $10, you need a receipt.

Political party and independent candidate donations

In some circumstances, you can claim a deduction for gifts and donations to registered political parties or independent candidates.

This includes paying a membership subscription to a registered political party.

You must have made the gift or donation as an individual (not in the course of carrying on a business) and it can't be a testamentary donation.

Your gift or donation must be worth $2 or more. If the gift is property, the property must have been purchased 12 months or more before making the donation.

The most you can claim in an income year is:

- $1,500 for contributions and gifts to political parties
- $1,500 for contributions and gifts to independent candidates and members.

To claim a deduction, you must have a written record of your donation.

For more information see Claiming political contributions and gifts (/non-profit/gifts-and-fundraising/in-detail/fundraising/claiming-political-contributions-and-gifts/).

What you can't claim

You can't claim gifts or donations that provide you with a personal benefit, such as:

- raffle or art union tickets – for example, an RSL Art Union prize home
- items such as chocolates, mugs, keyrings, hats or toys that have an advertised price
- the cost of attending fundraising dinners (you may be eligible to claim a deduction as a *contribution* if the cost of the event was more than the minor benefit supplied as part of the event (/Non-profit/Gifts-and-fundraising/Fundraising-events/))
- club membership fees
- payments to school building funds made in return for a benefit or advantage – for example, as an alternative to an increase in school fees or placement on a waiting list
- payments where you have an understanding with the recipient that the payments will be used to provide a benefit to you
- gifts to family and friends, regardless of the reason
- donations made under a salary sacrifice arrangement
- donations made under a will.

You can't claim a tax deduction for donations made to social media or crowdfunding platforms unless they are a registered DGR.

Example: material benefits where a deduction can't be claimed

Robbie is an office worker. Each year his workplace gets involved in the Daffodil day appeal to raise money and awareness for the Cancer Council. Robbie buys a teddy bear toy on Daffodil Day at a cost of $30.

Robbie can't claim a deduction for the cost of the toy as he has received a material benefit in return for his contribution to the Cancer Council.

Keeping records of gifts and donations

Keep records for all tax deductible gifts and contributions you make.

Evidence you need to keep may include:

- receipts for donations or contributions
- a signed letter from the eligible organisation confirming the amount of your donation or contribution.

If you receive a minor benefit (/Non-profit/Gifts-and-fundraising/Valuing-contributions-and-minor-benefits/Minor-benefits/) (for example, a charity dinner) as a benefit for your contribution, the value of the benefit needs to be shown.

Most DGRs will issue you with a receipt for your donation, but they're not required to. If you don't have a receipt, you can still claim a deduction by using other records, such as bank statements.

If a DGR issues a receipt for a deductible gift, the receipt must state:

- the name of the fund, authority or institution to which the donation has been made
- the DGR's Australian business number (ABN) (some DGRs listed by name in the law may not have an ABN)
- that it is for a gift.

If you give through a workplace giving program, your evidence can be from either:

- your income statement or payment summary
- a receipt from a third party (/Non-profit/Gifts-and-fundraising/Tax-deductible-donations/Keeping-a-record-of-your-donation/#Receiptsfromthirdparties) or a written record from your employer.

You can use the myDeductions (/General/Online-services/Online-services-for-individuals-and-sole-traders/ATO-app/myDeductions/) record-keeping tool in the ATO app to keep track of your expenses and receipts throughout the year. If you have an electronic copy of your receipts that are a true and clear reproduction of the original, you're not required to keep the original paper copy.

For more information, see Keeping a record of your donation (/Non-profit/Gifts-and-fundraising/Tax-deductible-donations/Keeping-a-record-of-your-donation/).

Investments, insurance and super

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Investments-insurance-and-super/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Investments-insurance-and-super/)
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Deductions for investment expenses, income protection insurance, personal super contributions and foreign pensions.

Interest, dividend and other investment income deductions (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/investments-insurance-and-super/interest-dividend-and-other-investment-income-deductions/)
Deductions for the costs of earning interest, share dividends, or income from other investments.

Income protection insurance (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/investments-insurance-and-super/income-protection-insurance/)
Deductions for the premiums you pay for insurance against the loss of your employment income.

Personal super contributions (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/investments-insurance-and-super/personal-super-contributions/)
Deductions for personal super contributions.

Undeducted purchase price of a foreign pension or annuity (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/investments-insurance-and-super/undeducted-purchase-price-of-a-foreign-pension-or-annuity/)
Deductions from foreign pension or annuity income that has an undeducted purchase price.

Interest, dividend and other investment income deductions

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Investments-insurance-and-super/Interest-dividend-and-other-investment-income-deductions/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Investments-insurance-and-super/Interest-dividend-and-other-investment-income-deductions/)
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Deductions for the costs of earning interest, share dividends, or income from other investments.

On this page

Interest income expenses

You can claim a deduction for account-keeping fees you incur on an account held for investment purposes (/Individuals/Investments-and-assets/Investing-in-bank-accounts-and-income-bonds/), such as a cash management account. You will find these fees listed on your statements.

If you have a joint account, you can only claim your share of the fees, charges or taxes on the account. For example, if you hold an equal share in an account with your spouse, you can only claim half of any allowable account-keeping fees.

You can't claim a deduction for interest you incur on a personal tax debt. For example, you can't claim the interest on a loan you take to pay your personal tax debt.

Investment seminars

If you attend an investment seminar about an existing investment, you may be entitled to claim a deduction for the portion of your expenses that relate to earning investment income.

You can't claim a deduction to attend a seminar about something you're considering investing in, even if you subsequently invest in it.

Dividend and share income expenses

What you can claim

You can claim a deduction for costs you incur to invest in shares (/Individuals/Investments-and-assets/Investing-in-shares/), such as:

- ongoing management fees or retainers
- fees for advice about changes in your investment mix
- the portion of your costs that are for managing your investments, such as:
  - some travel expenses, for example to attend the annual general meeting of a company you hold shares in
  - the cost of specialist investment journals and subscriptions

  - borrowing costs and interest
  - the cost of internet access
  - the decline in value of your computer
- 50% of the Listed investment company (LIC) capital gain amount – if you were an Australian resident when a listed investment company paid you a dividend, and the dividend included a LIC capital gain amount.

What you can't claim

When you invest in shares, you can't claim:

- fees you incur for drawing up an investment plan, unless you are carrying on an investment business
- some interest expenses where you borrow money under a capital protected borrowing arrangement to buy shares, units in unit trusts and stapled securities.
  The interest is treated as the cost of the capital protection feature
- brokerage fees and other transaction costs (but you can include these costs to work out your capital gains tax when you sell the shares).

Interest you pay on borrowed money

If you borrow money to buy shares or related investments from which you earn dividends or other assessable income, you can claim a deduction for the interest you pay.

Only interest expenses you incur for an income-producing purpose are deductible.

If you use the money you borrow for both private and income-producing purposes, you must apportion the interest between each purpose.

You can't claim a deduction if you receive an exempt dividend or other exempt income.

Rental and holiday home expenses

If you own a rental property, including a holiday home, see the Rental property guide (/rentalpropertyguide).

Forestry managed investment scheme deduction

If you make payments to a forestry managed investment scheme (FMIS) (/General/ATO-advice-and-guidance/In-detail/Information-for-product-rulings-applicants/Forestry-managed-investment-schemes/), you may be able to claim a deduction for these payments if you:

- currently hold a forestry interest in an FMIS, or held a forestry interest in an FMIS during the income year, and
- have paid an amount to a forestry manager of an FMIS under a formal agreement.

You can only claim a deduction if the forestry manager has advised you that the FMIS satisfies the 70% direct forestry expenditure rule in Division 394 of the *Income Tax Assessment Act 1997*.

Income protection insurance

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Investments-insurance-and-super/Income-protection-insurance/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Investments-insurance-and-super/Income-protection-insurance/)
- Last modified: 26 Apr 2023
- QC 72188

Only the premiums you pay to protect your income (salary and wages) are deductible. This is known as income protection or continuing salary cover.

If you receive a payment to replace your salary and wages under an income protection policy, you must include it in your tax return. This is the case whether you receive a regular payment under the policy or a lump sum.

If you receive a payment for personal injury or total and permanent disability under the policy, the payment will be capital. In these circumstances, the payment might be assessable as a capital gain (/Individuals/Capital-gains-tax/).

You can't claim a deduction if the policy:

- is through your superannuation fund and the premiums are deducted from your contributions
- pays you a capital sum to compensate you for injury.

For example, you can't claim a deduction for:

- life insurance premiums
- trauma insurance premiums
- critical care insurance premiums.

Example: policy premiums for income protection and injury

Deanne takes out an income protection and personal injury policy through her insurer.

She pays a total of $250 a month for the policy:

- $175 for income protection cover
- $75 for personal injury cover.

Deanne can claim $175 a month for the insurance policy. The remaining $75 is not deductible because it is capital in nature.

Personal super contributions

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Investments-insurance-and-super/Personal-super-contributions/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Investments-insurance-and-super/Personal-super-contributions/)
- Last modified: 26 Apr 2023
- QC 72189

You may be able to claim a deduction for personal super contributions you make to a complying super fund or retirement savings account (RSA).

To claim a deduction, you must first give your super fund or RSA provider a valid notice of intent and receive an acknowledgment form from your fund or RSA provider.

Before claiming a deduction for personal super contributions, you should consider the impacts on your super (/Individuals/Super/Growing-and-keeping-track-of-your-super/How-to-save-more-in-your-super/Personal-super-contributions/).

Undeducted purchase price of a foreign pension or annuity

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Investments-insurance-and-super/Undeducted-purchase-price-of-a-foreign-pension-or-annuity/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Investments-insurance-and-super/Undeducted-purchase-price-of-a-foreign-pension-or-annuity/)
- Last modified: 26 Apr 2023
- QC 72190

You can claim a deduction to reduce the taxable amount on income you receive from a foreign pension or annuity that also has an undeducted purchase price (UPP).

Only some foreign pensions and annuities have a UPP. The UPP is the amount you contribute towards the purchase price of your pension or annuity – your personal contributions.

The part of your annual pension or annuity income which represents a return to you of your personal contributions is tax-free. This tax-free portion is the deductible amount of the UPP.

If you receive a foreign pension or annuity and you want to know the amount you can claim a deduction for in relation to the UPP. You need to Request for a determination of the deductible amount of UPP of a foreign pension or annuity (/Forms/Determination-of-deductible-amount-for-UPP-of-a-foreign-pension-or-annuity/).

Cost of managing tax affairs

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cost-of-managing-tax-affairs/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cost-of-managing-tax-affairs/)
- Last modified: 26 Apr 2023
- QC 72191

You can claim a deduction for expenses you incur in managing your own tax affairs, such as the cost to lodge through a registered agent.

Costs you can claim include:

- costs associated with preparing and lodging your tax return and activity statements, such as
  - buying tax reference material
  - tax return preparation courses
  - lodging your tax return through a registered tax agent
  - getting tax advice from a recognised tax adviser (a registered tax agent, barrister or solicitor)
  - dealing with us about your tax affairs
  - buying software that allows you to prepare and lodge your tax return (you can only claim a portion of the cost if you also use the software for other purposes)
- travel costs to get tax advice – for example, the travel costs of attending a meeting with a recognised tax adviser
- litigation costs, including court and Administrative Appeals Tribunal fees, and solicitor, barrister and other legal costs
- the cost of a valuation for a deductible gift or donation of property, or for a deduction for entering into a conservation covenant
- an interest charge we impose (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cost-of-managing-tax-affairs/Interest-charged-by-the-ATO/)
- some fees you incur when you pay your tax obligations by card, such as
  - credit and debit card fees for a business tax liability – for example, GST
  - debit card fees when paying an individual tax liability
- costs to comply with your legal obligations for another person's (or other entity's) tax affairs.

If you receive a single invoice for preparing your tax returns and the tax returns for associated people (such as a spouse), you need to split the fees you incur. You must also:

- be able to show how you work out the cost for each
- keep evidence (/individuals/income-deductions-offsets-and-records/records-you-need-to-keep/) to support the deduction you claim.

You generally incur the fees in the income year you pay them.

Interest charged by the ATO

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cost-of-managing-tax-affairs/Interest-charged-by-the-ATO/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cost-of-managing-tax-affairs/Interest-charged-by-the-ATO/)
- Last modified: 26 Apr 2023
- QC 72192

You can claim a deduction for certain interest we impose or charge.

We impose interest in specific situations, including:

- late payment of taxes and penalties
- an increase in your tax liability as a result of an amendment to your assessment
- an increase in other tax liabilities, such as goods and services tax or pay as you go amounts.

The interest we impose includes:

- general interest charge (GIC)
- shortfall interest charge (SIC)
- late payment interest.

You can claim a deduction for the GIC and SIC we impose in the year you incur the charge. This will depend on when you actually became liable for the interest. For example:

- SIC imposed on an unpaid income tax shortfall is incurred in the year you are served a notice of amended assessment.
- GIC imposed on existing unpaid tax liabilities is incurred on a daily basis, in the year it is imposed.

You claim a deduction for ATO interest at **Cost of managing tax affairs – Interest charged by the ATO** in your tax return.

The amount of interest you have been charged is normally pre-filled on your tax return. However, if you need to work out how much you have been charged, see Calculate and report ATO interest (/General/Interest-and-penalties/Interest-we-charge/Calculate-and-report-ATO-interest/).

If we remit GIC or SIC, you must include the remission amount as interest income in your tax return in the income year that we grant it.

Occupation and industry specific guides

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Occupation-and-industry-specific-guides/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Occupation-and-industry-specific-guides/)
- Last modified: 24 Jun 2023
- QC 72193

Income and allowances to declare and the expenses you can claim a deduction for in your occupation or industry.

On this page

Using our guides

Our occupation and industry guides help you to complete your tax return, use these guides to:

- work out what income and allowances to declare
- check if you can or can't claim work-related expenses as a deduction

- find out what records you need to keep.

To claim a deduction for work-related expenses, you must meet the 3 golden rules:

1. You must have spent the money and you weren't reimbursed.
2. The expense must directly relate to earning your income.
3. You must keep records (/individuals/income-deductions-offsets-and-records/records-you-need-to-keep/) that show you incur the expense (usually a receipt).

Our guides

We tailor our occupation and industry specific guides to address common expense claims we see as deductions in your occupation or industry. Use the table below to access either:

- the complete occupation or industry guide including income, expenses, record keeping and examples
  - select the link in the left column of the table
  - read the content online
- the PDF summary of common work-related expenses for your occupation or industry, you can
  - select the link in the right column of the table to open the PDF
  - you can download as a PDF.

Table: Occupation guides and summary PDF posters

Occupation and industry guides	Deduction summary – PDF download
Adult industry workers (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Adult-industry-workers---income-and-work-related-deductions/)	Not available
Agricultural workers (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Agricultural-workers---income-and-work-related-deductions/)	Agricultural industry (PDF, 448KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Agricultureindustry.pdf)
Apprentices and trainees (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Apprentices-and-trainees---income-and-work-related-deductions/)	Apprentice (PDF, 443KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Apprentice.pdf)

Australian Defence Force members (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Australian-Defence-Force-members---income-and-work-related-deductions/)	ADF members (PDF, 569KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_ADF.pdf)
Building and construction employees (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Building-and-construction-employees---income-and-work-related-deductions/)	Building and construction worker (PDF, 389KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_ConstructionWorker.pdf)
Bus drivers (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Bus-drivers---income-and-work-related-deductions/)	Bus driver (PDF, 436KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Busdriver.pdf)
Call centre operators (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Call-centre-operators---income-and-work-related-deductions/)	Call centre operator (PDF, 416KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Callcentreoperator.pdf)
Cleaners (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Cleaners---income-and-work-related-deductions/)	Cleaner (PDF, 405KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Cleaner.pdf)

Community support workers and direct carers (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Community-workers-and-direct-carers---income-and-work-related-deductions/)	Community support worker and direct carer (PDF, 427KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Communitysupportordirectcarer.pdf)
Doctor, specialist or other medical professional (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Doctor-specialist-and-other-medical-professionals---income-and-work-related-deductions/)	Doctor, specialist or other medical professional (PDF, 420KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Doctor.pdf)
Engineers (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Engineers---income-and-work-related-deductions/)	Engineer (PDF, 423KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Engineer.pdf)
Factory workers (/individuals/Income-deductions-offsets-and-records/in-detail/occupation-and-industry-specific-guides/Factory-workers---income-and-work-related-deductions/)	Factory worker (PDF, 458KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Factoryworker.pdf)
Fire fighters (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Fire-fighters---income-and-work-related-deductions/)	Fire fighter (PDF, 399KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Firefighter.pdf)

Fitness and sporting industry employees (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Fitness-and-sporting-industry-employees---income-and-work-related-deductions/)	Fitness or sporting industry employees (PDF, 375KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Fitnessoorsportingindustry.pdf)
Flight crew (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Flight-crew---income-and-work-related-deductions/)	Flight attendant (PDF, 423KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Flightattendant.pdf)
Gaming attendants (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Gaming-attendants---income-and-work-related-deductions/)	Gaming attendant (PDF, 369KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Gamingattendant.pdf)
Guards and security employees (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Guards-and-security-employees---income-and-work-related-deductions/)	Security industry (PDF, 495KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Security.pdf)
Hairdressers and beauty professionals (/individuals/Income-deductions-offsets-and-records/in-detail/occupation-and-industry-specific-guides/hairdressers-and-beauty-professionals---income-and-work-related-deductions/)	Hairdresser and beauty therapist (PDF, 432KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Hairdresserorbeautytherapist.pdf)

Hospitality industry employees (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Hospitality-industry-workers---income-and-work-related-deductions/)	Hospitality worker (PDF, 426KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Hospitalityworker.pdf)
IT professionals (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/IT-professionals---income-and-work-related-deductions/)	IT professional (PDF, 393KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_ITProfessional.pdf)
Lawyers (/individuals/Income-deductions-offsets-and-records/in-detail/occupation-and-industry-specific-guides/Lawyers---income-and-work-related-deductions/)	Lawyer (PDF, 434KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Lawyer.pdf)
Meat workers (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Meat-workers---income-and-work-related-deductions)	Meat processing worker (PDF, 443KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Meatprocessingworker.pdf)
Media professionals (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Media-professionals---income-and-work-related-deductions)	Media professional (PDF, 438KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Mediaprofessional.pdf)

Mining site employees (/individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Mining-site-employees---income-and-work-related-deductions/)	Miners (PDF, 429KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Miner.pdf)
Nurses and midwives (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Nurses-and-midwives---income-and-work-related-deductions/)	Nurse or midwife (PDF, 440KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Nurseormidwife.pdf)
Office workers (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Office-workers---income-and-work-related-deductions/)	Office worker (PDF, 467KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Officeworker.pdf) Public servant (PDF, 395KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Publicservant.pdf)
Paramedics (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Paramedics---income-and-work-related-deductions/)	Paramedic (PDF, 457KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Paramedic.pdf)
Performing artists (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Performing-artists---income-and-work-related-deductions/)	Performing artist (PDF, 434KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Performingartist.pdf)

Pilots (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Pilots---income-and-work-related-deductions/)	Pilot (PDF, 399KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Pilot.pdf)
Police (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Police---income-and-work-related-deductions/)	Police officer (PDF, 427KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Policeofficer.pdf)
Professional sportsperson (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Professional-sportsperson---income-and-work-related-deductions/)	Not available
Real estate employees (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Real-estate-employees---income-and-work-related-deductions/)	Real estate employees (PDF, 482KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Realestateprofessional.pdf)
Recruitment consultants (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Recruitment-consultants---income-and-work-related-deductions/)	Recruitment consultant (PDF, 425KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Recruitmentconsultant.pdf)

Retail industry workers (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Retail-industry-workers---income-and-work-related-deductions/)	Retail industry worker (PDF, 428KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Retail.pdf)
Sales and marketing (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Sales-and-marketing-managers---income-and-work-related-deductions/)	Sales and marketing (PDF, 449KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Salesandmarketing.pdf)
Teachers and education professionals (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Teacher-and-education-professionals---income-and-work-related-deductions/)	Teacher (PDF, 427KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Teacher.pdf)
Tradesperson (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Tradesperson---income-and-work-related-deductions/)	Tradesperson (Tradies) (PDF, 415KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Tradie.pdf)
Train drivers (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Train-drivers---income-and-work-related-deductions/)	Train driver (PDF, 413KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Traindriver.pdf)

Travel agent employees (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Travel-agent-employees---income-and-work-related-deductions/)	Travel agent (PDF, 450KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Travelagent.pdf)
Truck drivers (/Individuals/Income-deductions-offsets-and-records/In-detail/Occupation-and-industry-specific-guides/Truck-drivers---income-and-work-related-deductions/)	Truck driver (PDF, 466KB) (/uploadedFiles/Content/IAI/Downloads/Toolkits/TaxTimeToolkit_Truckdriver.pdf)

Information in other languages

A summary of the common work-related expenses for your occupation or industry may be available in your language:

- Select your language from the other languages' homepage (/General/Other-languages/).
- Select the heading **Individuals.**
- Check the list, to see if a deductions summary for your occupation or industry is available.

Tax offsets

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/)
- Last modified: 26 Apr 2023
- QC 72194

Check whether you will receive a tax offset and how to calculate it.

About tax offsets (/individuals/income-deductions-offsets-and-records/tax-offsets/about-tax-offsets/)
Find out how tax offsets can reduce the tax you pay.

Low and middle income earner tax offsets (/individuals/income-deductions-offsets-and-records/tax-offsets/low-and-middle-income-earner-tax-offsets/)
Check if you are eligible for the low income tax offset (LITO) and the low and middle income tax offset (LMITO).

Seniors and pensioners tax offset (/individuals/income-deductions-offsets-and-records/tax-offsets/seniors-and-pensioners-tax-offset/)
Check if you are eligible for the seniors and pensioners tax offset (SAPTO) and if you can transfer unused offsets.

Superannuation-related tax offsets (/individuals/income-deductions-offsets-and-records/tax-offsets/superannuation-related-tax-offsets/)
Check if you can claim a superannuation-related tax offset.

Beneficiary tax offset (/individuals/income-deductions-offsets-and-records/tax-offsets/beneficiary-tax-offset/)
Check if you can get a tax offset when you receive certain Australian Government payments or allowances.

Private health insurance offset (/individuals/income-deductions-offsets-and-records/tax-offsets/private-health-insurance-offset/)
Check if you can claim a tax offset to cover the cost of your private health insurance premium.

Medical expenses tax offset (/individuals/income-deductions-offsets-and-records/tax-offsets/medical-expenses-tax-offset/)
Check if you can claim a medical expenses tax offset from 2015–16 to 2018–19.

Offset for maintaining an invalid or invalid carer (/individuals/income-deductions-offsets-and-records/tax-offsets/offset-for-maintaining-an-invalid-or-invalid-carer/)
Check if you can claim a tax offset for maintaining an invalid or invalid carer who is 16 years old or older.

Zone and overseas forces tax offsets (/individuals/income-deductions-offsets-and-records/tax-offsets/zone-and-overseas-forces-tax-offsets/)
Check if you are eligible for a tax offset for living in a remote area or serving overseas as a member of a force.

Lump sum payment in arrears tax offsets (/individuals/income-deductions-offsets-and-records/tax-offsets/lump-sum-payment-in-arrears-tax-offsets/)
Check if you can claim lump sum tax offsets for a lump sum payment you receive in arrears.

Claiming a foreign income tax offset (/individuals/income-deductions-offsets-and-records/tax-offsets/claiming-a-foreign-income-tax-offset/)
Check if you can claim a tax offset for foreign tax you pay on income from another country.

About tax offsets

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/About-tax-offsets/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/About-tax-offsets/)
- Last modified: 26 Apr 2023
- QC 72195

A tax offset (also sometimes known as a tax rebate) reduces the tax you pay on your taxable income (known as your tax payable).

The amount of tax offset you receive depends on:

- your taxable income
- the amount of tax you need to pay.

If you don't have any tax to pay, you don't receive any offset. Most offsets aren't refundable, which means they can't reduce your tax below zero. However, some (such as the private health insurance rebate) are refundable.

We work out some tax offsets automatically when you lodge your tax return. You need to claim others in the **Offsets** section of your tax return.

You can check your entitlement and amounts using our online calculators.

Media: How tax offsets work
http://tv.ato.gov.au/ato-tv/media?v=bi9or7od1ih49o (http://tv.ato.gov.au/ato-tv/media?v=bi9or7od1ih49o) (**Duration:** 01:41)

Low and middle income earner tax offsets

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Low-and-middle-income-earner-tax-offsets/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Low-and-middle-income-

earner-tax-offsets/)
- Last modified: 02 Jun 2023
- QC 72196

Check eligibility for the low income tax offset or low and middle income tax offset in the 2019 to 2022 income years.

On this page

- Eligibility for the tax offsets
- Low income tax offset (LITO)
- Low and middle income tax offset (LMITO)

Eligibility for the tax offsets

From 1 July 2022 you may be eligible for the low income tax offset **only**, if you earn up to $66,667.

Between 2018–19 and 2021–22, you may have been eligible to receive one or both of the:

- low income tax offset – if you earn up to $66,667
- low and middle income tax offset – if you earn up to $126,000.

LMITO ended on 30 June 2022. The last year you can receive it is the 2021–22 income year.

To be eligible, you need to:

- be an Australian resident for tax purposes (/Individuals/Coming-to-Australia-or-going-overseas/Your-tax-residency/Australian-resident-for-tax-purposes/)
- pay tax on your taxable income
- have a taxable income below certain income thresholds.

Receiving the tax offsets

You don't need to do anything to claim either of these tax offsets, except lodge your tax return. We work out the offsets after you lodge.

You can see the tax offset amount on your notice of assessment at *Less* **non-refundable tax offsets**.

These offsets reduce the tax you need to pay. They can only reduce your tax payable to $0. They are not a separate payment. Any unused offsets can't be refunded.

Low income tax offset (LITO)

The amount of low income tax offset (LITO) you receive will depend on your taxable income. If you earned:

- $37,500 or less, you will get the maximum offset of $700
- between $37,501 and $45,000, you will get $700 minus 5 cents for every $1 above $37,500
- between $45,001 and $66,667, you will get $325 minus 1.5 cents for every $1 above $45,000.

We will work out your offset and reduce your tax payable by this amount.

Low and middle income tax offset (LMITO)

LMITO ended on 30 June 2022. The last year you can receive it is the 2021–22 income year.

LMITO is not available for the 2022–23 income year and later income years.

For the 2018–19 to 2021–22 income years, in addition to the LITO, you could receive the LMITO.

You receive LMITO if your taxable income is less than $126,000. You must also be an Australian resident for tax purposes. You will not receive it if your taxable income is $126,000 or more. We will work out your offsets and reduce your tax payable by this amount.

LMITO not available 2022–23 income year onwards

Low and middle income tax offset (LMITO) ended on 30 June 2022. This means it doesn't apply for the 2022–23 income year.

Your tax return outcome may be different this income year. You may have a lower refund (less than when LMITO was available) or you may receive a tax bill. See Why your tax return outcome may change in 2023 (/Individuals/Your-tax-return/Check-the-progress-of-your-tax-return/Your-notice-of-assessment/#Whyyourtaxreturnoutcomemaychangein2023).

LMITO amounts 2021–22 income year

The LMITO was increased by $420 (a one-off $420 cost of living tax offset) for the 2021–22 income year.

This increases the base amount to $675 and the full amount to $1,500.

Table: Low and middle income tax offset (LMITO) for 2021–22 income year

Taxable income	Offset
$37,000 or less	$675
From $37,001 to $48,000	$675 plus 7.5 cents for every dollar above $37,000, up to a maximum of $1,500
From $48,001 to $90,000	$1,500
From $90,001 to $126,000*	$1,500 minus 3 cents for every dollar above $90,000

Examples of how the offsets reduce your tax

The following examples show how the offsets can reduce the tax you pay.

Example: taxable income over $37,000 but under $48,000

Jeff's taxable income is $45,000 for the 2021–22 income year. He is eligible for both tax offsets based on his income, worked out as:

- low income tax offset amount of $700 minus 5 cents for every dollar above $37,500
  - $45,000 − $37,500 = $7,500
  - $7,500 × $0.05 = $375
  - $700 − $375 = **$325**
- low and middle income tax offset amount of $675 plus 7.5 cents for every dollar above $37,000
  - $45,000 − $37,000 = $8,000
  - $0.075 × $8,000 = $600
  - $675 + $600 = **$1,275**.

We add both offset amounts together to reduce Jeff's tax payable:

- $325 + $1,275 = **$1,600**.

Jeff's tax payable of $5,092 is reduced by $1,600 using the offsets.

Example: taxable income over $48,000 but under $90,000

Anita's taxable income is $70,000 for the 2021–22 income year.

Anita is not eligible for the low income tax offset as her income is above $66,667.

As Anita's income is more than $48,000 but less than $90,000, she is eligible for a low and middle income tax offset of $1,500.

Anita's tax payable of $13,217 is reduced by $1,500 using the LMITO.

Example: taxable income over $90,000 but under $126,000

Andre's taxable income is $92,000 for the 2021–22 income year.

Andre is not eligible for the low income tax offset as his income is above $66,667.

Andre's income is more than $90,000 but less than $126,000. He is eligible for a low and middle income tax offset amount of $1,500 minus 3 cents for every dollar his income is above $90,000.

This is worked out as:

- $92,000 − $90,000 = $2,000
- $0.03 × $2,000 = $60
- $1,500 − $60 = **$1,440**.

Andre's tax payable of $20,367 is reduced by $1,440 using the LMITO.

LMITO amounts 2018–19 to 2020–21 income years

The LMITO amount for the 2018–19, 2019–20 and 2020–21 income years remains the same at between $255 and $1,080.

The amount of offset you receive depends on your circumstances, such as your taxable income and how much tax you have paid throughout the income year.

The 2021–22 income year is the last year for the LMITO – it will not be available for future income years.

The tables below show the amount of LMITO you can receive. This depends on the income year and your taxable income.

Table: Low and middle income tax offset (LMITO) for 2018–19, 2019–20 and 2020–21 income years

Taxable income	Offset
$37,000 or less	$255
More than $37,000 but less than $48,000	$255 plus 7.5 cents for every dollar above $37,000, up to a maximum of $1,080
More than $48,000 to $90,000	$1,080
More than $90,000 but less than $126,000*	$1,080 minus 3 cents for every dollar above $90,000

Seniors and pensioners tax offset

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Seniors-and-pensioners-tax-offset/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Seniors-and-pensioners-tax-offset/)
- Last modified: 02 Jun 2023
- QC 72197

Check if you are eligible for the seniors and pensioners tax offset (SAPTO) and if you can transfer unused offsets.

On this page

- Eligibility for seniors and pensioners tax offset
- Income limits
- Tax offset reduction
- Transferring unused SAPTO between spouses

Eligibility for seniors and pensioners tax offset

To be eligible for the seniors and pensioners tax offset (SAPTO) you must:

- be eligible for an Australian Government pension or allowance
- meet income limits for you and your spouse.

The offset can reduce the amount of income tax you pay. We will apply the non-refundable offset when we assess your tax return. You may be able to transfer an unused amount to your spouse if you're both eligible for SAPTO.

You can't claim this tax offset if you were in jail for the whole income year.

You can use the calculator to check your eligibility and calculate the offset amounts.

Beneficiary tax offset and seniors and pensioners tax offset calculator **(/Calculators-and-tools/Host/?anchor=BTOSAPTO#BTOSAPTO)**

Eligibility for an Australian Government pension or allowance

You meet this condition if any of the following applied to you in the income year of your claim:

- You received an Australian Government pension or allowance (/individuals/income-deductions-offsets-and-records/income-you-must-declare/government-payments-and-allowances/) from Centrelink. Only these listed pensions and allowances satisfy this condition
- You received a pension, allowance or benefit (/individuals/income-deductions-offsets-and-records/income-you-must-declare/government-payments-and-allowances/#Taxablepensionspaymentsandallowances) from the Department of Veterans' Affairs (DVA).
- You were age-pension age and eligible for an Australian Government age pension during the income year, but you didn't receive it because you didn't make a claim or because of the income test or assets test. You must also meet one of the following conditions:
  - You had been an Australian resident for age-pension purposes for 10 years or more. At least 5 years were continuous.
  - You had a qualifying residence exemption. This is because you arrived in Australia either
    - as a refugee
    - under a special humanitarian program.
  - You are a woman who was widowed in Australia, and also
    - you and your late partner were Australian residents when your late partner died
    - you are currently in Australia
    - you have been an Australian resident for at least the last 2 years.
  - You received a widow B pension, widow allowance, or partner allowance just before turning age-pension age.
  - You would have qualified for an age pension under an international social security agreement.
  - You're a woman and on 19 March 2020 you were receiving either
    - a wife pension and you were not receiving a carer allowance
    - a special needs widow B pension.

- You met the veteran pension age test and were eligible for a pension, allowance or benefit from Veterans' Affairs during the income year, but you didn't receive it because you didn't make a claim or because of the income test or assets test. You were also either:
  - a veteran with eligible war service
  - a Commonwealth veteran, allied veteran or allied mariner with qualifying service.

Centrelink age pension age test

To be eligible for an Australian Government age pension (https://www.servicesaustralia.gov.au/age-pension) from Centrelink, you must be 66 years and 6 months or older on 30 June 2021. This is 67 years or older from 1 July 2023.

Veteran pension age test

To qualify for an age service pension (https://www.dva.gov.au/financial-support/income-support/service-pension/service-pension-veterans) from the Department of Veterans' Affairs, you must meet the veteran pension age test and on 30 June 2021 be at least 60 years old.

You meet the test if you were eligible for a pension, allowance or benefit under the *Veterans' Entitlements Act 1986*, and one of the following also applies to you:

- You have eligible war service, either
  - service in World War II
  - operational service as a member of the Australian Defence Force.

- You're a Commonwealth or allied veteran who served in a conflict in which the Australian Defence Force was engaged during a period of hostilities, that is, either
  - World War II
  - Korea
  - Malaya
  - Indonesia
  - Vietnam.

- You're an Australian or allied mariner who served during World War II.
- You're the war widow or widower of a former member of the Australian Defence Force.

Income limits

You meet this condition if any of the following applied to you in the income year of your claim:

- You didn't have a spouse and your rebate income (/individuals/income-deductions-offsets-and-records/income-tests/#Rebateincome) was less than $50,119.
- You had a spouse and the combined rebate income for you and your spouse was less than $83,580.
- At any time during the year
  - you and your spouse had to live apart due to illness or because one of you was in a nursing home, and
  - the combined rebate income of you and your spouse was less than $95,198 (less than $47,599 for each partner).

The **combined rebate income** is the total of all the following:

- your rebate income
- your spouse's rebate income
- the amount a trustee of a trust was liable to pay tax for your spouse who was under a legal disability. For example, they were an undischarged bankrupt or a person declared legally incapable because of a mental condition.

The criteria **Had to live apart due to illness** refers to situations where you and your spouse don't live together. This is because one or both of you have an indefinitely continuing illness or infirmity. As a result, your combined living expenses are increased.

Rates and thresholds for seniors and pensioners tax offset

To be entitled to the offset, your rebate income must be less than the relevant cut-out threshold in the table below. You receive the maximum offset if your rebate income is less than the shading-out threshold.

Rates and rebate income thresholds for SAPTO

Status	Maximum tax offset amount	Shading-out threshold	Cut-out threshold
Single	$2,230	$32,279	$50,119
Each partner of a couple	$1,602	$28,974	$41,790
Each partner of an illness separated couple	$2,040	$31,279	$47,599

If more than one item in the table above applies to you during the income year, we base your offset on the amount giving you the greatest entitlement.

Examples of SAPTO income thresholds

The following examples show when someone will receive a senior and pensioner tax offset.

Example: couple living together and rebate income below the threshold

Clare and Roy are married and live together. Both Clare and Roy receive an age pension from Centrelink. Clare's rebate income is $23,020 and Roy's is $25,677.

Clare and Roy are entitled to SAPTO. This is because half (50%) of their combined rebate incomes of $48,697 (50% × $48,697 = $24,348.50) is less than the cut-off threshold of $41,790.

Clare and Roy each receive the maximum SAPTO amount of $1,602. This is because their rebate incomes are each below the shading-out threshold of $28,974.

Example: couple living together and combined rebate income above the threshold

Deb and Ivan are married and live together. Both Deb and Ivan receive an age pension from Centrelink. Deb's rebate income is $64,020 and Ivan's is $25,677.

Deb and Ivan are not entitled to SAPTO. This is because half (50%) of their combined rebate incomes of $89,697 (50% × $89,697 = $44,848.50) is above the cut-off threshold of $41,790.

Example: couple living together and combined rebate income below the threshold

Ying and Li Jun are married and live together. They both receive an age pension from Centrelink. Ying's rebate income is $54,020 and Li Jun's is $25,677.

Ying and Li Jun are entitled to SAPTO. This is because half (50%) of their combined rebate incomes of $78,697 (50% × $78,697 = $39,848.50) is less than the cut-off threshold of $41,790.

Ying does not receive SAPTO. This is because her income of $54,020 is greater than the cut-off threshold of $41,790.

However, Li Jun receives the maximum SAPTO amount of $1,602. This is because his rebate income is below the shading-out threshold of $28,974.

Example: single with rebate income exceeding the cut-out threshold

Marko is single and is 67 years old. He qualifies for the Centrelink age pension but does not make a claim for it. His rebate income is $85,690.

Although Marko qualifies for the age pension (but didn't make a claim for it), he is not eligible for SAPTO. This is because his rebate income is more than the cut-out threshold of $50,119.

Example: single with rebate income below the threshold

Simon is single and receives a parenting payment (single) from Centrelink. He has a rebate income of $32,178.

Simon is eligible for SAPTO because:

- he receives an Australian Government pension or allowance
- his income is less than the cut-out threshold of $50,119.

Simon is entitled to the maximum SAPTO amount of $2,230. This is because his rebate income is less than the shading-out threshold of $32,279.

Tax offset reduction

The tax offset reduces by $0.125 for every dollar your rebate income exceeds the relevant shading-out threshold amount. We round up the amount to the nearest whole dollar.

Example: single with rebate income above the threshold

José is single and receives an age pension from Centrelink. He has a rebate income of $39,000.

José is eligible for SAPTO. His rebate income is less than the cut-out threshold of $50,119. He also receives an Australian Government pension.

As José's rebate income exceeds the shading-out threshold of $32,279, his tax offset is reduced as follows:

$$\$39,000 - \$32,279 = \$6,721$$

$$\$6,721 \times 0.125 = \$840.125$$

$$\$2,230 - \$840.125 = \$1,389.875$$

José is entitled to a SAPTO amount of $1,390.

Example: couple with spouse not eligible and rebate income above the threshold

Keith and Jean are a married couple living together. Keith receives an age pension from Centrelink. Jean has not reached age-pension age, so does not qualify for it.

Keith's rebate income is $33,650 and Jean's is nil. Their combined rebate income is $33,650.

In determining whether they satisfy the cut-out threshold, each is taken to have a rebate income of:

$0.5 \times \$33,650 = \$16,825$.

Jean is not eligible for the offset. She has not reached age-pension age and is not eligible for an age pension.

Keith is eligible for the offset. His determined amount of rebate income ($16,825) is less than the cut-out threshold of $41,790, and he receives the age pension. However, his actual rebate income is used in calculating the tax offset amount.

Keith's actual rebate income of $33,650 is more than the shade-out threshold of $28,974. We reduce his tax offset as follows:

$\$33,650 - \$28,974 = \$4,676$

$\$4,676 \times 0.125 = \$584.50$

$\$1,602 - \$584.50 = \$1,017.50$.

Keith is entitled to a SAPTO amount of $1,018.

In some circumstances, a person may be eligible for a senior and pensioner tax offset, but their income amount means the tax offset is reduced to zero.

Example: couple with spouse eligible for SAPTO and rebate income above the threshold

Vanh and his spouse, Mai, live together. They both receive the age pension from Centrelink.

Vanh has a rebate income of $32,590 and Mai's rebate income is $26,780. Their combined rebate income is $59,370. To determine if they satisfy the cut-out threshold, each is taken to have a rebate income of:

$0.5 \times \$59,370 = \$29,685$.

Both Vanh and Mai are eligible for the offset because:

- they both receive the age pension, and
- their determined amount of rebate income of $29,685 is less than the cut-out threshold of $41,790.

Vanh's actual rebate income of $32,590 is more than the shade-out threshold of $28,794. His tax offset is reduced as follows:

$\$32,590 - \$28,974 = \$3,616$

$\$3,616 \times 0.125 = \$452$

$\$1,602 - \$452 = \$1,150$.

Vanh is entitled to a SAPTO amount of $1,150.

Mai is entitled to the maximum tax offset amount of $1,602. Her actual rebate income of $26,780 is below the shade-out threshold of $28,974.

Mai's taxable income is also $26,780. The amount of tax payable on Mai's taxable income exceeds the maximum SAPTO amount of $1,602. There is no unused portion of the tax offset available to transfer to Vanh.

Transferring unused SAPTO between spouses

You and your spouse may both be eligible for the seniors and pensioners tax offset (SAPTO). If one of you does not use all of it, you may be able to transfer the unused portion to your spouse.

We will work this out for you. We will transfer any entitlement when you lodge your tax returns.

You can use the calculator to check if you have an unused amount to transfer to your spouse.

Beneficiary tax offset and seniors and pensioners tax offset calculator **(/Calculators-and-tools/Host/?anchor=BTOSAPTO#BTOSAPTO)**

SAPTO amounts for a couple

The maximum seniors and pensioners tax offset amounts for an eligible couple depends on your circumstances. If you:

- live apart due to illness, the maximum offset is $2,040 each
- live together, the maximum offset is $1,602 each.

Where your spouse's taxable income is $6,000 or less, the full amount of their offset is available for transfer.

If your spouse's taxable income is greater than $6,000, we work out their unused offset amount using the formula below:

A − ((**B** − $6,000) × 0.15), where

A equals the spouse's SAPTO amount for the income year

B equals the spouse's taxable income plus exempt pension income for the income year.

We reduce your offset by 12.5 cents for every dollar over your rebate threshold.

The following amounts are set out in *Income Tax Assessment (1936) Act* – Regulation 2015:

- rebate maximum amount – $445
- rebate reduction threshold – $37,000
- rebate reduction rate – 0.015.

The following example shows unused SAPTO transferred to a spouse who is living separately because of illness.

Example: transferring unused SAPTO – living apart due to illness

Step 1: Calculating your spouse's unused SAPTO

Your spouse's offset amount is $2,040 (report at SAPTO code B in their tax return). Their taxable income is $10,000.

The calculation is **$2,040 − (($10,000 − $6,000) × 0.15) = $1,440**. See how this is worked out below:

$10,000 − $6,000 = $4,000

($4,000 × 0.15) = $600

$2,040 − $600 = $1,440

You can transfer $1,440 of your spouse's unused offset if you're both eligible.

Step 2: Calculating your rebate threshold

We calculate your rebate threshold using steps A to O as follows:

- A: The maximum offset amount that applies to you = $2,040
- B: Add your spouse's unused offset amount from **Step 1** ($1,440) to **A**
  $2,040 + $1,440 = $3,480
- C: Add $445 (s159N rebate maximum amount) to **B**
  $3,480 + $445 = $3,925
- D: Divide **C** by the lowest marginal tax rate of 0.19
  $3,925 ÷ 0.19 = $20,657.89
- E: Add the income tax-free threshold of $18,200 to **D**
  $20,657.89 + $18,200 = $38,857.89
- F: Is the amount at **E** greater than the rebate reduction threshold of $37,000?)
  - if **No**, your rebate threshold is the amount calculated in **E** of $38,857.89. Go to **Step 3** for the SAPTO calculation
  - if **Yes**, continue with the steps below and your rebate threshold will be the amount calculated at step **O**

- G: Add the second lowest marginal tax rate of 0.325 to the rebate reduction rate of 0.015)
  0.325 + 0.015 = 0.34
- H: Subtract the lowest marginal tax rate of 0.19 from **G**
  0.34 − 0.19 = 0.15
- I: Multiply **H** by the *rebate reduction threshold* of $37,000
  0.15 × $37,000 = $5,550
- J: Multiply the lowest marginal tax rate of 0.19 by the tax-free threshold ($18,200)
  0.19 × $18,200 = $3,458
- K: Add $445 to **J**
  $3,458 + $445 = $3,903
- L: Add your maximum offset amount of $2,040 to **K**
  $3,903 + $2,040 = $5,943
- M: Add your spouse's unused offset amount of $1,440 to **L**
  $5,943 + $1,440 = $7,383
- N: Add **I** and **M**
  $5,550 + $7,383 = $12,933
- O: Divide **N** by **G**
  $12,933 ÷ 0.34 = $38,039 (rounded up to the nearest dollar).

Your rebate threshold is **$38,039**.

Step 3: Calculating your SAPTO

We reduce your offset by 12.5 cents for every dollar amount over the rebate threshold calculated in **Step 2** above ($38,039).

Your rebate income is $48,000 and your maximum offset amount is $2,040.

- A: Add your spouse's unused offset amount from **Step 1** ($1,440) to your maximum offset amount
  $1,440 + $2,040 = $3,480
- B: Subtract your rebate threshold calculated in **Step 2** ($38,039) from your rebate income
  $48,000 − $38,039 = $9,961
- C: Multiply **B** by the rebate reduction rate of 12.5 cents
  $9,961 × 0.125 = $1,245.12
- D: Subtract the amount at **C** from the amount at **A**
  $3,480 − $1,245.12 = $2,234.88.

Your SAPTO is **$2,234.88** after transferring your spouse's unused offset to you.

Note: the amounts used in the calculations are set out in the Income Tax Assessment (1936 Act) Regulation 2015 section 4 (/law/view/document?DocID=REG/20150155/4&PiT=99991231235958) as follows:

- s159N rebate maximum amount $445
- rebate reduction threshold of $37,000
- rebate reduction rate of 0.015.

Exempt pensions

For the purpose of the transfer of your spouse's unused SAPTO, an exempt pension is either a:

- disability support pension paid under Part 2.3 of the *Social Security Act 1991*
- youth disability supplement (with disability support pension)
- carer payment paid under Part 2.5 of the *Social Security Act 1991*
- invalidity service pension (paid under Division 4 of Part III of the *Veterans' Entitlements Act 1986*)
- partner service pension (paid under Division 5 of Part III of the *Veterans' Entitlements Act 1986*).

Foreign residents

If your spouse is a foreign resident and their taxable income is greater than zero, we calculate their unused offset using the formula below:

A − (**B** × marginal tax rate), where

A equals your spouse's offset amount for the income year

B equals your spouse's taxable income for the income year.

If your spouse is a foreign resident and is also receiving an Australian Government pension or allowance, we work out their unused amount as if they were a resident.

Superannuation-related tax offsets

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Superannuation-related-tax-offsets/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Superannuation-related-tax-offsets/)
- Last modified: 24 Jun 2023
- QC 72198

Check if you can claim a superannuation-related tax offset for you or your spouse.

On this page

Superannuation income stream tax offset

A super income stream is a series of regular payments from your super fund. If you receive income from an Australian super income stream, you may be eligible for a tax offset equal to:

- 15% of the taxed element
- 10% of the untaxed element.

The tax offset amount available to you on your taxed element will be shown on your *PAYG payment summary – superannuation income stream.*

There is a limit on the amount of tax offset you can claim on your untaxed element. This will not be shown on your payment summary. This offset is generally limited to:

- $10,625 for the 2021–22 income year
- $10,000 for the 2020–21 and earlier income years.

To work out if you can claim a tax offset on your untaxed element, use the Defined benefit income cap tool (/Calculators-and-tools/Defined-benefit-income-cap-tool/).

You can't claim a tax offset for the taxed element of any super income stream you receive before your preservation age (/Individuals/Super/Withdrawing-and-using-your-super/Tax-on-super-benefits/?page=2#Preservation_age), except where the super income stream is either a:

- disability super benefit
- death benefit income stream.

You can't claim a tax offset for the untaxed element of any super income stream you receive before you turn 60 years old, unless:

- it is a death benefit income stream
- the person died after they turned 60 years old.

For details of how to claim in your tax return, follow the steps at T2 Australian superannuation income stream (/Individuals/Tax-Return/2022/Tax-return/Tax-offset-questions-T1-T2/T2-Australian-superannuation-income-stream-2022/).

Tax offset for super contributions on behalf of your spouse

You may be able to claim a tax offset if you make an eligible super contribution on behalf of your spouse (married or de facto). They need to earn under $40,000 or not work.

Your contribution must be to either your spouse's:

- complying super fund
- retirement savings account (RSA).

You may be able to claim either a:

- full tax offset of $540, if you pay $3,000 or more and your spouse earns $37,000 or less
- partial tax offset, if you pay less than $3,000 and your spouse earns more than $37,000 but less than $40,000.

You also need to meet all the following conditions for the income year of your claim:

- You made the contributions to a complying super fund.
- Both you and your spouse were Australian residents.
- The contributions were not deductible by you.
- You and your spouse were not living separately and apart on a permanent basis.
- Your spouse was under
    - 75 years old for claims from 1 July 2020
    - 70 years old for earlier income years.

- You do not exceed the general transfer balance cap of
    - $1.7 million for 2021–22
    - $1.6 million for earlier income years.

You can't claim the tax offset for contributions to your own fund which you split to a spouse (/Super/APRA-regulated-funds/Managing-member-benefits/Contributions-splitting-for-members/). This is a rollover or transfer, not a contribution.

Income and balance caps and calculations

Your spouse must meet the income limits and transfer balance cap thresholds for the income year you are claiming the tax offset.

For the 2018–19 and later income years:

- your spouse's income must be less than $40,000. That is the sum of their
    - assessable income (disregarding your spouse's first home super saver (FHSS) scheme released amount)
    - total reportable fringe benefits amounts
    - total reportable employer superannuation contributions.

You can claim the maximum tax offset of $540 where both:

- you contribute to the eligible super fund of your spouse, whether married or de facto
- your spouse's income is $37,000 or less.

The tax offset amount reduces when your spouse's income is greater than $37,000. It phases out when your spouse's income reaches $40,000.

The tax offset is calculated as 18% of the lesser of either:

- $3,000 minus the amount your spouse's income exceeds $37,000
- the sum of your spouse contributions in the income year.

For the 2017–18 income year, your spouse's income was less than $40,000.

For income years **before** 2017–18, your spouse's income was less than $13,800.

Note: your spouse's income includes the sum of their assessable income, total reportable fringe benefits amounts, and total reportable employer super contributions.

Transfer balance cap thresholds

For the 2017–18 income year and later income years your spouse must not have:

- exceeded their non-concessional contributions cap for the relevant year
- a total super balance equal to or exceeding the transfer balance cap immediately before the start of the income year you contributed.

Examples of calculating super tax offsets for a spouse

The following examples show how to work out a full or part super tax offset for eligible super contributions you make on behalf of your spouse.

Example 1: full tax offset for spouse super contributions

Robert and Judy are spouses. Robert earns $19,000 in 2021–22. Judy contributes $3,500 to Robert's super fund.

Robert and Judy are eligible to claim a tax offset.

The tax offset is calculated as 18% of the lesser of:

- $3,000 minus the amount over $37,000 that Robert earned (in this case, nil)
- the value of the spouse contributions (in this case, $3,500).

Judy claims a tax offset of $540, being 18% of $3,000.

Example: 2 part tax offset for spouse super contributions

Carmel and Adam are married and living together. Carmel is 46 years old and her income is $38,000 in 2021–22. Her total super balance is under the $1.7 million cap.

Adam wishes to make a super contribution of $3,000 to Carmel's complying super fund, on her behalf.

Carmel’s income is under the threshold of $40,000 so Adam is eligible for a tax offset. However, as Carmel earns more than $37,000 per year, Adam will not receive the maximum tax offset of $540.

Instead, Adam calculates his entitlement as 18% of the lesser of:

- $3,000 reduced by every dollar over $37,000 that Carmel earns (in this case, $2,000)
- the value of spouse contributions (in this case $3,000).

Adam claims a tax offset of $360, being 18% of $2,000.

Low income super tax offset

If you earn $37,000 or less a year, you may be eligible to receive a low income super tax offset (/Individuals/Super/Growing-and-keeping-track-of-your-super/How-to-save-more-in-your-super/Government-super-contributions/Low-income-super-tax-offset/) (LISTO).

We work out your offset and pay it directly to your super fund. The payment is up to $500.

You don't need to anything to receive the offset. Just make sure:

- your super fund has your tax file number – without it, your super fund can't accept a payment
- you lodge your tax return so we can work out your offset payment.

Veterans' super (invalidity pension) tax offset

The veterans' superannuation (invalidity pension) tax offset (VSTO) is a non-refundable tax offset. This tax offset ensures veterans and their beneficiaries don't pay more tax because of the Douglas court decision (/Individuals/Super/Foreign-super-funds/Transfer-from-a-foreign-super-fund-to-an-Australian-super-fund/). It applies from the 2007–08 income year.

To check your eligibility for the tax offset, see Veterans' superannuation (invalidity pension) tax offset (/Individuals/Super/Foreign-super-funds/Transfer-from-a-foreign-super-fund-to-an-Australian-super-fund/#Veteranssuperannuationinvaliditypensiont).

Beneficiary tax offset

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Beneficiary-tax-offset/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Beneficiary-tax-offset/)
- Last modified: 26 Apr 2023
- QC 72199

Check if you can get a tax offset when you receive certain Australian Government payments or allowances.

You must be receiving certain Australian Government allowances and payments (/individuals/income-deductions-offsets-and-records/income-you-must-declare/government-payments-and-allowances/) and pay tax to receive the beneficiary tax offset.

You will pay no tax for the year if you both:

- get a qualifying tax-free government pension or benefit (/individuals/income-deductions-offsets-and-records/income-you-must-declare/government-payments-and-allowances/#Taxfreegovernmentpensionsorbenefits)
- have no other taxable income.

If you have other income, you may still need to pay some tax. Then you may be able to receive the beneficiary tax offset.

We will automatically calculate the tax offset when we process your tax return.

You can use the calculator to work out if you are eligible for the offset and the amount.

Beneficiary tax offset and seniors and pensioner tax offset calculator (/calculators-and-tools/beneficiary-tax-offset-and-seniors-and-pensioner-tax-offset-calculator/)

If you are eligible for both offsets, you will receive the one with the highest amount.

Private health insurance offset

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Private-health-insurance-offset/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Private-health-insurance-offset/)
- Last modified: 26 Apr 2023
- QC 72200

Check if you can claim a tax offset to cover the cost of your private health insurance premium.

On this page

Eligibility for the private health insurance offset

You must have private health insurance (PHI) to claim the private health insurance offset. The offset is sometimes called the private health insurance rebate.

The offset is an amount the government contributes towards your private health insurance. You may take it as a reduced premium or a refundable offset when you lodge your tax return.

Your entitlement depends on:

- the age of the oldest person your policy covers
- your single or family income thresholds and rates for the Medicare levy surcharge (/Individuals/Medicare-and-private-health-insurance/Medicare-levy-surcharge/Medicare-levy-surcharge-income,-thresholds-and-rates/), depending on your family status.

If you have a higher income, the amount you can receive is:

- reduced
- not available if your income is more than a certain amount.

For more information on the income threshold, see Income tests for the private health insurance offset (/Individuals/Medicare-and-private-health-insurance/Private-health-insurance-rebate/Income-thresholds-and-rates-for-the-private-health-insurance-rebate/).

Calculating your PHI offset

We calculate the amount of private health insurance offset when you lodge your tax return. We will test your income against the income thresholds to work out the percentage of offset you can receive for the income year.

Use the calculator below to work out your:

- private health reduction percentage
- income for Medicare levy surcharge purposes.

Private health insurance offset calculator (/Calculators-and-tools/Private-health-insurance-rebate-calculator/)

How to claim the offset

You can claim your private health insurance offset as either a:

- premium reduction which lowers the policy price your health insurer charges
- refundable private health insurance offset when you lodge your tax return.

How you claim your offset may result in you receiving a private health insurance tax offset or having to repay some of your premium reduction. This depends on:

- how you choose to claim your offset (/Individuals/Medicare-and-private-health-insurance/Private-health-insurance-rebate/Private-health-insurance-rebate-eligibility/?anchor=Rebaterates#Rebaterates)
- the level of offset you claim for your policy
- your income threshold for the Medicare levy surcharge (/Individuals/Medicare-and-private-health-insurance/Medicare-levy-surcharge/Medicare-levy-surcharge-income,-thresholds-and-rates/).

Medical expenses tax offset

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Medical-expenses-tax-offset/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Medical-expenses-tax-offset/)
- Last modified: 26 Apr 2023
- QC 72201

Check if you can claim a medical expenses tax offset from 2015–16 to 2018–19.

On this page

Eligibility for the medical expenses tax offset

The medical expenses tax offset was available from the 2015–16 to 2018–19 income years. The offset is not available from 1 July 2019.

You could claim the medical expenses tax offset for net eligible expenses relating to:

- disability aids
- attendant care
- aged care.

Net expenses are your total eligible medical expenses minus refunds you, or someone else, receive from either:

- National Disability Insurance Scheme (NDIS)
- private health insurers.

You must reduce your eligible medical expenses if you receive a reimbursement from either:

- a government
- a public authority
- a society
- an association
- a fund.

If you receive a reimbursement amount as part of a compensation payment, you generally don't have to reduce your eligible medical expenses.

Keeping records for medical expenses

You need to keep records (/individuals/income-deductions-offsets-and-records/records-you-need-to-keep/) for the income years you claim this tax offset. These may include:

- receipts or other documents to show the medical expenses you claim – for example, payment for prosthetics or a wheelchair
- receipts from an approved care provider for in-home care expenses
- documents for any payments made to residential aged care facilities
- statements from the NDIS or a private health fund.

You should keep documents that relate to you, as well as for your dependants. This generally refers to your spouse and children but may also include other dependants.

Calculate the medical expenses tax offset

This offset is also subject to an income test. To work out the percentage of net medical expenses you can claim, you will need to know your:

- adjusted taxable income (ATI) (/individuals/income-deductions-offsets-and-records/income-tests/#Adjustedtaxableincome)
- family status.

Use the Net medical expenses tax offset calculator (/calculators-and-tools/net-medical-expenses-tax-offset-calculator) to work out the amount of your total net medical expenses for income years 2015–16 to 2018–19.

Use the Income tests calculator (/Calculators-and-tools/Income-tests-calculator/) to help you work out your adjusted taxable income (ATI) amount.

Offset for maintaining an invalid or invalid carer

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Offset-for-maintaining-an-invalid-or-invalid-carer/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Offset-for-maintaining-an-invalid-or-invalid-carer/)
- Last modified: 26 Apr 2023
- QC 72202

Check if you can claim a tax offset for maintaining an invalid or invalid carer who is 16 years old or older.

On this page

When you can claim the tax offset

You may be able to claim a tax offset if you maintain a certain invalid or invalid carer.

The invalid or carer must be both:

- 16 years old or older
- receiving certain government payments.

You can't claim the tax offset if the invalid or carer is either:

- your spouse and your adjusted taxable income (/individuals/income-deductions-offsets-and-records/income-tests/#Adjustedtaxableincome) in 2022–23 is more than $104,432
- not your spouse and your and your spouse's adjusted taxable income in 2022–23 is more than $104,432.

Maintaining an invalid

You may claim an invalid tax offset for maintaining an invalid if:

- they are either your
  - spouse
  - child 16 years old or older
  - sibling 16 years old or older
  - spouse's child 16 years old or older

  - spouse's sibling 16 years old or older
  - parent
  - spouse's parent

- they receive either
  - a disability support pension under the *Social Security Act 1991*
  - a special needs disability support pension under the *Social Security Act 1991*
  - an invalidity service pension under the *Veterans' Entitlement Act 1986.*

Maintaining an invalid carer

You may claim an invalid carer tax offset for maintaining an invalid carer if:

- they are either your
  - spouse
  - parent
  - spouse's parent

- they care for either
  - your or your spouse's invalid child 16 years old or older
  - your or your spouse's sibling 16 years old or older

- they receive a carer payment or carer allowance under the *Social Security Act 1991* for that person
- they have been wholly engaged in providing care to an invalid person receiving either
  - a disability support pension under the *Social Security Act 1991*
  - a special needs disability support pension under the *Social Security Act 1991*
  - an invalidity service pension under the *Veterans' Entitlement Act 1986.*

Calculate the invalid or invalid carer tax offset

You need to calculate the amount of tax offset you can claim in your tax return.

Use the calculator below to work out how much you can claim. Claim the amount at **Other tax offsets** in your tax return.

Invalid and invalid carer tax offset (/Calculators-and-tools/Invalid-and-invalid-carer-tax-offset)

Zone and overseas forces tax offsets

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Zone-and-overseas-forces-tax-offsets/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Zone-and-overseas-forces-tax-offsets/)
- Last modified: 26 Apr 2023
- QC 72203

Check if you are eligible for a tax offset for living in a remote area or serving overseas as a member of a force.

On this page

- Zone tax offset
- Overseas forces tax offset
- Calculate and claim the zone or overseas forces tax offset

Zone tax offset

The zone tax offset is a tax offset for people who are residents of either:

- specified remote areas
- isolated areas of Australia.

This doesn't include an offshore oil or gas rig.

Remote areas are either Zone A or Zone B areas as specified in the Australian zone list (/calculators-and-tools/australian-zone-list/). There are also special areas within these zones. Some new localities may meet the requirements to be in a special area but are not yet included in the Australian zone list.

Eligibility for the zone offset

We base your eligibility on your usual place of residence. To claim the zone tax offset your usual place of residence needs to be both:

- a remote or isolated area (on the Australian zone list (/calculators-and-tools/australian-zone-list/))
- your residence for 183 days or more during the income year.

If your usual place of residence was in a zone for less than 183 days in the income year, you may still be able to claim the zone offset if:

- your usual place of residence was in a zone for a continuous period of less than 5 years, and
  - you were unable to claim in the first year because it was not your residence for 183 days or more
  - the total of the days you lived there in the first year and the current income year is 183 days or more
  - the period you lived in a zone in the current income year includes the first day of the income year.

Examples of your usual place of residence

Example: no residence in a prescribed zone

Levi is an engineer who lives in Adelaide. He flies to Alice Springs for 12-day shifts at an engineering firm. He then travels back to Adelaide for his days off (which vary between 4 and 8 days in a row).

Levi's usual place of residence (Adelaide) is not within a prescribed zone, even though he is in Alice Springs for 183 days or more. This means he is unable to claim the zone tax offset.

Example: residence in a remote area

Jonte is an engineer who lives in Darwin (located in Zone A). He travels to Kununurra in Western Australia (located in a Zone A special area) for his job in the mining industry.

In his usual shift, Jonte drives to Kununurra, works 14 days at the mine and drives back to Darwin, where he remains for 16 days.

Jonte is eligible for the Zone A tax offset because his usual place of residence is in Darwin (Zone A).

Example: main residence outside Australia

Angela is a doctor who works in the Darwin Hospital emergency department. She flies into Darwin from Auckland, New Zealand, and works on a regular rotational basis in Darwin Hospital.

Usually, Angela works for 10 days and then has a break of between 8 and 10 days. During her breaks, Angela travels back to Auckland to see her friends and family. She stays in accommodation provided by the hospital when she is in Darwin.

Angela is purchasing a house in Auckland. She also has a car which she leaves at her Auckland home for use when she is there. Angela has bills sent to her Auckland home and she is registered to vote in New Zealand.

Angela isn't eligible for the zone tax offset. This is because her usual place of residence is in Auckland.

Note: Any discretion the Commissioner of Taxation exercises (under section 79A(3E) of the *Income Tax Assessment Act 1936*) will be made with reference to your usual place of residence.

Overseas forces tax offset

You may be eligible for an overseas forces tax offset if:

- you are a member of either
  - the Australian Defence Force
  - a United Nations armed force
- you serve in a specified overseas locality
- your income relating to that service is not specifically exempt from tax.

If your income was exempt foreign employment income, exclude these periods when working out your eligibility for the tax offset.

To claim the full tax offset, you must have served in an overseas locality for 183 days or more in the income year. If your overseas service was less than 183 days, you may be able to claim part of the tax offset. Unlike the zone tax offset, you can't carry forward any unused days from previous years to make up 183 days.

Specified overseas localities

Table 1 below lists the current specified overseas localities. If you served in any of these localities as a member of the Australian Defence Force or United Nations armed force during the last income year, you may qualify for an overseas forces tax offset.

Table 1: Current specified overseas localities

Date the area became a specified locality	Date the area will cease to be a specified locality	Description of the specified locality
26 October 2011	–	The Republic of South Sudan and Uganda including superjacent airspace.
20 July 2006	–	Area comprising Lebanon and its territorial waters and superjacent airspace.
12 May 2006	–	Area comprising East Timor and its territorial waters and superjacent airspace.
28 October 2005	–	Area comprising the land, sea and air areas bounded by the internationally recognised borders of Pakistan.
10 April 2005	–	Sudan and its territorial waters and superjacent airspace.
24 July 2003	–	Total land areas, territorial waters and superjacent airspace boundaries of the Solomon Islands.
21 April 2003	–	Total land area, territorial waters and superjacent airspace within the internationally recognised boundaries of Israel, Jordan, Syria, Lebanon and Egypt.

11 June 1999	–	Area comprising the political boundaries and airspace of the Federal Republic of Yugoslavia (including the province of Kosovo), Albania and the former Yugoslav Republic of Macedonia.
28 October 1992	–	The Sinai.

Former specified overseas localities

Table 2 below lists the specified overseas localities that are no longer current. You may be able to claim the overseas forces tax offset in the income year you served there.

When working this out, if you were in the area on the date the area:

- became a specified locality, include that day in your calculation
- ceased to be a specified locality, exclude that day from the calculation.

Table 2: Former specified overseas localities

Date the area became a specified locality	Date the area ceased to be a specified locality	Description of the specified locality
1 July 2014	30 June 2015	For service with Operation OKRA, the land territory, territorial waters, airspace and superjacent airspace of the: • State of Kuwait • Kingdom of Bahrain • United Arab Emirates • State of Qatar • Hashemite Kingdom of Jordan.
1 July 2014	30 June 2015	For service with Operation OKRA, the waters, airspace and superjacent airspace of the Persian Gulf. (Also known as the Arabian Gulf.)
1 July 2014	31 December 2014	For service with Operation Accordion, the land territory, internal waters, airspace and superjacent airspace of: • the Kingdom of Bahrain • the State of Qatar • the United Arab Emirates.
1 July 2014	30 June 2015	For service with Operation Manitou, the sea (including adjacent ports and the area within a 10 km radius of such ports) and superjacent airspace of the: • Arabian Sea, north of latitude 12 degrees South and west of longitude 68 degrees east • Persian Gulf • Strait of Hormuz • Gulf of Oman • Gulf of Aden • Red Sea.
31 March 2011	1 November 2011	International waters and superjacent airspace of the Central Southern Mediterranean Sea: • between 10 00' E and 28 00' E and south of 41 00' N • including portions of Italy, Greece, Turkey, Albania and all of Malta and north of Libya, and • its territorial waters and superjacent airspace.
20 May 2004	18 August 2009	East Timor and the territorial sea of East Timor.

18 August 2003	18 August 2009	Total land area, territorial waters and superjacent airspace of East Timor.
15 January 2001	18 August 2009	Area of operations defined as comprising Ethiopia and Eritrea.
4 November 2000	18 August 2009	Area of operations defined as comprising the Solomon Islands and its territorial sea.
19 June 1999	18 August 2009	Area comprising East Timor and the territorial sea of Indonesia adjacent to East Timor.
12 July 1994	18 August 2009	Mozambique.
7 July 1994	18 August 2009	Cambodia.
7 May 1991	18 August 2009	The waters of the: • Arabian Gulf, Gulf of Oman, Northern Arabian Sea, the Gulf of Aden and the Red Sea • bounded to the south and east by the following coordinates ◦ 25 00' N – 61 50' E ◦ 20 00' N – 61 50' E ◦ 11 50' N – 51 17' E.
1 July 1970	18 August 2009	The areas in: • Syria, the Arab Republic of Egypt, Jordan, Lebanon and Israel, including territories occupied by Israel, • in which Australian personnel served with the United Nations Truce Supervision Organisation.
16 September 1963	18 August 2009	Malaysia and its contiguous waters for a distance of 100 nautical miles seaward.
26 December 2004	27 May 2005	Area comprising of the land, sea and air areas bounded by the following geographical points: • 7 deg north 94 deg east • 7 deg north 108 deg east • 7 deg south 94 deg east • 7 deg south 108 deg east.
20 November 1997	27 August 2003	Area comprising Bougainville, Buka Islands and the Papua New Guinea territorial waters surrounding those islands.
15 January 2001	28 February 2003	The specified area comprises Sierra Leone.
1 October 1999	12 January 2003	Area of operations comprising the political borders of Iraq, Kuwait and Saudi Arabia.
13 May 1999	12 January 2003	Area of operations comprising the political borders of Iraq, Kuwait and Saudi Arabia.
15 May 1999	19 October 2001	The sea area: • comprising the Arabian Gulf, the Gulf of Oman and the northern Arabian Sea • bounded by 61 degrees 50 minutes east longitude and 20 degrees north latitude • together with the ports contiguous to that sea area and the airfields and military facilities adjacent to those ports.
–	1 October 2001	Area of operations all sea, airspace and land North and West from 5 deg 00 min S 68 deg 00 min E and encompassing the outer boundaries of Pakistan, Afghanistan, Iran, Iraq, Jordan, Egypt, Sudan and Kenya.

8 June 2000	25 June 2000	Area of operations defined as comprising: • the island of Guadalcanal and the adjacent waters • extending 12 nautical miles (including the superjacent airspace) from the shoreline of the island of Guadalcanal.
–	5 October 1999	Area of operations comprising Cambodia and the areas in Laos and Thailand that are not more than 50 kms from the border with Cambodia.
6 September 1999	20 September 1999	Area comprising East Timor and the territorial sea of Indonesia adjacent to East Timor.
25 February 1999	11 June 1999	Area comprising the political boundaries and airspace of: • the Federal Republic of Yugoslavia (including the province of Kosovo) • Albania • the former Yugoslav Republic of Macedonia.
15 April 1999	4 June 1999	Area comprising the political boundaries and airspace of: • the Federal Republic of Yugoslavia (including the province of Kosovo) • Albania • the former Yugoslav Republic of Macedonia • the air bases in Italy used for this operation • the Adriatic Sea.
13 February 1997	13 May 1997	Guatemala.
–	1 July 1996	Haiti.
–	21 February 1995	Rwanda and the areas of Uganda, Zaire, Burundi and Tanzania that are not more than 50 kms from the border with Rwanda.
21 September 1994	13 November 1994	Bougainville, the Buka Islands and the Papua New Guinea territorial waters surrounding those islands.
–	1 August 1994	The countries of: • Bahrain • Iraq • Kuwait • Oman • Qatar • Saudi Arabia • the United Arab Emirates • Turkey, south of latitude 38 north • Western Sahara.
–	1 January 1994	The North West Frontier Province of Pakistan and Afghanistan.
8 October 1993	21 November 1993	Cambodia.
–	1 January 1991	The area in which Australian Defence Force members are serving with the United Nations Iran or Iraq Military Observer Group: • on the Iran side of the internationally recognised border between Iran and Iraq • being an area within 200 kms of that border.
–	1 February 1990	The areas in Uganda in which Australian military personnel served with the Australian Contingent Commonwealth Military Training Team.
–	1 February 1990	The areas in Sinai in which Australian military personnel served with the Multi-National Force and Observers (MFO).

–	1 February 1990	The areas in India and Pakistan in which Australian personnel served with the United Nations Military Observer Group, India and Pakistan.
–	1 February 1990	Indonesia.
–	1 February 1990	Vietnam (southern zone) and the waters contiguous to the coast of Vietnam for a distance of 100 nautical miles seaward.
–	1 February 1990	Thailand.
–	1 February 1990	The waters contiguous to the coast of Singapore for a distance of 100 nautical miles seaward.
–	1 February 1990	Brunei and the waters contiguous to Brunei for a distance of 100 nautical miles seaward.

Calculate and claim the zone or overseas forces tax offset

You need to calculate the tax offset and claim the amount in your tax return at **Zone or overseas forces**.

You can only claim one of these tax offsets. If you qualify for both, you can claim the one that gives you the greater offset amount.

Use the calculator to work out your eligibility for a tax offset and the amount to claim.

Zone or overseas forces tax offset calculator **(/calculators-and-tools/zone-or-overseas-forces-tax-offset/)**

Lump sum payment in arrears tax offsets

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Lump-sum-payment-in-arrears-tax-offsets/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Lump-sum-payment-in-arrears-tax-offsets/)
- Last modified: 26 Apr 2023
- QC 72204

Check if you can claim lump sum tax offsets for a lump sum payment you receive in arrears.

On this page

About lump sum tax offsets

You may be eligible for lump sum tax offsets if you receive a lump sum payment in arrears (LSPIA). A lump sum payment is taxable in the year you receive it but is for an earlier income year.

Eligible payments usually relate to:

- employment
- compensation

- welfare payments.

The lump sum tax offsets help you reduce your tax payable and Medicare levy surcharge in the income year you receive the lump sum payment.

We will work out the amounts for you based on the information you provide in your tax return. The calculations are complex, so there is no online calculator. The myTax estimate doesn't include the offset.

Reporting a lump sum payment in arrears

You will need to include any lump sum payment in arrears amount you receive in your tax return in the income year you receive the payment.

You will also need to provide a breakdown of the payment into each income year.

Report the payment in your tax return at **Lump Sum E**.

Lump sum payments that qualify for a tax offset

To qualify for a lump sum tax offset, your lump sum payment in arrears must be either:

- salary or wages (accrued during the period earlier than 12 months before payment)
- a government education or training payment
- salary or wages paid to a person after reinstatement to duty following suspension. The payment is for the period of suspension, even if within the preceding 12 months
- deferred payment of a retiring allowance, retirement pension or annuity (or supplement)
- compensation, sickness or accident pay for incapacity to work. (Not for insurance payments made under an insurance policy)
- Australian Government and repatriation pensions, benefits and allowances paid by Services Australia (https://www.servicesaustralia.gov.au/) or the Department of Veterans' Affairs (https://www.dva.gov.au/) , or similar payments made under a law of a foreign country, state or province. (Not for exempt income.)

Eligible amount

The lump sum payment amount must be 10% or more of your taxable income in the year you receive it. This is after you deduct any:

- amounts that accrued in earlier years (that is, this payment)
- amounts received on termination of employment in lieu of annual or long service leave
- employment termination payments
- income stream and lump sum superannuation payments
- net capital gains
- taxable professional income that exceeds the average for the profession.

Tax offset for Medicare levy surcharge (LSPIA)

The Medicare levy surcharge (/Individuals/Medicare-and-private-health-insurance/Medicare-levy-surcharge/) lump sum payment in arrears (LSPIA) tax offset reduces your liability to pay the surcharge. This is when the payment pushes your family income over a threshold. You, and in some cases your spouse, may receive a tax offset.

The lump sum payments must be either:

- eligible payments for lump sum tax offset received in the relevant income year
- lump sum payment of 'exempt foreign employment income' for the relevant year. You must have accrued this for a period more than 12 months before the date it was paid.

Your lump sum must also be 10% or more of your:

- taxable income in the relevant year
- exempt foreign employment income for the current year
- amounts that would be included in assessable income if a family trust distribution was ignored
- reportable employer superannuation contributions for the current year
- total net investment loss for the current year.

Tax offset amount for Medicare levy surcharge

The tax offset is equal to the Medicare levy surcharge on the lump sum paid in arrears. It can only reduce your liability to zero. It can't exceed the total liability.

The myTax estimate doesn't include this tax offset.

Tax offset for Medicare levy surcharge for a spouse

The Medicare levy surcharge threshold (/Individuals/Medicare-and-private-health-insurance/Medicare-levy-surcharge/Medicare-levy-surcharge-income,-thresholds-and-rates/) is based on your combined family income, including your spouse.

If your lump sum results in a surcharge liability for your spouse, they will receive a tax offset. This will be equal to the liability caused by your lump sum if:

- you are entitled to the tax offset for Medicare levy surcharge (LSPIA)
- both of you were not already liable for the surcharge because your other income exceeded the family threshold.

If you and your spouse were already liable for the surcharge, only you will receive the tax offset if you are eligible.

How receiving a lump sum tax offset reduces your tax and Medicare surcharge

The intent of the lump sum payment in arrears (LSPIA) tax offsets is to ensure you don't overpay tax or Medicare levy surcharge in the income year you receive a lump sum.

You usually pay more tax in the year you receive the lump sum than you would if tax was withheld in the year you earned it.

The lump sum payment can impact your tax and non-tax entitlements such as:

- student loans
- child support and welfare payments.

You may find that compared to the income year you earned the payment:

- you are in a higher tax bracket and pay more tax
- you are in the same tax bracket and pay the same amount of tax
- you are in a lower tax bracket and pay less tax
- you have a new or increased Medicare levy surcharge as the lump sum pushes you over an income threshold.

The tax offset prevents you being disadvantaged when you receive a lump sum payment in a later income year.

Claiming a foreign income tax offset

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Claiming-a-foreign-income-tax-offset/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Claiming-a-foreign-income-tax-offset/)
- Last modified: 26 Apr 2023
- QC 72205

Check if you can claim a tax offset for foreign tax you pay on income from another country.

On this page

Eligibility for the foreign income tax offset

You may be able to claim a foreign income tax offset (FITO) for foreign tax paid in another country. The offset provides relief from paying double tax on your foreign and worldwide income (/individuals/income-deductions-offsets-and-records/income-you-must-declare/foreign-and-worldwide-income/).

To claim a foreign income tax offset, you must:

- have actually paid or deemed to have paid an amount of foreign income tax
- include the foreign income or gain on which you paid the tax on in either your
  - Australian assessable income
  - non-assessable non-exempt income under section 23AI or 23AK of the income Tax Assessment Act 1936 (/Individuals/Tax-return/2022/In-detail/Publications/Guide-to-foreign-income-tax-offset-rules-2022/?anchor=Foreign_income_tax_paid_on_NANE_income#Foreign_income_tax_paid_on_NANE_income).

Your foreign income tax offset reduces your tax payable for an income year. It applies in the income year in which your foreign income or gain forms part of your income in Australia.

To find out which foreign taxes count towards the tax offset, see When a foreign income tax offset applies (/Individuals/Tax-return/2022/In-detail/Publications/Guide-to-foreign-income-tax-offset-rules-2022/?page=2#When_a_foreign_income_tax_offset_applies).

Calculate the foreign income tax offset

You may pay foreign income tax in a different income year. This is because of the difference between the Australian and foreign tax systems.

You can only claim the offset after you have paid the foreign tax.

Before you calculate your net income, you must convert all foreign income into Australian dollars (/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Foreign-and-worldwide-income/Australian-resident-foreign-and-worldwide-income/). This includes your foreign income, deductions and tax paid.

For more details, see Calculating and claiming your foreign income tax offset (/Individuals/Tax-return/2022/In-detail/Publications/Guide-to-foreign-income-tax-offset-rules-2022/?page=5#Calculating_and_claiming_your_foreign_income_tax_offset).

Applying FITO against Medicare levy and surcharge

Your foreign income tax offset (FITO) reduces your tax payable for an income year. If any offset remains, you can use it to reduce your liability to pay Medicare levy. Then any further offset reduces any liability to pay the Medicare levy surcharge.

Our systems apply the offset against the Medicare levy and Medicare levy surcharge when you lodge your tax return.

For more information, see Guide to foreign income tax offset rules (/GuideToForeignIncomeTaxOffsetRules-redirect).

Records you need to keep

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Records-you-need-to-keep/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Records-you-need-to-keep/)
- Last modified: 26 Apr 2023
- QC 72206

Records you need to show a payment or expense, the format to keep your records in, and how long to keep them.

On this page

- What is a record?

- The importance of keeping records
- How long to keep your records
- Format of your records
- Record keeping exceptions
- Record keeping relief

What is a record?

Records are written evidence of your income or expenses, these can be either paper or electronic. You need to keep records that support the claims you make in your tax return.

For most expenses you need a receipt or similar document from the supplier. An acceptable record shows all of the following:

- the name or business name of the supplier
- the amount of the expense or cost of the asset
- the nature of the goods or services you buy
- the date you buy the goods or services
- the date the document was produced.

In some specific circumstances, there are record keeping exceptions.

The type and format of records you need will differ depending on what they are for, find out what records you need for:

- Payments or amounts you receive
- Deductible expenses
- Work-related expenses
- Investments and assets.

Payments or amounts you receive

If you receive income or other payment amounts you need to declare in your tax return, you need records that show the amounts. You may need to provide us a copy of the records if we review a tax return you lodge.

For salary, wages, allowances, government payments or pensions and annuities you receive, your records may include:

- your income statement if your employer reports to us through single touch payroll (STP)
- your Pay as you go (PAYG) payment summary – individual non-business
- a signed letter or statement from your payer, that provides the same information as an income statement or payment summary
- your PAYG payment summary – superannuation income stream.

For assessable investment income from interest, divided and distributions from managed funds, your records may include:

- interest, dividends or distributions statements
- Standard Distribution Statement (SDS) and Attribution managed investment trust member annual (AMMA) statement, that shows
  - the amount of your distribution
  - the amount of any primary production or non-primary production income
  - any capital gains or losses
  - any foreign income
  - your share of any credits, such as franking credits.

Deductible expenses

If you claim a deduction for a deductible expense, you must have records. Examples include the cost of managing your tax affairs or gifts and donations you make to a deductible gift recipient.

For most expenses you need a receipt or similar document as evidence of your expenses.

For information about specific records you need for gifts and donations, see Keeping records of gifts and donations (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/gifts-and-donations/#Keepingrecordsforgiftsanddonations).

Work-related expenses

If you claim a deduction for a work-related expense, you must have records of those expenses that show:

- you spent the money
- that the expense directly relates to earning your income.

To show how the expense relates to earning your income, you need a diary or similar record that shows:

- your private and work-related use.
- how you calculate the amount you claim as a deduction.

You can only claim a deduction for the work-related portion of an expense. When you use the items for both private and work purposes, you need to apportion your deduction.

There are some specific exceptions from keeping records for certain work expenses, see Record keeping exceptions.

For information about records you need for work-related expenses, see:

- Calculating your car expense deductions and keeping records (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/motor-vehicle-and-car-expenses/expenses-for-a-car-you-own-or-lease/#Calculatingyourcarexpensedeductionsandke)
- Keeping records of vehicle expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/motor-vehicle-and-car-expenses/expenses-for-a-vehicle-that-isn-t-yours-or-isn-t-a-car/#Keepingrecordsofvehicleexpenses)
- Keeping records for transport expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/taxi-ride-share-and-public-transport-expenses/#Keepingrecordsfortransportexpenses)
- Keeping travel expense records (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/keeping-travel-expense-records/)
- Keeping records for depreciating assets (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/depreciating-assets-you-use-for-work/keeping-records-for-depreciating-assets/)
- Keeping records for clothing, laundry and dry-cleaning (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/clothes-and-items-you-wear-at-work/clothing-laundry-and-dry-cleaning-expenses/#Keepingrecordsforclothinglaundryanddrycl)
- Record keeping for the fixed rate method (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/fixed-rate-method---67-cents/#Recordkeepingforthefixedratemethod)
- Record keeping for actual costs method (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/actual-cost-method/#Recordkeepingforactualcostsmethod)
- Keeping records for self-education expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/education-training-and-seminars/self-education-expenses/#Keepingrecordsforselfeducationexpenses)
- Overtime meal allowance expense records (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/meals-entertainment-and-functions/overtime-meal-expenses/#Overtimemealallowanceexpenserecords)
- Keeping records for mobile phone, mobile internet and other devices (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/mobile-phone-mobile-internet-and-other-devices/#Keepingrecordsformobilephonemobileintern)
- Keeping records for home phone and internet services (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/tools-computers-and-items-you-use-for-work/home-phone-and-internet-expenses/#Keepingrecordsforhomephoneandinternetser).

For a summary of work-related expense records, download Keeping records for work-related expenses (PDF, 208KB). (/uploadedFiles/Content/IAI/Downloads/Toolkits/Taxtimetoolkit_Keepingrecordsforworkrelatedexpenses.pdf)

Record for local government councillors

If you received an allowance from a council where you are a councillor, you need to keep written evidence of the work-related and car expenses you incur in carrying out your duties as a councillor. Expenses which allow you to maintain a public profile as local government councillors are deductible.

Investments and assets

If you acquire a capital asset you may make a capital gain or capital loss if you later sell the asset. To ensure you don't pay more tax than necessary, keep good records from when you buy the asset.

This may include income you receive from an investment property or dividends from shares.

For information about the records you need for investments and assets, see:

- Keeping records of shares and units (/Individuals/Capital-gains-tax/Shares-and-similar-investments/Keeping-records-of-shares-and-units/)
- Records for rental properties and holiday homes (/Individuals/Investments-and-assets/Residential-rental-properties/Records-for-rental-properties-and-holiday-homes/)
- Keeping records for property (/Individuals/Capital-gains-tax/Property-and-capital-gains-tax/Keeping-records-for-property/) – your main residence and inherited dwellings
- Keeping crypto records (/individuals/Investments-and-assets/crypto-asset-investments/keeping-crypto-records/).

The importance of keeping records

Australia's tax system relies on self-assessment so we accept that the information you give us is accurate. If we review your tax return and you don't have evidence to support claims for a deduction, your claims can be disallowed (taken off your tax return).

Keeping good records helps you and your tax adviser:

- to provide written evidence of your income and expenses
- prepare your tax return
- to ensure you are able to claim all your entitlements
- prove the information you provide in your tax return (in case we ask you)
- reduce the risk of tax audits and adjustments
- improve communication with us
- resolve issues that relate to a dispute of your assessments or adjustments
- avoid exposure to penalties.

Keeping good records reduces the cost of managing your tax affairs. If you use a tax advisor, you can reduce the time they spend sorting and preparing your records. This will give them more time to ensure you claim your entitlements.

If you incur expenses that you use partly for private purposes, you must have records that show how you worked out the part of expenses that you incur in earning assessable income.

For more information, see PS LA 2005/2 (/law/view/document?docid=PSR/PS20052/NAT/ATO/00001) *Penalty for failure to keep or retain records.*

How long to keep your records

You must keep your written evidence for **5 years** from the date you lodge your tax return.

In limited circumstances, there are different time periods for keeping records or record keeping exceptions.

In the following situations the period for keeping records is:

- 5 years from the date of your last claim for decline in value, if you claim a deduction for the decline in value of depreciating assets
- 5 years after it is certain that no capital gains tax (CGT) event (/Individuals/Capital-gains-tax/CGT-events/) can happen, if you acquire or dispose of a CGT asset
- for the later of following periods if you are in dispute with us, either
  - 5 years from the date you lodge your tax return
  - 5 years from the date the dispute is resolved.

Format of your records

You can keep your records in paper or electronic format, including photos of your written evidence. If you make paper or electronic copies of your records, they must be a true and clear copy of the original record.

Your records must be in English where you incur the expense in Australia. However, if you incur the expense in a country outside Australia, the document can be in the language of that country. If you incur the expense in Australia and your record is not in English, you need to translate them to English using an authorised translation office.

You can use any electronic device or app to keep your electronic records. However, we recommend backing up your electronic records regularly.

Keeping records with myDeductions

Our myDeductions tool in the ATO app is a record-keeping tool you can use to keep track of your records electronically.

Using the myDeductions tool makes keeping your records including photos easier.

We recognise documents you store digitally, including photos of your receipts as records.

Sole traders with simple affairs can also use it to help keep track of their business income and expenses.

You can upload your records from the myDeductions tool and pre-fill your tax return in myTax. If you use a registered tax agent, you can also email your records directly to them.

The myDeductions tool allows you to keep your records for:

- all work-related expenses (including car trips)
- interest and dividend deductions
- gifts or donations
- costs of managing tax affairs
- sole trader expenses and business income
- other deductions.

Media: A quick demonstration of myDeductions
http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubgosm84 (http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubgosm84) (**Duration:** 1:22)

Record keeping exceptions

There are also some record keeping exceptions available to make things simpler. Exceptions don't allow you to claim an automatic deduction. In limited circumstances we may also grant relief from the effects of failing to keep records.

In some circumstances you may not need receipts, but you still need to show you spent the money and how you calculate your claim.

Specific exceptions are:

- Total work expenses $300 or less
- Total laundry expenses $150 or less
- Small expense receipts
- Hard to get receipts
- Record keeping exceptions for travel allowance expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/overnight-travel-expenses-and-allowances/travel-allowances-for-overnight-travel/record-keeping-exceptions-for-travel-allowance-expenses/)
- Record keeping exception for overtime meals (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/meals-entertainment-and-functions/overtime-meal-expenses/#Recordkeepingexceptionforovertimemeals).

Total work expenses $300 or less

If your claim for work expenses is more than $300, you must have written evidence to support all your claims.

However, if your total claim for work expenses is $300 or less, you can claim a deduction without written evidence. You must be able to show you spent the money and how you calculate the amount of your claim.

The $300 deduction limit for work expenses doesn't apply to claims for car expenses, meal allowances, award transport payments allowance, or travel allowance expenses.

Total laundry expenses $150 or less

If your total claim for laundry expenses is $150 or less (excluding dry-cleaning expenses), you can claim a deduction without written evidence. You must be able to show you spent the money and how you calculate the amount of your claim.

Even if your deduction for work expenses is more than $300, you can still claim a deduction for laundry expenses up to $150 without written evidence. However, the $300 limit for work expenses still applies, this exception doesn't increase the $300 limit for work expenses to $450.

Where the total amount of work expenses is more than $300, and your laundry expenses total more than $150, you must keep written evidence of all your laundry expenses (not just the amount above $150).

For more information, see Keeping records for clothing, laundry and dry-cleaning (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/clothes-and-items-you-wear-at-work/clothing-laundry-and-dry-cleaning-expenses/#Keepingrecordsforclothinglaundryanddrycl).

Small expense receipts

If you are unable to get a receipt from a supplier, you may still be able to claim a deduction if you have evidence you incur the expense.

Small expenses are expenses you incur that are $10 or less, as long as your total claim for small expenses is $200 or less.

You can still claim a deduction if you can make a record of the expenses. Your record must be made as soon as possible after incurring the expense and provide details of:

- the name or business name of the supplier
- the amount of the expense or cost of the asset
- the nature of the goods or services you buy
- the date you buy the goods or services
- the date the record was made.
- If the expense is the decline in value of a depreciating asset you must record:
- a description of the asset
- the amount of decline in value
- who made the record
- the date the record was made.

Hard to get receipts

If you incur expenses where it is hard to get receipt, you can make a record of the expenses instead of getting a document from the supplier. Hard to get receipt expenses can be more or less than $10 and are excluded from the $200 limit for small expenses.

The record you keep must be made as soon as possible after the expense is incurred and provide details of:

- the name or business name of the supplier
- the amount of the expense or cost of the asset
- the nature of the goods or services you buy
- the date you buy the goods or services
- the date the record was made.

Record keeping relief

We may also grant relief from the effects of failing to keep records in limited circumstances.

Specific circumstances where relief from the effects of failing to keep records include:

- Unable to get a receipt from the supplier
- Reasonable expectation that records weren't required
- Lost or destroyed records

Unable to get a receipt from the supplier

We may grant you relief from keeping records, if the nature and quality of your evidence shows you spent the money and are entitled to claim a deduction.

Your evidence may include:

- a bank or credit card statement that shows
  - the amount that was paid
  - when and to who amounts were paid
- other documents that outline the nature of the goods or services
- a written record in your work diary.

If you pay cash to a supplier and have no other documents to support your claim, you will not have sufficient evidence to claim a deduction.

Reasonable expectation that records weren't required

If you don't have the records you need to claim a deduction, we may grant relief from substantiation (keeping records) if:

- there is sufficient evidence to indicate that you incurred the expense and it is deductible
- you can show the only reason you didn't keep records was a genuine belief that you did not need to keep records
- your belief that you did not have to keep records was reasonable in all the circumstances.

Relief will not be granted if you did not keep records because:

- you don't know how the record keeping provisions operate
- you have carelessly or recklessly disregarded whether and exception would apply.

For example, if you were under the impression that you only had to provide records for work expenses greater than $300, the relief from keeping records for the $300 of expenses would not be granted.

Lost or destroyed records

If your records are accidentally lost or destroyed, you may be able to claim a deduction for certain expenses. For example, your records are stolen during a burglary or destroyed in a disaster.

You can claim a deduction, if you can provide a complete copy of the lost or destroyed records – you can treat these records as the original from the time of the loss or destruction.

If you are unable to get a complete copy or a substitute document that meets all the original requirements for the record, we may also grant relief from substantiation (keeping records). This may occur where:

- there is sufficient evidence to indicate that you incurred the expense and it is deductible
- you can provide evidence that the loss or destruction of your records occurred
- documents have been lost or destroyed despite your taking reasonable precautions.
- you have tried and get a substitute record that meets all the original requirements for the record, and
  - you can show you made an effort, or there were reasonable grounds to believe your efforts wouldn't be successful, to get a substitute document
  - it was not reasonably possible for you to get a substitute document.

We may also be able to help you with Reconstructing your tax records (/General/Support-in-difficult-times/Tax-and-super-support-in-difficult-times/Reconstructing-your-tax-records/).

For more information on the relief from the effects of a failure to substantiate expenses, see TR 97/24 (/law/view/document?docid=TXR/TR9724/NAT/ATO/00001) *Income tax: relief from the effects of failing to substantiate.*

Documents to support and verify your claims

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Records-you-need-to-keep/Documents-to-support-and-verify-your-claims/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Records-you-need-to-keep/Documents-to-support-and-verify-your-claims/)
- Last modified: 13 Jul 2023
- QC 24929

Find out what documents you may need to provide us to verify the amounts you claim in your tax return.

On this page

What you need to do

If we ask you to provide supporting documents:

- read this page to find out what supporting documents you need to provide for each claim type
- send us copies of the relevant documents.

Ensure copies you provide are clear and readable, otherwise we may ask you to provide them again. We are unable to return copies of documents to you.

Don't send your original documents to us. You may be requested to provide original documents to us at a later date.

Keeping your tax records

If an expense is subject to substantiation, it must be supported by particular forms of written evidence – if not, your claim is not deductible. In other cases, you need to provide sufficient evidence to satisfy us that you incurred the expense.

Generally, you need to keep your records for 5 years from the date you lodge your tax return.

We request you provide enough information in a format that helps us to complete our review of your tax return.

For more information on the format of your records and how long to keep them, see Records you need to keep (/individuals/income-deductions-offsets-and-records/records-you-need-to-keep/)

Making a voluntary disclosure

If you make a voluntary disclosure (/Forms/Voluntary-disclosures-in-the-approved-form/), you can generally expect a reduction in the administrative penalties and interest charges that would normally apply. Administrative penalties are those we may impose without taking court action.

Income

Read about supporting documents you need to provide for the following types of income:

- Salary or wages
- Allowances
- Australian Government allowances and payments
- Australian Government pensions and allowances
- Attributed personal services income
- Gross interest
- Dividends.

Salary or wages

Provide the following supporting documents for your salary or wages (/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Employment-income/#Salaryandwages):

- your employer's name and address
- the name and contact phone number of your manager (at the above employer)
- a copy of your original payment summary issued by your employer (if there is no end-of-year income statement in ATO online services in myGov).

If you did not receive an original payment summary, and there is no end-of-year income statement in ATO online services in myGov, provide as many of the following additional items as possible:

- copies of your original bank statements showing the deposits of payments from your employer
- copies of your original payslips you received showing your income and tax withheld
- copies of any other original documents or information that may help us verify the employment information on your tax return – for example, a statutory declaration.

If you are unable to provide all of the above documents, or if you are an associate of your payer, we may need to seek further information from you.

Allowances

Provide the following supporting documents for your allowances (/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Employment-income/Employment-allowances/):

- your employer's name and address
- the name and contact phone number of your manager (at the above employer)
- copies of your original payment summary issued by your employer.

If you did not receive an original payment summary, provide as many of the following additional items as possible:

- copies of your original bank statements showing the deposits of payments from your employer
- copies of your original payslips you received showing your income and tax withheld
- copies of any other original documents or information that may help us verify the employment information on your tax return – for example, a statutory declaration.

If you are unable to provide all of the above documents, or if you are an associate of your payer, we may need to seek further information from you.

Australian Government allowances and payments

Provide documents to show all of the taxable Australian Government allowances and payments (/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Government-payments-and-allowances/#Taxablepensionspaymentsandallowances) you received and any overpayments you have repaid for the income year.

Australian Government pensions and allowances

Provide documents to show all of the taxable Australian Government pensions and payments (/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Government-payments-and-allowances/#Taxablepensionspaymentsandallowances) you received and any overpayments you have repaid for the income year.

Attributed personal services income

Provide the following supporting documents for your attributed personal services income (/Business/Personal-services-income/Income-that-is-PSI/):

- the name and contact phone number of the person who paid you
- a copy of your original payment summary – business and personal services income showing the amount of personal services income attributed to you and the total amount of tax paid or withheld
- details of any other personal services income attributed to you for the personal services you provided.

If you can't provide any of the above, provide the following:

- copies of original bank statements showing the deposits of payments from the person who paid you

- copies of any other original documents or information that may help us verify the information on your tax return.

Gross interest

For any interest (/individuals/income-deductions-offsets-and-records/income-you-must-declare/investment-income/#Interestincome) claimed or credit received from any source in Australia including:

- accounts and term deposits held with financial institutions
- interest from children's accounts you opened or operated with funds that belonged to you or funds that you used as if they belonged to you.

Interest does not include any interest credited to a first home saver account.

What you need to provide when contacted about your interest claim:

- If the interest income shown in our letter is not correct or does not belong to you personally, you should provide information and documents to support your position, including copies of the statements.
- If the interest has been declared in an associated return – for example, a partnership, trust, company or superannuation fund – give us the details.

You should also ask the bank to record that tax file number (TFN) against the accounts. This will help us to match the interest to the correct tax return in future years.

Dividends

What you need to provide supporting documents for your dividends (/individuals/income-deductions-offsets-and-records/income-you-must-declare/investment-income/#Dividends):

- A copy of all dividend statements from the Australian company of the dividends that were paid to you or had made distributions to you during the income year – these include dividends applied under a dividend reinvestment plan and bonus shares that qualify as dividends.
- If the shares were in joint names, just provide only your portion of the dividends.

If you can't provide any of the above, provide the following:

- copies of original bank statements showing the deposits of payments form the company
- copies of any other original documents or information that may help us verify the information on our tax return.

Non-primary production losses carried forward from earlier income years

What you need to provide:

- details of the type of losses
- a copy of your worksheets showing how you calculated the losses
- documentary evidence to support the losses, such as copies of trading statements.

Non-primary production losses claimed this income year

What you need to provide:

- details of why you believe you are entitled to claim a tax loss from earlier income years
- details of the type of losses
- a copy of your worksheets showing how you calculated the losses
- documentary evidence to support the losses, such as copies of trading statements.

Deductions

This section outlines the supporting documents you need to provide for:

- Work-related car expenses
- Work-related travel expenses
- Work-related clothing, laundry and dry-cleaning expenses
- Work-related self-education expenses
- Work from home expenses
- Other work-related expenses

- Low-value pool deduction
- Interest deductions
- Dividend deductions
- Gifts or donations
- Cost of managing tax affairs

Work-related car expenses

Find out what supporting documents you need to verify your claim when you use either:

- Cents per kilometre method
- Logbook method

Cents per kilometre method

If you claimed a deduction for car expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/cars-transport-and-travel/motor-vehicle-and-car-expenses/expenses-for-a-car-you-own-or-lease/) using the cents per kilometre method, provide the following:

- copies of the car registration certificate or papers.
- a record of how you worked out your business kilometres per car, per income year – for example, you should advise the
  - purpose of the travel undertaken
  - frequency of any work-related travel
  - number of kilometres travelled for work-related purposes.

- if your claim relates to the transport of bulky tools and equipment, provide a list of all work items carried, the weight and size. If work items are carried in a bag provide the dimensions and weight of the bag.
- details of the storage available for your tools and equipment at your workplace, including details about where it is located and whether it can be locked.
- any other evidence confirming that the travel claimed was undertaken in your car in the course of carrying out your employment duties. This could include
  - a copy of your job description
  - employment contract
  - the relevant award or workplace or enterprise bargaining agreement.

Common issues

The following are common issues encountered with cents per kilometre claims:

- Claiming 5,000 km without being able to show how you had travelled 5,000 km
- Claiming more than 5,000 km for a single vehicle in a single year
- Claiming for a car that you do not own (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Motor-vehicle-and-car-expenses/Expenses-for-a-vehicle-that-isn-t-yours-or-isn-t-a-car/).

Logbook method

If you claimed a deduction for car expenses (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Motor-vehicle-and-car-expenses/Expenses-for-a-car-you-own-or-lease/) using the logbook method, provide the following:

- details of how your claim was calculated (that is, a description of each item included in the claim and the amount claimed for each expense)
- copies of the purchase or lease documents for your car and copies of the car registration certificate or papers for the income years you are claiming car expenses
- the calculation for the decline in value (depreciation)
- copies of your logbook and odometer records – the logbook **must** contain
  - when the logbook period begins and ends
  - the car's odometer readings at the start and end of the logbook period
  - the total number of kilometres the car travelled during the logbook period
  - the number of kilometres travelled for each journey recorded in the logbook (if you made 2 or more journeys in a row on the same day, you can record them as a single journey). You'll need to record the

    - odometer readings at the start and end of the journey
    - business kilometres travelled
    - reason for the journey

  - the business-use percentage for the logbook period
  - the odometer readings at the start and end of each income year you use the logbook method

- copies of original receipts for all car expenses claimed
  - except for fuel and oil receipts if you have used odometer records to estimate your fuel and oil expenses
  - including all fuel and oil receipts if you have not used odometer records to estimate your fuel and oil expenses

- if your claim relates to the transport of bulky tools and equipment, provide
  - a list of all work items you carry, the weight and size (if work items are carried in a bag provide the dimensions and weight of the bag)
  - details of the storage available for your tools and equipment at your workplace including details about where it is located and whether it can be locked

- any other evidence confirming that the travel claimed was undertaken in your car in the course of carrying out your employment duties – this could include
  - a copy of your job description
  - employment contract
  - the relevant award or workplace or enterprise bargaining agreement.

Common issues

The following are common issues encountered with logbook claims:

- A logbook has not been kept or has not been kept correctly – you must have a logbook to use the logbook method, even if your business use was 100%, or your business use was a fixed pattern.
- Your usage of the vehicle has changed significantly since the logbook was kept and a new logbook has not been kept to account for this change.
- The number of cars you used for work changed, or you used multiple vehicles for work and did not keep concurrent logbooks.
- The opening and closing odometer readings for the period during the income year the car was owned, have not been kept.
- The use of the car, both private and for work, during the 12-week logbook period is not representative of the use of the car throughout the year. A logbook may have to be kept for longer than 12 weeks if there is no regular pattern of use of the car.

For more information on work-related car and transport deductions, see TR 2021/1 (/law/view/document?DocID=TXR/TR20211/NAT/ATO/00001&PiT=99991231235958) *Income tax: when are deductions allowed for employees' transport expenses?*

Work-related travel expenses

This section outlines the documents you need to provide for the following work-related travel expenses:

- Travel expenses
- Travel expenses using Commissioner’s reasonable amounts
- Claims not more than the Commissioner’s reasonable amounts
- Claims that exceed the Commissioner’s reasonable amounts
- Tolls
- Parking
- Public transport
- Taxis and ride sharing
- Motor vehicle with a carrying capacity greater than one tonne or more than 9 passengers

Travel expenses

If you claimed travel expenses (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Overnight-travel-expenses-and-allowances/), provide the following:

- an employment contract, job description or duty statement showing that you needed to travel in the course of performing your work
- details of any travel allowances or reimbursements received, including
  - the name of the workplace or enterprise bargaining agreement the allowance is paid under
  - how the allowances or reimbursements were calculated
  - details of the expenses they are paid to cover
- a copy of the final payslip for the income year issued by your employer
- an explanation of how the travel was work related
- details of any persons that accompanied you and their relationship to you, and details of how you worked out the proportion you claimed
- a travel diary for each trip that was for6 nights or more – the diary must show what you did each day for work or private purposes while travelling
- details of any private travel, for example a holiday after work-related travel and an explanation of how you apportioned your claim
- copies of all receipts for all meals, accommodation, flights and incidentals you are claiming.

You should provide an explanation of how each expense was made in the course of earning your assessable income and cross-reference your receipts and other evidence with the list of expenses.

Travel expenses using Commissioner's reasonable amounts

As you claimed travel expenses using Commissioner's reasonable amounts, provide the following:

- an employment contract, job description or duty statement showing that you needed to travel in the course of performing your work
- details of any travel allowances or reimbursements received, including
  - the name of the workplace or enterprise bargaining agreement the allowance is paid under
  - how the allowances or reimbursements were calculated
  - details of the expenses they are paid to cover
- a copy of the final payslip for the income year issued by your employer
- an explanation of how the travel was work related
- details of any persons that accompanied you and their relationship to you, and details of how you worked out the proportion you claimed
- information to show you incurred the travel expenses claimed – this could include
  - hotel booking confirmations
  - credit card or bank statements showing accommodation or meal expenses
  - menus from places you ate at
  - the cost of those meals
  - other evidence
- the number of nights you slept away from home and the location
- how you calculated the amount claimed, including a list of expenses claimed
- if you travelled overseas, you must keep receipts for all of your accommodation expenses and a travel diary if you are overseas for 6 or more nights.

You should provide an explanation of how each expense was incurred in the course of earning your assessable income and cross-reference your receipts and other evidence with the list of expenses.

Even if you receive a bona fide travel allowance, you can only claim a deduction for the amount you incurred on travel expenses, and you must be able to show that those expenses were actually incurred.

Claims not more than the Commissioner's reasonable amounts

The following are common issues encountered with travel expense claims not more than the Commissioner's reasonable amounts:

- Claiming when you did not receive a bona fide travel allowance, and you do not have written evidence to support your claims
- Claiming based on the Commissioner's reasonable amounts multiplied by the number of nights away, when the expenses incurred were less than this
- Claiming a deduction for travel when you received a travel allowance and did not declare the travel allowance as income on your tax return.

You can only claim a deduction for the amount you incurred on travel expenses, and you must be able to show the travel expenses were actually incurred.

Claims that exceed the Commissioner's reasonable amounts

The following are common issues encountered with travel expense claims that exceed the Commissioner's reasonable amounts:

- Not keeping a travel diary for domestic or overseas travel of 6 nights or more
- Claiming when you do not have written evidence to substantiate your expenses.

To find out the reasonable travel and overtime meal allowance expense amounts for the current and previous income years, see:

- TD 2017/19 (/law/view/document?DocID=TXD/TD201719/NAT/ATO/00001&PiT=99991231235958) *Income tax: what are the reasonable travel and overtime meal allowance expense amounts for the 2017–18 income year?*
- TD 2018/11 (/law/view/document?DocID=TXD/TD201811/NAT/ATO/00001&PiT=99991231235958) *Income tax: what are the reasonable travel and overtime meal allowance expense amounts for the 2018–19 income year?*
- TD 2019/11 (/law/view/document?DocID=TXD/TD201911/NAT/ATO/00001&PiT=99991231235958) *Income tax: what are the reasonable travel and overtime meal allowance expense amounts for the 2019–20 income year?*
- TD 2020/5 (/law/view/document?DocID=TXD/TD20205/NAT/ATO/00001&PiT=99991231235958) *Income tax: what are the reasonable travel and overtime meal allowance expense amounts for the 2020–21 income year?*
- TD 2021/6 (/law/view/document?DocID=TXD/TD20216/NAT/ATO/00001&PiT=99991231235958) *Income tax: what are the reasonable travel and overtime meal allowance expense amounts for the 2021–22 income year?*
- TD 2022/10 (/law/view/document?DocID=TXD/TD202210/NAT/ATO/00001&PiT=99991231235958) *Income tax: what are the reasonable travel and overtime meal allowance expense amounts for the 2022–23 income year?*

Tolls

You need to provide:

- copies of receipts or toll statements which show that you incurred the amount being claimed
- evidence or an explanation of how the tolls were related to travel undertaken in the course of performing your employment duties
- details of how you worked out the portion of the expense that was related to your work.

Parking

You need to provide these supporting documents for your parking fees (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Motor-vehicle-and-car-expenses/Expenses-for-parking-tolls-accidents-licence-and-fines/#Parkingfeesandtolls):

- copies of receipts or other documents which show that you incurred the amount being claimed
- evidence or an explanation of how the parking was related to travel undertaken in the course of performing your employment duties
- details of how you worked out the portion of the expense that was related to your work.

Public transport

You need to provide these supporting documents for your public transport expenses (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Taxi-ride-share-and-public-transport-expenses/):

- copies of tickets, public transport card statements, receipts or other documents which show that you incurred the amount being claimed
- evidence or an explanation of how your travel on public transport was undertaken in the course of performing your employment duties
- details of how you worked out the portion of the expense that was related to your work.

Taxis and ride sharing

You need to provide these supporting documents for your taxi, ride-share expenses (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Taxi-ride-share-and-public-transport-expenses/):

- copies of receipts, account statements, or other documents which show that you incurred the amount claimed
- evidence or an explanation of how your travel by taxi or ride sharing was undertaken in the course of performing your employment duties

- details of how you worked out the portion of the expense that was related to your work.

Motor vehicle with a carrying capacity greater than one tonne or more than 9 passengers

You need to provide these supporting documents for your expenses for a vehicle that isn't yours or isn't a car (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Motor-vehicle-and-car-expenses/Expenses-for-a-vehicle-that-isn-t-yours-or-isn-t-a-car/):

- if your claim relates to the transport of bulky tools and equipment, provide a list of all work items carried, the weight and size (if work items are carried in a bag provide the dimensions and weight of the bag)
- details of the storage available for your tools and equipment at your workplace, including details about where it is located and whether it can be locked.

For each vehicle you claim provide:

- copies of the purchase or lease documents, including evidence the carrying capacity was over one tonne or 9 or more passengers
- copies of the vehicle registration certificate or papers
- explanation and supporting documents, such as a diary of how you calculated your work use percentage
- a list of each expense and amount claimed
- copies of original receipts for all expenses (including fuel and oil costs)
- the decline in value schedule or details of how you calculated your claim, including the effective life and the method used (prime cost or diminishing value) and an explanation of how you calculated the work-related portion of the vehicle.

Ensure copies of original purchase receipts or invoices are provided.

If you borrow a car that is owned or leased by someone else, you may be able to claim costs incurred if you use the car for your work as an employee. These expenses include petrol, oil and repair costs directly related to your use of the car for work purposes.

For more information on the effective life of depreciating assets, see TR 2022/1 (/law/view/document?DocID=TXR/TR20221/NAT/ATO/00001&PiT=99991231235958) *Income tax: effective life of depreciating assets (applicable from 1 July 2022).*

Work-related clothing, laundry and dry-cleaning expenses

This section outlines the supporting documents you need to provide for expenses claimed for your work-related:

- Uniform
- Laundry
- Dry-cleaning

Uniform

If you claimed the cost of a work uniform that is distinctive (such as one that has your employer's logo permanently attached to it), it must be either a:

- non-compulsory uniform (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Clothes-and-items-you-wear-at-work/Clothing-laundry-and-dry-cleaning-expenses/#Noncompulsoryworkuniform) that your employer has registered with AusIndustry (check with your employer if you are not sure)
- compulsory uniform (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Clothes-and-items-you-wear-at-work/Clothing-laundry-and-dry-cleaning-expenses/#Compulsoryworkuniform) that can be a set of clothing or a single item that identifies you as an employee of your employer's organisation – there must be a strictly enforced policy making it compulsory to wear that clothing at work. Items may include shoes, stockings, socks and jumpers where they are an essential part of a distinctive compulsory uniform and the colour, style and type are specified in your employer's policy.

You need to provide:

- a copy of your employer’s uniform policy
- if your employer doesn’t have a uniform policy, a description of the uniform you were required to wear
- copies of receipts.

You can also claim the cost of:

- occupation-specific clothing (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Clothes-and-items-you-wear-at-work/Clothing-laundry-and-dry-cleaning-expenses/#Occupationspecificclothing) which allows people to easily recognise that occupation (such as the chequered pants a chef wears when working) and which are not for everyday use
- protective clothing (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Clothes-and-items-you-wear-at-work/Clothing-laundry-and-dry-cleaning-expenses/#Protectiveclothing) and footwear to protect you from the risk of illness or injury, or to prevent damage to your ordinary clothes, caused by your work or work environment. Items may include fire-resistant clothing, sun protection clothing, safety-coloured vests, non-slip nurse's shoes, steel-capped boots, gloves, overalls, aprons, and heavy duty shirts and trousers (but not jeans).You need to provide a description of the protective clothing and equipment you were required to wear and copies of receipts.

You can claim the cost of protective equipment, such as hard hats and safety glasses at Other work-related expenses.

You can claim the cost of renting, repairing and cleaning any of the above work-related clothing.

Laundry

You need to provide these supporting documents for your laundry (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Clothes-and-items-you-wear-at-work/Clothing-laundry-and-dry-cleaning-expenses/#Laundrydrycleaningandrepair):

- a description of the work-related clothing worn
- details of how you calculated your claim
- if the laundry claim exceeds $150, provide receipts.

Claims for laundry expenses that do not exceed $150 can be based on a cost of:

- $1 per load if you wash only your work clothes
- 50 cents per load if you wash other clothes together with your work clothes.

To make a claim for laundry in this manner, the clothing being laundered must be a uniform, occupation specific clothing or protective clothing.

You can't claim the cost of purchasing or cleaning plain clothes, such as black trousers, white shirts, suits and stockings, even if your employer requires you to wear them.

Dry-cleaning

You need to provide these supporting documents for your dry-cleaning (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Clothes-and-items-you-wear-at-work/Clothing-laundry-and-dry-cleaning-expenses/#Laundrydrycleaningandrepair):

- a description of the work-related clothing worn
- copies of receipts.

Work-related self-education expenses

A claim for self-education expenses (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/education-training-and-seminars/self-education-expenses/) related to your work as an employee is available if you work and study at the same time and can satisfy any of these conditions:

- you are upgrading your qualifications for your current employment
- you are improving specific skills or knowledge used in your current employment
- you are employed as a trainee, and you are undertaking a course that forms part of that traineeship
- you can show that at the time you were working and studying, your course led, or was likely to lead, to an increase in income from your current employment.

You can't claim a deduction for work-related self-education expenses for a course that either:

- relates only in a general way to your current employment or profession
- will enable you to get new employment.

Provide the following:

- a list of the expenses and the amount of each expense claimed along with
  - full details of the course you undertook
  - the name of the institution where it was undertaken

  - the date you began your course
  - whether you were a full-time or part-time student
  - a copy of the course outline
  - the nature of each expense and the amount claimed

- an explanation as to how the course directly relates to your employment at the time you were undertaking the course
- your employment contract including a job description or a duty statement
- copies of original receipts or other documents, for example a Commonwealth Assistance Notice (CAN) to support each expense included in your claim.

You **can't** claim a tax deduction for the following expenses:

- self-education expenses such as tuition fees paid to an education provider by you or the Australian Government under HECS-HELP
- the cost of accommodation and meals associated with day-to-day living expenses
- repayments you make (whether compulsory or voluntary) on debts you may have under the following loan schemes
  - HECS-HELP
  - FEE-HELP
  - VET-FEE-HELP
  - OS-HELP
  - SSL
  - SFSS
  - TSL
  - VSL.

See TR 98/9 (/law/view/document?DocID=TXR/TR989/NAT/ATO/00001) *Income tax: deductibility of self-education expenses made by an employee or a person in business* which sets out the circumstances when self-education expenses can be allowable as a tax deduction.

Work from home expenses

This section outlines the supporting documents to provide for work from home for:

- Running costs after 1 July 2022
- Running costs before 1 July 2022
- Occupancy costs

Running costs after 1 July 2022

From 1 July 2022 there are 2 methods available to calculate your claim. You can claim a fixed rate per hour using the revised fixed rate method (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Working-from-home-expenses/Fixed-rate-method---67-cents/) or you can calculate your actual expenses using the actual cost method (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Working-from-home-expenses/Actual-cost-method/).

If you are using the **revised fixed rate method,** you need to provide:

- an explanation of the work performed from home
- a record of the number of actual hours you work from home during the entire income year – for example, a timesheet, roster, diary or other similar document
- details of how you calculated your claim.

For the 2022–23 income year only, if you did not keep a record of the actual hours you worked from home you must be able to provide both:

- a representative record of the total number of hours worked from home during the period from 1 July 2022 to 28 February 2023 – for example, any kind of record of the hours you worked from home for a particular period that you can apply to the whole 8 month period
- a record of the total number of actual hours worked from home for the period 1 March 2023 to 30 June 2023.

If you are using the **actual cost method**, you need to provide:

- an explanation of the work performed from home

- the depreciation schedule or details of how you calculated your claim, including the effective life and the method used (prime cost or diminishing value) for each item
- receipts for the purchase of each depreciating asset
- copy of your diary, over a representative 4-week period, or other evidence that shows how often you worked out of your home
- if you claimed electricity, heating, cooling, and lighting:
  - evidence of the total cost of the utility service for the year of income such as a copy of your utility bills
  - the cost per unit of power used - refer to your utility bill for this information
  - the average units used per hour - this is the power consumption per kilowatt hour for each appliance, equipment or light used
  - the total annual hours used for work-related purposes based on your diary
- receipts for any other expenses you claimed

If you had a dedicated home office and claimed cleaning expenses:

- a floor plan of your home, with the home office space identified. This must show the total floor area of the house and the area of the home office
- copies of receipts.

Running costs before 1 July 2022

Before 1 July 2022 there were 3 ways to calculate your claim. You can claim a fixed rate per hour using the fixed rate method (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Working-from-home-expenses/Fixed-rate-method---52-cents/) or you can calculate your actual expenses using the actual cost method (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Working-from-home-expenses/Actual-cost-method/). If you worked from home during the period from 1 March 2020 to 30 June 2022, a temporary simplified method (shortcut method (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Working-from-home-expenses/Shortcut-method/)) was introduced to calculate additional running expenses you incurred as a result of working from home.

If you are using the **fixed rate method**, you need to provide:

- an explanation of the work performed from your home office
- a copy of your diary over a representative 4-week period, or other evidence that shows how often you worked out of your home office
- details of how you calculated your claim.

If you are using the **actual cost method**, you need to provide:

- an explanation of the work performed from your home
- the depreciation schedule or details of how you calculated your claim, including the effective life and the method used (prime cost or diminishing value) for each item
- receipts for the purchase of each depreciating asset
- a copy of your diary over a representative 4-week period, or other evidence that shows how often you worked out of your home office
- if you claimed electricity, heating, cooling, and lighting:
  - evidence of the total cost of the utility service for the year of income such as a copy of your utility bills
  - the cost per unit of power used – see your utility bill for this information
  - the average units used per hour – this is the power consumption per kilowatt hour for each appliance, equipment or light used
  - the total annual hours used for work-related purposes based on your diary
- if you claimed cleaning expenses, copies of receipts and a floor plan of your home, with the home office space identified. This must show the total floor area of the house and the area of the home office
- receipts for any other expenses you claimed.

If you are using the **shortcut method** – this method allowed you to claim 80 cents for each hour you worked from home and covered all deductible running expenses.

You will need to provide a copy of your diary, timesheet, roster or other evidence that shows how often you worked out of your home.

Availability of work from home expenses methods

Method	Availability	Rate
Actual cost (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/actual-cost-method/)	Always available	Calculate actual costs
Fixed rate method (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/fixed-rate-method---52-cents/)	1 July 2018 to 30 June 2019 1 July 2019 to 30 June 2020 1 July 2020 to 30 June 2021 1 July 2021 to 30 June 2022	52 cents per work hour
Shortcut method (/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/shortcut-method/)	1 March 2020 to 30 June 2020 1 July 2020 to 30 June 2021 1 July 2021 to 30 June 2022	80 cents per work hour

For the work from home fixed rates before 2018–19, see PS LA 2001/6 (/law/view/document?DocID=PSR/PS20016/NAT/ATO/00001&PiT=99991231235958) Verification approaches for home office running expenses and electronic device expenses.

Occupancy costs

Employees are generally not able to claim occupancy expenses. You can only claim the work-related proportion of your occupancy expenses (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Working-from-home-expenses/Occupancy-expenses/) in 2 very limited circumstances, where:

- the space in the home is a place of business and not suitable for domestic use – for example, a doctor or dentist surgery or a hairdresser studio in the home
- no other work location is provided to an employee by an employer and the employee is required to dedicate part of their home to their employer's business as an office – you can claim the portion of these costs that relate to a clearly identified place of business.

If you claim occupancy expenses, you don't qualify for the capital gains tax (CGT) main residence exemption for the part of your home that you use for work. If you use your home as a place of business, there may be CGT implications when you sell it.

You will need to provide:

- an explanation of the work performed from your home office
- a floor plan of your home, with the home office space identified. This must show the total floor area of the house and the area of the home office
- if you claimed heating, cooling and lighting, evidence of the total cost of the utility service for the year of income
- evidence of the amount of rent, mortgage interest, property insurance, land taxes or rates incurred.

Other work-related expenses

Find out what supporting documents you need to verify your claim for:

- Mobile and home telephone use
- Internet and data expenses
- Union dues
- Memberships and professional registrations
- Overtime meal expenses
- Books and magazines for professional library
- Computer parts, consumables and stationery
- Purchase of equipment or decline in value
- Sun protection

- Short Course Training or On the Job Training
- COVID-19 personal protective items
- All other expenses

Mobile and home telephone use

You need to provide these supporting documents for your mobile and home telephone use:

- an explanation of how the phone was used for work and how you calculated your claim
- evidence of the total cost of the service for the year of income
- itemised bill with the outgoing private and outgoing work-related calls clearly and distinctly marked and tallied
- if no itemised bill is available – a representative 4-week diary showing your work-related and private use of the service.

Internet and data expenses

You need to provide these supporting documents for your internet and data expenses:

- an explanation of how the internet was used for work and how you calculated your claim, including allowing for usage of other members of your household
- evidence of the total cost of the service for the year of income
- evidence of how you established the work-related portion – this could be
  - a diary covering a representative 4-week period showing your work-related use, private use and use by other members of your household of the service
  - a record of the amount of data downloaded for work as a percentage of the total data downloaded by all members of your household
  - any additional costs incurred as a result of your work-related use, for example, if your work-related use resulted in you exceeding your monthly cap.

Guidance – mobile and home phone, and internet

From 1 July 2022, if you are using the revised fixed rate method all expenses related to working from home are included in this rate. This includes mobile and home phone and internet that you use while you are working from home,

Union dues

You need to provide evidence to show you paid the amount of union fees (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Memberships-accreditations-fees-and-commissions/Union-fees-subscriptions-to-associations-and-bargaining-agents-fees/) that you are claiming in the income year.

Memberships and professional registrations

You need to provide these supporting documents for your professional memberships and accreditations (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Memberships-accreditations-fees-and-commissions/Professional-memberships-and-accreditations/):

- copies of invoices, payslips or bank statements showing the total amount paid in membership fees for the income year
- details of why the expense was connected to your work.

Overtime meal expenses

If you claim less than the reasonable amount for overtime meal expenses, you need to provide supporting documents for your overtime meal expenses (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Meals-entertainment-and-functions/Overtime-meal-expenses/):

- evidence (such as an employment contract or payslips) confirming you were paid an overtime meal allowance; the amount paid per occasion and the name of the industrial law, award or agreement under which the allowance was paid
- information to show you incurred the overtime meal expenses claimed – this could include credit card or bank statements showing meal expenses, menus from places you ate at and the cost of those meals, or other evidence
- the number of instances you worked overtime and were paid an overtime meal allowance
- a copy of your final payslip for the income year issued by your employer
- an explanation of how you calculated the amount claimed.

If you claim more than the reasonable amount for overtime meal expenses, you need to have a receipt for each meal.

To find out the reasonable travel and overtime meal allowance expense amounts for the current and previous income years, see:

- TD 2017/19 (/law/view/document?DocID=TXD/TD201719/NAT/ATO/00001&PiT=99991231235958) *Income tax: what are the reasonable travel and overtime meal allowance expense amounts for the 2017–18 income year?*
- TD 2018/11 (/law/view/document?DocID=TXD/TD201811/NAT/ATO/00001&PiT=99991231235958) *Income tax: what are the reasonable travel and overtime meal allowance expense amounts for the 2018–19 income year?*
- TD 2019/11 (/law/view/document?DocID=TXD/TD201911/NAT/ATO/00001&PiT=99991231235958) *Income tax: what are the reasonable travel and overtime meal allowance expense amounts for the 2019–20 income year?*
- TD 2020/5 (/law/view/document?DocID=TXD/TD20205/NAT/ATO/00001&PiT=99991231235958) *Income tax: what are the reasonable travel and overtime meal allowance expense amounts for the 2020–21 income year?*
- TD 2021/6 (/law/view/document?DocID=TXD/TD20216/NAT/ATO/00001&PiT=99991231235958) *Income tax: what are the reasonable travel and overtime meal allowance expense amounts for the 2021–22 income year?*
- TD 2022/10 (/law/view/document?DocID=TXD/TD202210/NAT/ATO/00001&PiT=99991231235958) *Income tax: what are the reasonable travel and overtime meal allowance expense amounts for the 2022–23 income year?*

Books and magazines for professional library

You need to provide these supporting documents for your books, periodicals and digital information (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Books-periodicals-and-digital-information/):

- an explanation of how each item relates to your employment duties
- copies of receipts, invoices or other documents which show you incurred the amount claimed
- where the expenses are partially private in nature, details of how you worked out the work-related portion of the claim
- copy of a decline in value schedule for a professional library.

Computer parts, consumables and stationery

You need to provide these supporting documents for your stationery and office supplies (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Stationery-and-office-supplies/):

- copies of purchase invoices or receipts for all items
- an explanation for how the expenses were connected with your employment duties
- details of how the work-related portion of your expenses were worked out.

Purchase of equipment or decline in value

You need to provide these supporting documents for your tools, computers and items you use for work (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Tools-computers-and-items-you-use-for-work/Books-periodicals-and-digital-information/):

- an explanation for how each item relates to your employment duties
- copies of purchase invoices or receipts for all items
- an explanation of how you calculated the work-related portion for each item
- the decline in value schedule or details of how you calculated your claim, including the effective life and the method used (prime cost or diminishing value) for each item.

Work-related items with a purchase price above the immediate deduction threshold of $300, require a decline in value calculation and only the deductible portion for that relevant income year may be claimed.

Sun protection

You need to provide supporting documents for your sunscreen and sunhats (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Clothes-and-items-you-wear-at-work/Protective-items-equipment-and-products/#Sunscreenandsunhats):

- copies of invoices or receipts for the expenses
- an explanation of how your employment duties expose you to the sun for prolonged periods
- details of how you worked out the work-related portion of the expenses.

Short Course Training or On the Job Training

You need to provide a list of the expenses and the amount of each expense claimed, along with:

- full details of the course or training you undertook
- a copy of your course or training outline
- the name of the institution or facility where it was undertaken
- the dates you began and completed your course or training
- the nature of each expense and the amount claimed
- an explanation as to how the course or training directly relates to your employment
- your employment contract including a job description or a duty statement
- copies of original receipts or other documents to support each expense included in your claim.

COVID-19 personal protective items

If your specific employment duties require you to have physical contact or be in close proximity to customers or clients while carrying out your duties, or you are involved in cleaning premises, you can claim a deduction for expenditure on protective items (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Clothes-and-items-you-wear-at-work/Protective-items-equipment-and-products/#PersonalprotectiveequipmentPPE) (such as gloves, face masks, sanitiser, antibacterial spray).

You need to provide:

- a description of the protective clothing and equipment you were required to wear
- copies of receipts.

All other expenses

You need to provide these supporting documents for other deductions you can claim (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Clothes-and-items-you-wear-at-work/Protective-items-equipment-and-products/):

- copies of invoices or receipts for the expenses
- an explanation for how the expenses were connected to your employment duties
- details of how you worked out the work-related portion of the expenses.

Low-value pool deduction

The following can't be included in a low-value pool:

- assets you have previously claimed deductions for using the prime cost method
- assets that cost $300 or less for which you can claim an immediate deduction
- assets for which you deduct amounts under the simplified depreciation rules for small business entities
- horticultural plants
- a portable electronic device (such as a mobile phone, personal digital assistant or laptop computer), computer software, protective clothing, a briefcase or a tool of trade, which is primarily for use in your employment, if your employer provided it, paid for it or reimbursed you for any of its cost, and the benefit was exempt from fringe benefits tax.

For your employment, provide the following:

- an explanation of how the assets in your pool are used to earn your income
- evidence to show that you used the assets in your pool to carry out your employment duties (such as a job description, employment contract).

For each year being audited, provide the following information:

- a list of the low-cost or low-value assets included in your claim for low-value pool deduction
- details of how your claim was calculated, including your worksheet used to calculate your claim
- documents showing the purchase price of the assets.

Interest deductions

Provide the following supporting documents for your interest deductions (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Investments-insurance-and-super/Interest-dividend-and-other-investment-income-deductions/):

- a list of all interest expenses that you have claimed, showing
  - the amount of the expense
  - date of the expense
  - who it was paid to
  - the date any loans were obtained

- the amount of funds borrowed
- information about what investments the borrowed funds were used to purchase
- the income you received from these investments during the income year

- documents to support the expenses you have claimed – for example, copies of bank statements, loan agreements
- calculations regarding how you determined the amount claimed if the loan funds were used to purchase more than one asset, for example, your family home and some shares
- if you were able to drawdown funds from your loan or line of credit, provide information about what each of those drawdowns was for.

If no income has been received during the income year or is less than the expense claimed, also provide:

- the reason no income or a smaller amount of income was received
- whether you expect to receive a return on the investment and, if so, when and the amounts you expect to receive
- whether income has been received in a previous year and, if so, when the amounts were received.

Dividend deductions

You need to provide these supporting documents for your dividend and share deductions (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Investments-insurance-and-super/Interest-dividend-and-other-investment-income-deductions/):

- a list of all dividend expenses you have claimed, showing
  - the amount of the expense
  - date of the expense
  - who it was paid to
  - the date any loans were obtained
  - the amount of funds borrowed
  - the nature of the investments, including whether they are public or private, for example shares in XY Pty Ltd (private company)
  - the income you received from these investments during the income year

- documents to support the expenses you have claimed – for example, copies of bank statements, management fee and investment advice invoices.

If no income has been received during the income year, also provide:

- the reason no income was received
- whether you expect to receive a return on the investment and, if so, when and what amounts you expect to receive
- whether income has been received in a previous year and, if so, when and what amounts were received.

Gifts or donations

Provide a copy of receipts or any other documents you have to support you gifts and donations (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Gifts-and-donations/) claim showing the:

- names of the recipients of each gift or donation – including the recipient's Australian business number (ABN)
- date that each gift or donation was made
- nature and amount of each gift or donation.

Cost of managing tax affairs

Provide copies of invoices or statements showing the expenses incurred to manage your tax affairs (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cost-of-managing-tax-affairs/). This information should show:

- the amount of the expense
- the date of the expense
- who it was paid to
- the nature of the services provided and who the services were provided to.

Medicare levy exemption

Provide the following:

- details of why you believe you are exempt from the Medicare levy (/Individuals/Medicare-and-private-health-insurance/Medicare-levy/Medicare-levy-exemption/)
- if you are exempt from the Medicare levy because you are not entitled to Medicare benefits, a copy of a Medicare entitlement statement from Services Australia.

Supplementary income

This section outlines the supporting documents you need to provide for the following types of supplementary income:

- Partnerships and trusts
- Personal services income (PSI)
- Net income or loss from business
- Rent income and expenses

Partnerships and trusts

Provide a statement or advice from the partnership or trustee (/Individuals/Income-deductions-offsets-and-records/Income-you-must-declare/Business-partnership-and-trust-income/) showing the following details about your share of any distribution including:

- the amount of any primary production income or loss and the amount of any non-primary production income or loss
- the amount of any gross and net capital gains
- the amount of attributed foreign income and other foreign source income
- the amount of any income where family trust distribution tax has not been paid
- your entitlement to any tax offsets or credits
- details of any deductions you can claim against your partnership or trust distribution that has not already been claimed by the partnership or trust.

If no income has been received during the income year, or is less than the expense claimed, also provide:

- the reason no income or a smaller amount of income was received
- whether you expect to receive a return on the investment and, if so, when and the amounts you expect to receive
- whether income has been received in a previous year and, if so, when the amounts were received.

Personal services income (PSI)

Provide the following supporting documents for your PSI (/Business/Personal-services-income/Income-that-is-PSI/):

- details of the nature of the activities being conducted that generated the income
- copies of the original contract or agreement that show the terms and conditions of each contract or agreement with the payer
- copies of your original payment summary or summaries.

Net income or loss from business

Provide the following supporting documents for your income and deductions for business (/Business/Income-and-deductions-for-business/):

- a breakdown and an explanation of the expenses you are claiming, including the amount of each expense and the nature of the expense
- documentary evidence to support the amount of your deductions.

Rental income and expenses

For each rental property (/Individuals/Investments-and-assets/Residential-rental-properties/), provide the following supporting documents:

- evidence of your share of ownership, such as the title deed
- copies of rental agreements between you and your tenants
- copies of records showing the receipted income for the property
- copies of documents advertising or showing the availability of the property for rent
- loan documents – for example, loan approval letter, loan applications, mortgage documents, letter from a bank advising of prepayment or solicitor's settlement statement
- bank statements for the loan account
- any worksheets or other documents showing how the interest claimed was calculated

- details of the work your capital works deduction is based on, including the costs and nature of the work undertaken
- a list of all other expenses claimed, including the nature of the expense and who the expense was paid to
- copies of receipts or documents substantiating each expense
- a copy of the quantity surveyor report or tax depreciation report, if you are claiming decline in value of depreciating assets.

Supplementary deductions

This section outlines the supporting documents you need to provide for:

- Personal superannuation contributions
- Other deductions

Personal superannuation contributions

Provide a copy of the letter from your super fund acknowledging receipt of your notice of intent to claim a deduction for personal super contributions (/Forms/Notice-of-intent-to-claim-or-vary-a-deduction-for-personal-super-contributions/).

Other deductions

Provide copies of receipts or any other documents you have to support this claim including a description of the expense, the amount claimed and how the expense was incurred in the course of earning your assessable income.

For more information:

- see Deductions you can claim (/Individuals/Income-and-deductions/Deductions-you-can-claim/)
- watch our video Get your deductions right (http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubgwof44) .

Supplementary offsets

This section outlines the supporting documents required for the following offsets:

- Superannuation contributions on behalf of your spouse
  - Item T3 if your letter is for the 2016, 2017, 2018, 2019 or 2020 income year
- Zone or overseas forces
  - Item T4 if your letter is for the 2016, 2017, 2018, 2019 or 2020 income year
- Total net medical expenses
  - Item T5 if your letter is for the 2016, 2017, 2018 or 2019 income year
- Invalid and invalid carer
  - Item T5 if your letter is for the 2020 income year
  - Item T6 if your letter is for the 2016, 2017, 2018 or 2019 income year.

If you are unable to provide all of the documents, we may need to seek further information from you.

Superannuation contributions on behalf of your spouse

If your letter requests information for the:

- 2016, 2017, 2018, 2019 or 2020 income year - item T3
- 2013 or 2014 income year - item T4.

Provide the following:

- full name of your spouse for whom you made contributions during the year
- residential address of your spouse
- date of birth of your spouse
- proof of identity of your spouse – for example, a copy of their passport, birth certificate or marriage certificate
- evidence of residence of your spouse – for example, a copy of a bank statement, a driver licence or rates notice that shows their name and address

- details of your spouse's assessable income, total reportable fringe benefits amounts and reportable employer super contributions
- bank statements, cheque butts and other documents that show you paid the contributions to your spouse's super fund or retirement savings account (RSA)
- the contribution statement from the complying super fund or RSA showing the total amount of contributions in the year
- your calculation of the tax offset.

Zone or overseas forces

If your letter requests information for the:

- 2016, 2017, 2018, 2019 or 2020 income year - item T4
- 2013 or 2014 income year - item T5.

From 1 July 2015, eligibility is based on your usual place of residence. If your usual place of residence was not in a zone, you are not eligible for the zone tax offset. Certain types of workers are likely to be affected, for example, fly-in-fly-out workers.

Your usual place of residence must be within a prescribed 'zone' to claim the Zone Tax Offset. To check if your usual place of residence is within a prescribed 'zone' refer to the Australian zone list (XLS 1.6MB) (/uploadedFiles/Content/MEI/downloads/zonedata_list(1).xls) .

Provide the following:

- for the 2018 income year, details of the remote area your usual place of residence was located
- for earlier income years, details of the remote areas you resided in or were present in during the income year. Include the relevant periods and, where applicable, the address details of the specified overseas locality in which you served as a member of the Australian Defence Force or a United Nations armed force, if applicable
- documents to support your claim – evidence may include copies of accounts addressed to you at the remote location or a letter from your employer confirming you were required to live away from your usual address for your work
- details of any dependants included in your calculation of the zone offset
- a copy of your worksheets showing how you calculated the amount of zone offset claimed.

Total net medical expenses

If your letter requests information for the:

- 2016, 2017, 2018 or 2019 income year - item T5
- 2013 or 2014 income year - item T6.

The net medical expenses offset has been phased out and is not available from the 2020 income year onwards.

Provide a list of all medical expenses (/individuals/income-deductions-offsets-and-records/tax-offsets/medical-expenses-tax-offset/) included in your calculation, showing:

- the amount of the expense
- who the expense was paid to
- the name of the person the expense relates to – for example, you, your spouse, or a child
- a brief description of the nature of the treatment or service
- copies of receipts or other documentary evidence to support the expenses claimed on the list – for example, your Medicare Australia and private health insurance benefit statements
- details of any amounts reimbursed through Services Australia or your private health insurance
- the adjusted taxable income (ATI) of any dependents you are claiming this offset for.

Invalid and invalid carer

If your letter requests information for the:

- 2020 income year - item T5
- 2016, 2017, 2018 or 2019 income year - item T6
- 2013 or 2014 income year - item T7.

If your dependant is unable to work due to invalidity, provide the following:

- evidence your dependant is receiving one of the following payments

  - disability support pension
  - special needs disability support pension under the *Social Security Act 1991(SSA)*
  - an invalidity support pension under the *Veterans' Entitlements Act 1986 (VEA)*

If your dependant is unable to work due to carer obligations, provide the following:

- evidence your dependant is either
  - receiving a carer payment or carer allowance under the *SSA*
  - wholly engaged in providing care to a relative who receives one of the following
    - a disability support pension
    - a special needs disability support pension under the *SSA*
    - an invalidity support pension under the *VEA*.

Also provide:

- the residential address of your dependant
- their relationship to you
- the period of their dependency
- your dependant's adjusted taxable income (ATI), including periodical payments by way of gifts or allowances from sources outside Australia
- if more than one person contributes to the care of the dependant, details of your proportion of care
- proof of identity of your dependent relative – for example, copy of their passport with current visa, birth certificate or marriage certificate.

Income tests

- https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-tests/ (https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Income-tests/)
- Last modified: 26 Apr 2023
- QC 72207

What income is used to work out your eligibility for some tax offsets and benefits.

On this page

Income tests and your tax return

We use items from your tax return when applying income tests.

Ensure that you complete all items that apply to you in the income tests section of your tax return.

If you have a spouse, you should also include your spouse's income in the **Spouse details** section of your tax return.

When income tests apply

We use income tests to work out whether tax offsets and other items apply to you.

Tax offsets include:

- invalid and invalid carer tax offset
- seniors and pensioners tax offset
- Medicare levy surcharge (lump sum payment in arrears) tax offset
- spouse super contributions tax offset
- private health insurance tax offset.

Other items include:

- private health insurance liability
- Medicare levy surcharge threshold calculation
- government super co-contribution
- a deduction for your personal super contributions
- a deduction for your business losses (non-commercial losses)
- income tax concessions available to participants in certain employee share schemes
- study and training support loan repayments.

We use the family income threshold to assess most offsets, benefits and obligations.

Adjusted taxable income

Your adjusted taxable income (ATI) affects your entitlement to any dependant tax offset.

Use the calculator to work out your ATI.

Income tests calculator **(/calculators-and-tools/income-tests-calculator/)**

To manually work out your ATI, add the following amounts together and subtract any child support you pay:

- taxable income (your assessable income minus deductions), disregarding any assessable First Home Super Saver (FHSS) (/Individuals/Super/Withdrawing-and-using-your-super/First-Home-Super-Saver-Scheme/) released amount
- adjusted fringe benefits total, which is the sum of
  - reportable fringe benefits amounts received from employers exempt from fringe benefits tax under section 57A of the *Fringe Benefits Tax Assessment Act 1986,* multiplied by 0.53
  - reportable fringe benefits amounts from employers not exempt from fringe benefits tax under section 57A of the *Fringe Benefits Tax Assessment Act 1986*
- target foreign income (includes any income earned from overseas that is not already included in your taxable income or received in the form of a fringe benefit)
- total net investment loss (includes both net financial investment loss and net rental property loss)
- tax-free government pensions or benefits (/individuals/income-deductions-offsets-and-records/income-you-must-declare/government-payments-and-allowances/#Taxfreegovernmentpensionsorbenefits) (includes certain disability pensions, carer payments and defence pensions)
- reportable super contributions (/Individuals/Super/Growing-and-keeping-track-of-your-super/How-to-save-more-in-your-super/Options-for-adding-to-your-super/?page=3) (includes both reportable employer super contributions and deductible personal super contributions).

Rebate income

We work out what we call 'rebate income' to determine whether you are eligible for the seniors and pensioners tax offset (SAPTO).

If you want to work it out yourself, use the calculator.

Income tests calculator **(/calculators-and-tools/income-tests-calculator/)**

Your rebate income is the total of your taxable income (disregarding your assessable First home super saver released amount), plus the following amounts if they apply to you:

- reportable super contributions (includes both reportable employer super contributions and deductible personal super contributions)
- total net investment loss (includes both net financial investment loss and net rental property loss)
- adjusted fringe benefits total, which is the sum of
  - reportable fringe benefits amounts received from employers exempt from fringe benefits tax under section 57A of the *Fringe Benefits Tax Assessment Act 1986,* multiplied by 0.53
  - reportable fringe benefits amounts from employers not exempt from fringe benefits tax under section 57A of the *Fringe Benefits Tax Assessment Act 1986.*

Income for Medicare levy surcharge purposes

We use your income for Medicare levy surcharge (MLS) purposes to:

- work out if you have to pay the MLS and the rate of your MLS
- test your eligibility for the private health insurance rebate.

Use the calculator to work out your income for MLS purposes.

Income tests calculator **(/calculators-and-tools/income-tests-calculator/)**

Alternatively, you can manually calculate your income for MLS purposes (/Individuals/Medicare-and-private-health-insurance/Medicare-levy-surcharge/Medicare-levy-surcharge-income,-thresholds-and-rates/).

Study and training support loan repayment income

Study and training support loan repayment income includes your:

- taxable income (your assessable income minus deductions), disregarding any assessable First home super saver released amount
- total net investment loss (includes both net financial investment loss and net rental property loss)
- reportable fringe benefits amount, as reported on your income statement or payment summary
- reportable super contributions (includes both reportable employer super contributions and deductible personal super contributions).

This applies to the:

- Higher Education Loan Program (HELP)
- Student Start-up Loan (SSL)
- ABSTUDY Student Start-up Loan (ABSTUDY SSL)
- VET Student Loan (VSL)
- Trade Support Loan (TSL)
- Student Financial Supplement Scheme (SFSS).

Super income tests

Reportable employer super contributions are included in the income tests for the following:

- spouse super contributions tax offset
- government super co-contribution
- deduction for personal super contributions.

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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