

TRAVEL WELL ON THE JOB

AMATE of mine is a big business traveller, and he and his wife own a private company. But because of the tax concessions he accesses, his spouse thinks it's better value for him to sleep away from home than it is for him to be cuddled up in his own bed with her.

Ask an accountant about travel allowances and this is what you're likely to hear.

"If a reasonable travel allowance (both domestic and international) is paid to an employee for a business trip, the employer usually obtains a full deduction for the expenditure, subject to certain substantiation requirements with travel diaries and overseas accommodation expenses. The amount is not usually included on the employee's PAYG payment summary."

Now this is an area where the tax office is far more lenient than normal.

Sydney accountant Joe Kaleb, of the AustralianBiz website, says: "There are benefits to both the employer and the employee of paying a reasonable allowance as it relieves both parties of having to provide documentary evidence for

PETER SWITZER



most, or all of the expenses incurred up to the reasonable amount limits.

"This is on the condition that the allowance paid to the employee has been fully spent on tax-deductible business expenses.

"If the employee spends less than the allowance paid, or the trip is not solely for business purposes, the employer is required to show the allowance on the employee's PAYG payment summary and the employee is assessed on this amount and claims a deduction for the business portion in their tax return."

The bottom line is that the tax office has created standard allowance amounts for travelling employees and the red tape substantiation can be eliminated or reduced if you work within the designated amounts.

Kaleb thinks it is better to be an employee of a company rather than being an operative in a partnership or sole trader because in these cases substantiation is required.

The tax-office website is blunt on this: "Note this concession does not apply to self-employed persons, including partners in a partnership."

A trip to the ATO website, at www.ato.gov.au, finds that an employee with an income of \$87,200 or less and travelling to Sydney can have an allowance of up to \$247.25 a day without a need for the employer to substantiate. A trip to Canberra pays an allowance of only \$211.25.

If the salary is between \$87,201 and \$155,000, the Sydney allowance can go as high as \$318.65, and those on more than \$155,000 have an allowance of \$404.45 a day.

There has been a practice of some employees living it rough and pocketing the difference but in truth these windfalls should be "fessed" up to on the employee's PAYG summary.

Kaleb thinks the smaller the private company the more likely the ATO could ask for proof of spending from an employee but to all intents and purposes it probably falls into "the too-hard basket".

If an employee spends more than the tax-office pre-determined amounts, substantiation is required.

So what expenses are claimable? Those that the substantiation exception apply to are called domestic travel allowance expenses and involve accommodation, food and drink, and incidentals.

Note that special rules apply to employee truck drivers, who are not given as good a ride as an employee accountant going interstate.

Generally speaking, accountants recommend keeping a diary and all relevant receipts, especially if your total bills for travelling could appear to be above average or excessive.

What is interesting is that if you travel overseas for, say, two meetings and there are two or three days between those meetings when you aren't working, those lay-days are tax deductible because you could hardly have gone home and back for the second meeting.

In the wake of the Rugby World Cup in France, travel expenses of Australian business people abroad are bound to be on the high side in 2007-08.

And I bet the incidence of husband and wife employees of companies, that they also own, will be at record levels.