

Travel expenses – substantiation

In broad terms, the expression 'travel expenses' may cover all expenses associated with travel such as fares, food and drink costs and accommodation, but the substantiation treatment applicable to either the overall expense or its individual components may vary according to factors such as who incurs it, what it relates to, the manner of payment and/or any employment arrangements covering incurrence of such expenses. It is therefore necessary, for substantiation purposes, to categorize travel expenses according to a number of elements in order to determine whether substantiation is required and, if so, the form it must take.

Travel expenses fall into 2 categories: employee travel (which falls within the general substantiation rules relating to work expenses; and business travel (basically overnight travel in the course of earning income other than salary or wage income and for which a separate substantiation category exists.

EMPLOYEE TRAVEL

A travel diary or similar document must be maintained for travel within Australia or overseas if the employee is travelling away from their 'ordinary residence' for six night or more. No written evidence and no travel records are required for travel within Australia if the employee receives a travel allowance and claims no more than the amount considered reasonable by the Tax Office. If no travel allowance is received by an employee from their employer, or the employee claims more than the amount considered reasonable by the Tax Office, all travel expenses must be substantiated. Written records must be obtained for all expenses for accommodation, food

and drink and incidental expenses incurred for travel away from an employee's ordinary residence, in the course of their duties.

Employees travelling overseas who receive a travel allowance must still obtain written evidence of their accommodation expenses.

BUSINESS TRAVEL

A business travel expense is an expense incurred in producing assessable income other than salary or wages, which involves travelling away from home for at least 1 night: s900-95.

To deduct a business travel expense it must be substantiated by documentary evidence. The documentary evidence required by substantiation provision comprises a receipt, invoice or similar document from the supplier that sets out the name, the amount of expense, the nature of the goods/services, the date of expense and date of document. In addition, a travel diary is required if the travel involves an absence from home for 6 or more consecutive nights.

TRAVEL RECORDS

Subdivision 900-F sets out the requirements for a travel diary. A travel diary is a record of activities undertaken during travel. Its purpose is to show which of the activities were related to income-producing purpose so that an appropriate allocation can be made between deductible and non-deductible expenses. A brief sample travel diary is provided below:

Sample travel diary				
Date	Place	Time		Nature
		Start	End	
10/05/04	Syd	10am	8pm	Air flight to HK
11/05/04	HK	11am	5pm	Meeting with Mr X

DOMESTIC TRAVEL CLAIMS

The substantiation requirements do not apply to 'travel expenses' incurred by an employee who receives an allowance for travel costs within Australia and the claim for costs of accommodation, food, drink and incidental expenses does not exceed the reasonable amounts per the Tax Office. This can apply to company directors and office holders (TD 2004-19)

The Tax Office sets out these reasonable amounts in the Tax Determination every financial year. For example, the maximum amount for a taxpayer with salary of \$93K to Melbourne is \$279.80 per day. Please see link for full details: <http://law.ato.gov.au/atolaw/view.htm?docid=TXD/TD200915/NAT/ATO/00001>

OVERSEAS TRAVEL CLAIM

Claims for accommodation costs by non-employees on business trips overseas must be fully substantiated for claims to be deductible. You must keep receipts or other documentary evidence as well as a diary.

Special rules apply to employees only, provided a reasonable travel allowance was paid. For those employees there is no need to substantiate costs for food, drink and incidental expenses. If a deduction is claimed for more than the reasonable amount, the whole claim must be substantiated.

The Tax Office sets out these reasonable amounts in their Tax Determination every financial year. For example, the maximum amount for a taxpayer with salary of \$93K to USA is \$190 AUD per day. Please see link: <http://law.ato.gov.au/atolaw/view.htm?docid=TXD/TD200915/NAT/ATO/00001>