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# Record Keeping Guide

2024 Edition

# Introduction

We all work hard so it's important that we legally minimize the tax that we pay.

As a taxpayer, you should work towards these main objectives:

- Get the maximum total tax deductions available to you,
- Organize your taxation affairs with ease, and
- Minimize the risk of problems if audited by the ATO.

The ATO imposes some rules relating to all your receipts and documents: They must:

- be in English,
- have the date incurred,
- name the person or business who supplied the goods and services,
- show the amount of the expense in the currency in which the expense was incurred; and
- give details of the nature of the goods or services.







## ORGANIZE YOUR RECEIPTS

While there is no right or wrong way to gather and store your documents, your system for storing invoices and receipts depends on the number of documents that you need to manage.

Many of our employee and sole trader clients use some very easy methods. For example, Xero allow you to record your transactions. You can then store the supporting documents in your Xero file or Google Drive or One Drive under Folders for each month. Or purchase a refillable display book for about \$5 from Officeworks and store all your receipts in it.

These system are cheap, simple and easy.

Technology, such as mobiles, can also be used to help store documents and receipts. Most phones have a camera which can be used to photograph all receipts which can then be allocated to a tax folder. But photos produce large files and this might not be the best method to provide receipts if asked for them by your accountant.





## THERE ARE MANY APPS AND PRODUCTS THAT:

Can also be used. A great one is Tiny Scanner which allows you to scan the document to a small file. You can even email the document.

We recommend that you set up a dedicated email address like `yournamereceipts@gmail.com`.

Next add a contact to your phone and add the email address. When you have a receipt from a work related or business purpose, simply scan it with Tiny scanner and send it to the email address.

Similarly, if you have a Xero file, Xero has a folder within the application and the folder has an email address. .

If you're the nervous type, also download the document to a folder on your computer. Better still, have the shop send you receipt directly to you receipts email.



# TAX RECORDS

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## APPORTIONMENT – WORK OR PRIVATE

Many expenses that we incur are both for work and private purposes. These should be apportioned between work and private use.

To establish a pattern of usage, you should maintain a diary. The diary can then be used to substantiate your claim, together with the relevant receipts, invoices and proof of payment.

Your claim will then be calculated by applying the percentage of work use established in the diary.

### TIP:

Business expenses under \$75 are not required to have a receipt, the entry on your credit or debit card is sufficient evidence.





## DEDUCTION GUIDELINES

You can claim deductions for work related expenses you incurred while performing your job or conducting your business. Generally, a deductible expense is incurred when you have spent the money in relation to earning your income.

The general rules to consider before you decide to make any tax related claim are:

- You must incur the expense in this tax year; and
- The expense must not be reimbursed by your employer;
- You must incur the expense while earning your assessable income. You cannot claim expenses of a private, domestic or capital nature. For example, the cost of normal travel to and from work and buying lunch each day are not allowable tax deductions; and
- If your total claims exceed \$300, keep written evidence to prove the total amount, not just the amount over \$300.





# TAX RECORDS

## HOW LONG SHOULD I KEEP MY RECORDS?

You must keep your written evidence for a minimum of five years from the date you lodge your tax return.

If, at the end of this period, you are in a dispute with the ATO that relates to a work expense or depreciation claim, you must keep the relevant records until the dispute is resolved.

For depreciation expenses, you must keep records for the entire period over which you depreciate an item and five years from the date of your last claim.

## PENALTIES

If you can't provide documentary evidence when required, you may be charged penalty tax and/or interest on the claims you can't substantiate by the ATO. It's cheaper to keep your receipts.







# Common Deductions

## MOTOR VEHICLE EXPENSES

Do you have any motor vehicle expenses relating to your work or business? Generally, the cost of travelling between home and work is a private expense and is not an allowable tax deduction. Just because you are on call, work unusual hours or you use your car because public transport is unavailable, does not change this general rule.

### a. Itinerant Work

If you are engaged in itinerant work, you can claim a deduction for motor vehicle expenses you incur during work related travel. Your work will be considered itinerant if you regularly travel to two or more worksites each day before returning home. Simply travelling to different work sites each day does not mean you are engaged in itinerant work. If you are claiming a deduction for motor vehicle expenses on the basis that you have been engaged in itinerant work, you will need to keep records to show that your work pattern was itinerant.

These records could be a diary, a logbook or a similar document that shows your itinerant travel pattern.





## **b. Carrying of Bulky Tools & Equipment**

If you use your motor vehicle to carry bulk/tools and equipment that you use to do your work and you cannot leave them securely at the work site, you may be able to claim a deduction for your motor vehicle expenses.

You will need supporting records to show why the tools and equipment are considered bulky. You will also need to show why your tools and equipment cannot be left on the work site.

## **c. Second Job**

You may also claim the cost of using your car to travel directly between two separate places of employment—for example, when you have a second job.

## **d. Other Deductible Travel**

- From your normal workplace to an alternative workplace while still on duty and back to the normal workplace or directly home;
- From your home to an alternative workplace for work purposes and then to your normal workplace or directly home.



## TRAVEL EXPENSES

You can claim the cost of travel expenses directly connected with your work or business. Again, if your travel was partly for private and partly for work, you may claim only the part that related to work, but some restrictions apply.

Travel expenses may include meals, accommodation and incidental expenses incurred while travelling overnight for work, for example, going to an interstate conference.

Other travel expenses that you may be able to claim include flights, bus and taxi fares, bridge and road tolls along with parking and motor vehicle rental costs.

To help substantiate your claims, the records you need to include will be receipts, invoices or other travel documents that prove your travel expenses (including meals and accommodation).

A travel diary would also be recommended and may be required to help you substantiate your business trip.

Businesses operating via a company or trust may be able to pay and claim a travel allowance.





# DEDUCTIONS

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## HOME OFFICE

You can claim expenses for home office equipment such as computers, furniture and stationery.

If you have an office in your home, you may claim a portion or percentage of your gas, and electricity costs. In practice the percentage is difficult to determine and prove.

The ATO issues a set rate per hour and you must log every hour in a calendar.

## DONATIONS

You can all make tax-deductible donations to registered organizations and charities.







# TAX RECORDS

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## SELF EDUCATION:

Self-education requires a direct link between your current source of income and your current studies. For example, an engineer claiming the cost of completing his Engineering post grad degree while working as an engineer would be considered a tax deductible self education expense. You cannot claim a deduction, if the purpose of the self-education is to create a new income source or to get a new job.

### a. Books & Stationery

Where photocopying, binders and books expenses are related to a course of education provided by a school, college, university or other place of education. In this category, you should list expenses such as textbooks, technical instruments and lecture pads. Remember the course must first be deductible.



## b. Course Fees & Union Fees

If you attend an educational institution, such as a university, you can claim course fees and student union fees providing you are not attending the course to obtain a new job. It must relate to your current source of income.

## c. Travel

Travel for self-education related purposes may be tax deductible. The following examples show whether travel is deductible:

- Travel from home to the course No
- Then to work from the course Yes
- Travel from work to the course Yes
- Then back to work Yes
- Travel from the course to home No
- Traveling home to do your course online No







## PHONE EXPENSES

You may also be able to claim the cost of calls from your phone home or mobile, if you make them in the course of your employment.

A diary can be used to establish a pattern of business phone usage.

You may also be able to identify work-related calls from an itemized telephone account. Otherwise, a reasonable estimate of business call costs could be used.

## TOOLS OF TRADE

In general, the cost of insuring, repairing or replacing tools of trade will be fully deductible. The purchase price and the effective life of the tools, will determine whether an immediate deduction is available or whether it must be depreciated over several years.







## CLOTHING

You may be able to claim the cost of buying protective or occupation specific clothing. This includes clothing that protects you from injury during work, for example, safety boots. The clothing would need to be specific to your occupation, and not every day in nature.

For example, a nurse required to wear a uniform with hospital logos on it would be allowable. A waiter's white shirt and black pants would not be allowable unless a business logo appears on them.

### Uniforms

You can generally claim the cost of buying or renting a uniform that is unique and distinctive to your organisation. This includes registered non-compulsory uniforms and compulsory work uniforms not available to be worn by the general public.

### Laundry Expenses

You can claim the cost of washing, drying and ironing work specific clothing. You will need to keep a diary and if the claim is over \$150 you will need to keep receipts. To claim dry cleaning costs, you must also keep receipts.



## SUPERANNUATION CONTINUED...

Members are not eligible to make non-concessional contributions once they are 75 or older. The 2021 Federal budget made changes to the ability of older Australians to make downsizer and other contributions.

Due to the strict rules and regulations around superannuation funds and member contributions we advise you to contact us prior to making any non-concessional contributions as excess contributions will be taxed at 47%.

## BEWARE OF DIV 293 TAX

Individuals with adjustable taxable income over \$250,000 will be subject to an additional 15% tax on their taxable superannuation contributions.







## WHAT'S NEXT?

Tax rules are certainly complex. At Accountants 2 Business we break down the complex and explain your options clearly. We recommend that you book a meeting to see one of our experienced tax experts.

Our individual tax returns start at \$99 for the guided online service and \$165 for returns with your own personal consultant.

Businesses can book a free, no obligation 1 hour meeting with one of our business experts to discuss your service options. This is limited to one free meeting per business.

*"The best way to get things done is to simply begin"*

Disclaimer: The information in this booklet is general in nature and might not be right for your circumstances. Please arrange a meeting with one of our Accountants to discuss your particular needs. Accountants 2 Business

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