



Tax myths busted!

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Tax myths busted!

Tax season is underway and to help Australians get their returns right, the Australian Taxation Office (ATO) has identified the top 10 tax myths and misunderstandings it says are causing incorrect claims.

Assistant Commissioner Kath Anderson says unreliable tax advice is leaving taxpayers exposed.

“Taxpayers listen to advice from many sources, including tax agents, colleagues, family and friends, and even helpful shop assistants. While some advice is correct, some isn’t and it’s leading to mistakes and errors that can be costly,” Ms Anderson said.

Top of the list is the myth that everyone is entitled to claim a “standard deduction” of \$150 for laundry, 5,000 kilometres for cars or \$300 for work-related expenses.

“While it’s true that you don’t need to keep detailed receipts for deductions up to those amounts, it’s not an automatic entitlement. You still need to meet the three golden rules – you must have spent the money yourself; it must be directly related to earning your income; and you must be able to show us how you calculated your claim,” Ms Anderson said.

One myth gaining popularity is that taxpayers only need to keep credit card statements as proof of claims.

“Around half of the adjustments we make are because taxpayers didn’t keep proper records and therefore they could not demonstrate that they spent the money, what it was spent on and how the expenditure links to earning their income. A credit card statement will not usually have enough detail to support the claim,” Ms Anderson said.

According to Ms Anderson, some items are claimable for a small number of

taxpayers but it's a myth that the majority can claim.

"There are only a handful of taxpayers with special circumstances who can claim things like gym memberships or makeup containing sunscreen. For most, there isn't a link to earning their income."

With more people working from home, Ms Anderson says the ATO is becoming concerned about taxpayers claiming their entire Foxtel or Netflix subscriptions, or their whole phone bill, on the basis that some part relates to earning their income.

Other myths in the top 10 include believing you can claim normal home to work trips, that you can claim plain clothes you wear to work, or claiming hair, clothes and makeup because you have to look good at events.

And if you are thinking of taking a tax-deductible holiday this year, think again because it's a myth that adding a short conference to your holiday will make the holiday deductible.

"One taxpayer recently took his family on a skiing holiday and claimed it was deductible because he attended a conference for a few days while he was there. He wasn't very happy when \$23,000 of his \$25,000 claim was disallowed."

Ms Anderson warned taxpayers that it's a myth that their agent is responsible for their claims.

"Whether you prepare your own return or you use an agent, you are ultimately responsible for ensuring your claims are correct."

Top 10 tax myths

Myth: Everyone can automatically claim \$150 for clothing and laundry, 5000 kilometres for car related expenses, or \$300 for work-related expenses, even if they didn't spend the money

Fact: the record-keeping exemptions provide relief from the need to keep receipts in certain circumstances. However, they are not an automatic entitlement or a "standard deduction" for everyone. While you don't need receipts for claims under \$300 for work related expenses, \$150 for laundry and 5000 kilometres, you still must have spent the money, it must be related to earning your income, and you must be able to explain how you calculated your claim.

Myth: I don't need a receipt, I can just use my bank or credit card statement

Fact: To claim a tax deduction you need to be able to show that you spent the money, what you spent it on, who the supplier was, and when the purchase occurred. Bank or credit card statements usually won't contain this information. The only time you don't need these details is if record-keeping exceptions apply.

Myth: I can claim makeup that contains sunscreen if I work outside

Fact: We all like to look good but cosmetics are usually a private expense and the

addition of sun protection does not make it tax deductible. However, it may be deductible if the primary purpose of the product is sunscreen (i.e.: it has a high SPF rating), the cosmetic component is incidental, and you were required to wear it because you work outdoors in the sun.

Myth: I can claim my gym membership because I need to be fit for work.

Fact: While you might like to keep fit, there are only a very small number of people who can claim gym memberships, such as special operations in the Australian Defence Force. To be eligible, your job would have to depend on you maintaining a very high level of fitness, for which you are regularly tested.

Myth: I can claim all my travel expenses if I add a conference or a few days' work to my holiday

Fact: If you decide to add a conference or some work to your holiday, or a holiday to your work trip, you must apportion the travel expenses between the private and work-related components.

Myth: I can claim my work clothes because my boss told me to wear a certain colour

Fact: Unless your clothing is a uniform that is unique and distinct to your employer, or protective or occupation-specific clothing that you were required to wear to earn your income you, won't be able to claim it. Plain clothes, like black pants, are not deductible even if your boss told you to wear them.

Myth: I can claim my whole Netflix or Foxtel subscription because I need to keep up to date for work

Fact: Unless you only use your subscriptions for work purposes, you will have to apportion the cost between business and private usage, and only claim the work-related portion of your expenses. You will also need to be able to show a strong connection between earning your income and the subscription.

Myth: I can claim home-to-work travel because I need to get to work to earn my income

Fact: for most of us, home to work travel is private since your boss doesn't pay you until you get to work. There are limited circumstances where someone who has to transport bulky equipment can make a claim.

Myth: I've got a capped phone plan, so I can claim both personal and private phone calls

Fact: Unless you only use your phone for work, you will have to apportion the cost between business and private usage and only claim the work-related portion of your expenses.

Myth: If I use an agent, they will take responsibility for my claims

Fact: Even if you use a tax agent, you are ultimately responsible for ensuring the

information in your return, including the deductions you claim, is correct. You cannot transfer that responsibility to your agent so make sure you give them complete and accurate information.

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