

Claiming Education Expenses

DID YOU KNOW:

Workers may deduct costs 'related to earning their income', provided they are costs that would not normally be otherwise incurred. The words 'related to' are important. Costs can be 'related to' earning an income without being 'required to' earn income. For example, claim subscriptions to trade and professional journals; fees for membership in professional or trade associations and trade unions; and costs to attend conferences and seminars (don't forget to include travel costs to get there, accommodation if you stay overnight, parking fees and meal costs).

TIPS:

1 - Most important -the education must be directly related to earning an income to be tax deductible. There are many expenses you can legitimately claim directly. If you need education or information to retain your job or to advance your career, these items may be claimable even though you are an employee. All self-education and training is claimable—for example, any courses you pay to attend, books, DVDs and the like—provided it directly improves your work skills.

2. - When claiming training expenses, watch out for the ruling that the education or training must be related to your current profession/income. A secretary, waitress or cleaner can't claim the costs of study to qualify as a lawyer or accountant. This is because education costs are of a revenue nature so unfortunately can only be claimed in relation to an existing income earning activity.

3. - But you don't have to be an employee to be able to claim training or travel expenses but you do need to be earning income that you declare to the ATO as a taxable income. If you aren't doing this, then perhaps now is the time to start. For example, for the would-be share trader, the simple solution is to set up your business and make some trades. Then your course fee is deductible. Same as your coaching, Pete. Make sure they are doing it first. (Even so, the ATO says there is no valid connection between the course and your income-earning activities unless, of course, the course provider includes a course component that relates to wealth-building or professional development. You need to invoice the course appropriately and to note the inclusion of a component that relates to business wealth creation so they can claim the cost.)

4. There is no rule against enjoying yourself while learning, either. Did you know that you can take a tax deductible holiday to South America and Antarctica, just by combining learning with pleasure? Of course, fares for business trips are claimable too but you might not know about this gem: if you combine business and pleasure—say, three days of business and four of pleasure - 100% of your fare is claimable if you took the trip primarily for business purposes. You can study leadership skills, property investing and share trading almost anywhere in the world—in Antarctica, Hawaii, Cairns or Perth, for example. Your fare there is 100% tax deductible (remembering the trip has to be primarily for business reasons) and you can claim your meals, accommodation, any special clothing needed (warm, waterproof gear for Antarctica for example) and lots of incidentals, in addition to your course costs. This means if you are in the 30% taxable income bracket, you can get 30% rebate in your next income tax return. And if you are paying closer to 50% taxable income rate, you get even more back. Effectively, you are getting a 30 to 50% rebate from your Antarctica trip. This can amount to a considerable amount of savings.

5. Anyone who travels for work or business can claim a reasonable amount for accommodation and food, often without substantiation or receipts. Check this amount with your accountant as the ATO tends to change rulings on a regular basis. This is one of those rare instances where receipts aren't required subject to certain tax provisions. There are daily limits to the amount of the allowance and these vary according to the travel destination and your income.

6. If you work in a Trust situation and buy investment properties for the Trust, you may need to travel to inspect those properties from time to time. If you are employed by your Trust and your further education and training is done to benefit your Trust's income and earning capacity, the Trust is liable for your travel and accommodation costs and an expense allowance for the time you are away from home. You can receive a travel allowance from your Trust, declare it as income and claim the same amount as an automatic tax deduction. Of course, the Trust can claim the allowance paid to you as a valid business expense. Subject only to those limits, your Trust can pay \$200 per day, even if you only spend \$20.00 (again check with your accountant). Without itemising your expenditure, you can claim the full \$200 per day as a tax deduction.

SO:

If you are planning to undertake training or education to prepare for a change of occupation or to provide an additional 'sideline' income, a little careful planning might maximise tax benefits. For example, if you are planning to learn the art of leadership or sales then start working part time in that area before commencing your course. It might then be reasonably classed as being related to your current occupation. Of course, check with your tax advisor for advice relevant to your specific situation.) Don't forget the cost of tax advice is deductible, as long as the provider is a registered tax agent. The cost of visiting your accountant too, is tax deductible. Also, your Trust is liable to pay your expenses and/or a travel allowance when you travel for educational purposes relative to effectively running and maintaining the Trust.

So if you are taking off to South America and Antarctica soon to study courses in Leadership, Management, Sales, Marketing, Communication, public speaking you should insist your Trust pay the costs of the trip.

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