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Keeping Records

In order to claim a tax deduction you must keep records that explain or substantiate the transaction. Records must also be kept for all relevant income tax transactions including any elections, estimates and calculations.

Records must be kept in writing (in English, or readily convertible to English). If they are in a non-written form such as electronic, they must be readily accessible and convertible into written form. These records should generally be kept for **five** years from the date of lodgement of your income tax return.

Work expenses

For work-related expenses you must keep documents obtained from the supplier of the goods or services that contains the following information:

- The name of the supplier;
- The expense amount, expressed in the currency in which it was incurred;
- The exact nature of the goods or services purchased (for example a receipt for a book should show the full title and description of the book);
- The date the expense was incurred; and
- The date of the receipt.

There are two exceptions to the above:

- If you have other independent evidence, such as a credit card statement, to indicate when the payment was made and what it was for, or you have a combination of documents with supplier details and enough information to support the claim; or
- If the document does not specify the exact nature of the goods or services, you may write in the missing details before lodging the income tax return.

Employment payment summaries can be used to substantiate certain expenses such as union fees and donations, if the amount is shown on the summary.

Small expenses

A diary can be used to record small expenses totalling $200 or less in an income year. Each diary entry must show the same details as the supplier documents described above. A small expense is one that is $10 or less.

The substantiation rules do not apply to tax deductible laundry expenses (excluding dry-cleaning) totalling less than $150. Similarly the rules do not apply if your total work expenses claim is less than $300. Expenses relating to motor vehicle claims and reasonable allowances are not counted towards this $300 limit.

Expenses too hard to identify

A diary record will be sufficient to substantiate expenses where it would be unreasonable to insist on a document from the supplier, for example toll fees and parking meter fees. These expenses may be more than $10 each.

Allowances

Expenses claimed against overtime meal allowances and domestic and overseas travel allowances do not need to be substantiated, provided the claims are reasonable and do not exceed the allowance. Every financial year the Australian Taxation Office (ATO) publishes the amounts it considers to be reasonable.

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Length of record retention

Business records must be kept for **five** years from the date the records were prepared or obtained, or from the date the transaction was completed, whichever occurs later. Records relating to work expenses must be retained for five years from the date the notice of assessment is issued by the ATO. This period may be extended if, at the end of this retention period, you are involved in a dispute with the ATO.

If you are an individual or a small business entity with a shorter two-year period of review, you are required to maintain records for **five** years. There is only a shorter two-year retention period for payment summaries, family agreements for Medicare Levy purposes, and taxpayer's declarations. This applies if you are an Australian resident for a full year and your income consists of only salary and wages, interest income, generally dividends from listed companies (in some cases there may be an exception for dividends from private companies), and your claims are limited to tax agent fees, donations and bank charges.

Under the Corporations Act, companies are required to maintain records including financial statements, journals and asset registers for **seven** years from the end of the financial year.

Records of depreciable items must be retained for the entire period over which the item is depreciated, plus **five** years.

Log books for motor vehicle claims must be retained for every year the motor vehicle expenses are being claimed under the log book method, plus a further **five** years. A new log book must be kept every five years. In the case of tax losses, records must be kept for five years from when the tax loss is fully deducted.

Capital Gains Tax (CGT) records

Taxpayers are required to keep records of assets that are subject to CGT. Such assets include property, shares, investments, jewellery, stamp and coin collections, antiques and any personal assets costing more than $10,000. The family home that has never been rented is excluded from the CGT rules, provided it is not used for business purposes.

Records that must be kept include receipts, contracts, settlement statements, legal bills, dividend reinvestment statements, records of any improvements to the asset and costs associated with the acquisition or disposal. These documents must be maintained for the entire period of ownership plus **five** years after lodging the tax return that includes the disposal of the asset. This is extended for capital losses for **five** years after the loss has been claimed.

GST records

If you are registered for GST, you will need to keep your GST related tax invoices and Activity Statement calculations for a period of **five** years from the completion of the relevant transaction. For input tax credits claimed at a later time, this period starts form the date of lodgement of the relevant Business Activity Statement.

Elections records

Records of an election or a choice made need to be kept **five** years from the time it is made or in some cases revoked.

Further information

For further information please contact the following staff member:

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Call our office on (03) 9894 2500

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