



Australian Government

Australian Taxation Office

Performing artists

Information on income tax matters
for employee performing artists

2003–04

The Tax Office has prepared information on tax deductions specifically for employee performing artists. *Taxation Ruling TR 95/20 – Employee performing artists – allowances, reimbursements and work-related expenses* explains the claims that you can and cannot make by looking at the common expenses you might incur as an employee performing artist.

This guide is a simple summary of the ruling. It also includes information about some changes to the tax laws that have occurred since the ruling was issued – for example, capital allowances. It will help you to work out what claims you can make. Use it with *TaxPack 2004* to get your deduction claims right. When you sign your tax return, you are declaring that everything you have told us is true and that you have or you can get the written evidence you need to prove your claims. You are responsible for this proof even if you use a tax agent.

INCOME

TaxPack 2004 questions **1–11** and *TaxPack 2004 supplement* questions **12–22** deal with income. Many employee performing artists receive allowances. This section of the guide tells you how to include allowances and reimbursements on your tax return.

Allowances

Employee performing artists commonly get the following:

- meal allowances
- travel allowances.

If any allowance is shown as a separate amount on your payment summary, include it as income at item **2** on your tax return.

Remember, you cannot automatically claim a deduction just because you received an allowance. Read questions **D1** to **D5** in *TaxPack 2004* to work out if you can claim a deduction.

Reimbursements

If your employer or any other person reimburses you for expenses you have actually incurred, the payment is called a **reimbursement**. Generally, you do not include a reimbursement as part of your income so you cannot claim the expense as a deduction.

However, if you receive a reimbursement for car expenses – worked out by reference to the distance travelled by the car – or an allowance for car expenses, you must show the amount of the reimbursement or allowance as income at item **2** on your tax return.

You may be able to claim car expenses in these circumstances. For guidance on the rules relating to deductions for car expenses, read page 4 of this summary.

Reportable fringe benefits

If your employer provides certain fringe benefits exceeding \$1,000 to you or your relatives, your employer is required to report the total grossed-up amount on your payment summary. You do not include this amount in your total income or loss amount and you do not pay income tax or Medicare levy on it. The total will, however, be used in determining certain surcharges, deductions, tax offsets and other government benefits. Read question **9** in *TaxPack 2004* for more information.

WORK-RELATED DEDUCTIONS

TaxPack 2004 questions **D1** to **D5** deal with work-related deductions. You can claim deductions for the work-related expenses you incurred while doing your job.

The basic rules for claiming deductions are explained in *TaxPack 2004* – see the special information pages at the beginning of the deductions section. Remember:

- If you are claiming a deduction for a work-related expense for which you received an allowance, include the amount of the allowance at item **2** on your tax return.
- If you incur an expense for both work and private purposes, you can claim a deduction only for the work-related portion of your expense.
- If your work-related expense includes an amount of goods and services tax (GST) – the GST is part of the total expense and is therefore part of your deduction.

Common work-related expenses

The remainder of this summary covers the common work-related expenses incurred by employee performing artists and whether they can be claimed as work-related deductions. It will help you to answer the work-related deduction questions in *TaxPack 2004*.

CAR EXPENSES

DID YOU HAVE ANY CAR EXPENSES RELATING TO YOUR WORK AS AN EMPLOYEE?

There are four ways to work out your car expenses. Question **D1** of *TaxPack 2004* explains the four methods and tells you what records you need to prove your claim.

Include the work-related cost of using taxis, short-term car hire, parking fees and tolls at item **D2** on your tax return. The cost of travel for self-education is shown at item **D4** on your tax return.

Remember, if your employer reimbursed your car expenses calculated by reference to the distance travelled by the car, include the amount you received at item **2** on your tax return – even if you cannot claim a deduction for these expenses.

Types of travel for which you can claim car expenses

You can claim a deduction for the cost of using your car for work-related travel where:

- you travel directly between two separate workplaces because you have two different employers – for example, you have a second job
- you travel for work-related purposes from your normal workplace to an alternative workplace and back to your normal workplace or directly home – for example, if you need to travel from your rehearsal studio to a performance venue, or
- you travel between two workplaces or between a workplace and a place of business – for example, between two of your employer's studios. You cannot claim a deduction for the cost of travelling to another workplace for a social function.

You can claim a deduction for the cost of using your car to travel between home and work where:

- you have to carry bulky tools or equipment that you use for work – for example, a drum kit – and there is no secure area for storing your tools or equipment at work. You cannot claim a deduction for car expenses just because the tools or equipment are valuable
- your home is a base of employment – you start your work at home and travel to a workplace to continue the work, or
- you travel from your home to an alternative workplace for work activities and then to your normal workplace or directly home – for example, if you have to travel from home to a country performance venue.

You cannot claim a deduction for the cost of using your car to travel between your home and work:

- if the travel is a normal trip between your home and your workplace. It is a private expense even if you do small tasks on your way to or from work – for example, picking up sheet music, or
- just because you do shift work, you are on call or there is no public transport available.

Motor vehicle provided by your employer or any other person

You cannot claim a deduction for car expenses if your employer or any other person provides a car for you and you do not pay for any of the running costs.

You cannot claim a deduction for any expenses you incur for the direct operation of a car that your employer provides and that you or your relatives use privately at any time, even if the expenses are work related. Such expenses form part of the valuation of the car for fringe benefits tax purposes.

TRAVEL EXPENSES

DID YOU HAVE ANY TRAVEL EXPENSES RELATING TO YOUR WORK AS AN EMPLOYEE?

You can claim the work-related cost of using vehicles other than cars as well as parking fees and tolls at this item. You also claim work-related costs associated with taxis or short-term car hire at this item.

You cannot claim costs met by your employer or costs that are reimbursed. See **Reimbursements**.

Include the cost of travel for self-education at item **D4** on your tax return.

Read question **D2** in *TaxPack 2004* for rules relating to travel expenses and what evidence you need to be able to claim these expenses. However, it is important to note:

- If you travel in the course of your work and take a relative with you, you can claim a deduction only for your own expenses.
- If you are claiming travel expenses and you receive a travel allowance from your employer, you must show the allowance at item **2** on your tax return.
- You cannot claim the cost of meals incurred during a normal working day that does not involve an overnight stay, even if you receive a travel allowance.

CLOTHING EXPENSES

DID YOU HAVE ANY UNIFORM, OCCUPATION SPECIFIC CLOTHING, PROTECTIVE CLOTHING, LAUNDRY OR DRY CLEANING EXPENSES THAT RELATE TO YOUR WORK AS AN EMPLOYEE?

You cannot claim a deduction for the cost of purchasing or cleaning a plain uniform or conventional clothing worn at work, even if your employer tells you to wear them, as it is a private expense. This includes expenditure by employee performing artists on:

- clothing worn for medical reasons (for example, support stockings)
- conventional clothing that is damaged at work, or
- everyday footwear (for example, dress, casual or running shoes).

If you received an allowance from your employer for clothing, uniforms, laundry or dry cleaning, show the amount at item **2** on your tax return. You cannot automatically claim a deduction just because you received a clothing, uniform, laundry or dry cleaning allowance from your employer.

You cannot claim costs met by your employer or costs that are reimbursed. See **Reimbursements**.

You can claim a deduction for the cost of buying, hiring, repairing and cleaning certain work-related uniforms or protective clothing.

Compulsory uniforms

A compulsory uniform is a set of clothing that, worn together, identifies you as an employee of an organisation having a strictly enforced policy that makes it compulsory for you to wear the uniform while at work.

You may be able to claim a deduction for shoes, socks and stockings where they are an essential part of a distinctive compulsory uniform, the characteristics of which – colour, style, type – are specified in your employer's uniform policy. Wearing of the uniform must be consistently enforced. If your employer requires you to wear a distinctive uniform but does not consistently enforce the wearing of the uniform, the design of the uniform must be registered before you can claim a deduction (see **Non-compulsory uniforms or corporate wardrobe**).

Single items of compulsory clothing

You may be able to claim for a single item of distinctive clothing, such as a jumper or tie, where it is compulsory for you to wear it at work. Generally, clothing is distinctive where it has the employer's logo permanently attached and the clothing is not available to the general public.

Non-compulsory uniforms or corporate wardrobe

If your employer requires or encourages you to wear a uniform or corporate wardrobe but does not consistently enforce the wearing of it, you can claim a deduction for the cost of the clothing only if the design of the clothing is registered. If you wear a non-compulsory uniform or corporate wardrobe, you cannot claim for stockings, socks or shoes as these items cannot be registered as part of a non-compulsory uniform. Your employer can tell you if your non-compulsory uniform or corporate wardrobe is registered.

Protective clothing

You can claim a deduction for the cost of buying, hiring, replacing or maintaining protective clothing. Protective clothing is clothing that you wear to protect yourself from the risk of illness or injury posed by your income-earning activities or the environment in which you are required to carry them out. You can also claim a deduction for the cost of clothing that you use at work to protect your ordinary clothes from soiling or damage – for example, overalls. For more information refer to *Taxation Ruling TR 2003/16 – Deductibility of protective items*.

Costumes

You can claim a deduction for the cost of conventional clothing bought or hired as a costume for a role. You can also claim a deduction for the cost of buying or hiring costumes – for example, costumes worn by clowns. You can claim a deduction for the cost of special tights and pumps worn by dancers.

Laundry and dry cleaning

If you can claim a deduction for your work clothes, you can also claim a deduction for the cost of cleaning them. You can claim laundry expenses for washing, drying or ironing such work clothes, including laundromat expenses. If your claim for laundry expenses is \$150 or less, you do not need written evidence – you may use a reasonable basis to work out your claim.

If you claim a deduction for laundry expenses that is more than \$150 and your total claim for work-related expenses – other than car, meal allowance, award transport allowance and travel allowance expenses – exceeds \$300, you need written evidence for the total claim. You can claim the cost of dry cleaning work clothes if you have kept written evidence to substantiate your claim. You do not need written evidence if your total claim for work-related expenses is \$300 or less.

SELF-EDUCATION EXPENSES

DID YOU HAVE ANY SELF-EDUCATION EXPENSES RELATING TO YOUR WORK AS AN EMPLOYEE?

Claim at item **D5** on your tax return the costs you incur in attending seminars, conferences, education workshops or training courses that are sufficiently connected to your work activities.

Self-education expenses are expenses related to a prescribed course of education provided by a school, college, university or other place of education. The course must be undertaken to gain a formal qualification for use in carrying on a profession, business or trade or in the course of employment. You can claim a deduction for the cost of self-education if there is a direct connection between your self-education and your work activities at the time the expense was incurred.

Self-education expenses are not deductible if your study is designed to get you:

- a job
- a new job – a different job to your current one
- income from a new income-earning activity.

Self-education expenses can include textbooks, stationery, student union fees, course fees, certain travel expenses and the decline in value of equipment (see **Capital allowances**) to the extent they are used for self-education purposes.

You cannot claim costs met by your employer or costs that are reimbursed. See **Reimbursements**.

In certain circumstances you may have to reduce your deduction for self-education expenses by \$250. However, you may have other types of expenses – some of which are not deductible – that can be offset against the \$250 before you have to reduce the amount you can claim.

Question **D4** in *TaxPack 2004* has more information on self-education expenses.

OTHER EXPENSES

DID YOU HAVE ANY OTHER EXPENSES RELATING TO YOUR WORK AS AN EMPLOYEE?

Here is a list of other work-related expenses commonly incurred by employee performing artists. You cannot claim costs met by your employer or costs that are reimbursed. See **Reimbursements**.

Agents fees

You can claim a deduction for commissions paid to theatrical agents. You cannot claim a deduction for up-front or joining fees.

Answering machines, mobile phones, pagers and other telecommunications equipment

For information about claiming deductions for the decline in value of answering machines, mobile phones, pagers and other telecommunications equipment, see **Capital allowances**.

Audition expenses

You cannot claim a deduction for the cost of preparing for or attending auditions as they are incurred in getting work rather than doing work.

Bank fees

You can claim a deduction for debits tax charged on any outgoing from your account where the outgoing can be claimed as a deduction – for example, work-related expenses. You cannot claim a deduction for other bank fees.

Capital allowances

You can claim a deduction – called a capital allowance – for the decline in value of equipment used for work. If the equipment is also used for private purposes, you cannot claim a deduction for that part of the decline in value.

You cannot claim a deduction if the equipment is supplied by your employer or any other person.

Generally, the amount of your deduction depends on the effective life of the equipment.

Equipment costing \$300 or less

If you purchased equipment costing \$300 or less and you use it mainly for work, you can claim an immediate deduction for the work-related portion of the cost.

You cannot claim an immediate deduction if:

- the equipment is part of a set that you buy in the same income year and the total cost of the set is more than \$300 (the 'set rule'), or
- the equipment is one of a number of identical or substantially identical items you buy in an income year and the total cost of the items is more than \$300 (the 'multiples rule').

Low-value pool

There is also an option to pool equipment costing less than \$1,000 and equipment written down to less than \$1,000 under the diminishing value method. A deduction for the decline in value of equipment in such a low-value pool is worked out by a single calculation using the diminishing value method and a four-year effective life.

For further information on claiming a deduction for a low-value pool, read question **D6** in *TaxPack 2004* and make your claim at item **D6** on your tax return.

Equipment for which you may be able to claim capital allowance includes:

- computers and software
- a professional library
- telephones, answering machines, facsimile machines, mobile phones, pagers and other telecommunications equipment
- television, video recorders and compact disc players, or
- tools and equipment.

For more information about claiming deductions for the decline in value of equipment, read the publication *Guide to depreciating assets*.

Child care

You cannot claim a deduction for child care expenses. These are private expenses even if you need to pay for child care to go to work.

Coaching classes – for example, for acting, singing and dancing

You can claim a deduction for the cost of classes taken to maintain existing specific skills or to obtain work-related specific skills. You can claim a deduction for the cost of lessons to acquire specific skills for use in a particular role or performance.

Computers and software

For information about claiming deductions for the decline in value of computers and software, see **Capital allowances**.

Drivers licence

You cannot claim a deduction for the cost of getting or renewing your drivers licence as it is a private expense.

Fines

You cannot claim a deduction for fines imposed under a law of the Commonwealth, a state, a territory, a foreign country or by a court – for example, a fine you received if you were caught speeding when driving between jobs.

First aid courses

You can claim a deduction for the cost of first aid training courses if you, as a designated first aid person, are required to undertake first aid training to assist in emergency work situations.

Fitness expenses

You can claim a deduction for fitness expenses if you are required to maintain a very high level of fitness and physical activity is an essential element in your work – for example, as a trapeze artist. You cannot claim a deduction for the cost of maintaining general fitness or body shape.

Gifts

You cannot claim a deduction for the cost of gifts such as flowers or alcohol for fellow performers, producers or directors as it is a private expense.

Glasses and contact lenses

You can claim a deduction for the cost of tinted contact lenses to alter eye colour or special spectacle frames required for a role.

You cannot claim a deduction for the cost of prescription glasses or contact lenses.

Grooming

You can claim a deduction for the cost of a particular hairstyle if it is required for a role. You can claim a deduction for the cost of hairdressing specifically to maintain a required hair length or style as part of a costume for continuity purposes. You can claim a deduction for the cost of stage make-up, including the cost of cleansing materials for removing stage make-up. You cannot claim a deduction for the cost of general hairdressing, make-up or facials.

Home office

Private study

You can claim a deduction for the additional running expenses of an office or study at home that you use for income producing activities. Running expenses include decline in value of home office equipment, the costs of repairs to your home office furniture and fittings, and heating, cooling, lighting and cleaning expenses. You cannot claim occupancy expenses – for example, rent, rates, mortgage interest and house insurance premiums, unless you are carrying on a business. If your only income is paid to you as an employee you are not considered to be carrying on a business.

Diary records noting the time the home office was used for work are acceptable evidence of a connection between the use of a home office and your work. You will need to keep diary records during a representative period and for a reasonable time – for example, for at least four weeks. For more information on what records you should keep and the calculation of home office expenses, refer to *Practice Statement PS LA 2001/6 – Home office expenses: diaries of use and calculation of home office expenses*.

Place of business

You can claim a deduction for part of the running and occupancy expenses of your home if you use an area of your home as a place of business. *Taxation Ruling TR 93/30 – Deductions for home office expenses* has information on whether or not an area set aside has the character of a place of business.

There may also be capital gains tax implications if you sell your home and it has been used as a place of business.

Insurance of equipment

You can claim a deduction for the cost of insuring the equipment you use to the extent that you use it for work.

Interest costs

You can claim the cost of interest on money borrowed to purchase work-related equipment. If the equipment was also used for private purposes, you cannot claim a deduction for that part of the interest.

Meals

You cannot claim a deduction for the cost of meals eaten during a normal working day as it is a private expense, even if you receive an allowance to cover the meal expense. For information about claiming deductions for the cost of meals eaten during overtime, see **Overtime meals**.

Newspapers

You cannot claim a deduction for the cost of newspapers as it is a private expense.

Overtime meals

You may be able to claim a deduction for overtime meal expenses you incurred if you received an overtime meal allowance from your employer which was paid under an industrial law, award or agreement. To claim a deduction, you will need written evidence if your claim is more than \$19.75 per meal. You can only claim for overtime meal expenses incurred on those occasions when you worked overtime and you received an overtime meal allowance for that overtime. Amounts received as overtime meal allowance must be included at item **2** on your tax return. If you have received an award overtime meal allowance not shown on a payment summary you may choose not to include the allowance as income at item **2** on your tax return and not claim a deduction providing that the allowance does not exceed the Commissioner's reasonable allowance amounts and you have fully expended it.

An amount for overtime meals that has been folded in as part of your normal salary or wage income is not considered to be an overtime meal allowance.

Photographs

You can claim a deduction for the cost of maintaining a photographic portfolio for publicity purposes. You cannot claim a deduction for the initial cost of preparing the portfolio.

Professional library

For information about claiming deductions for the decline in value of a professional library that includes books, tapes, compact discs, records and videos containing reference material directly related to your income-earning activities, see **Capital allowances**.

Removal and relocation

You cannot claim a deduction for the cost involved in taking up a transfer in an existing employment or taking up new employment with a different employer.

Research expenses

You can claim a deduction for the cost of researching a role or character that you have been employed to play – for example, the cost of reference material containing information on a character, era or event.

Seminars, conferences and training courses

You can claim a deduction for the cost of attending seminars, conferences and training courses that are sufficiently connected to your work activities.

Social functions

You cannot claim a deduction for the cost of attending award nights or other social events, even if there is an entertainment industry connection, as it is a private expense.

Tapes, compact discs and cassettes

You can claim a deduction for the work-related part of the cost of audio and video tapes and compact discs – for example, tapes used for rehearsal.

Technical or professional publications

You can claim a deduction for the cost of journals, periodicals and magazines that have a content specifically related to your employment as an employee performing artist – for example, the magazine *Encore*.

Telephone calls, telephone rental and connection costs

You can claim a deduction for the cost of work-related telephone calls.

You can claim a deduction for your telephone rental if you can show that you are on call or regularly required to telephone your employer or clients while you are away from the office. If you also use your telephone for private purposes, you must apportion the cost of telephone rental between work-related and private use.

You cannot claim a deduction for the cost of connecting a telephone, mobile phone, pager or any other telecommunications equipment as it is a capital expense.

You cannot claim a deduction for the cost of an unlisted telephone number (silent number) as it is a private expense.

Television, video recorders and compact disc players

For information about claiming a deduction for the decline in value of these items, see **Capital allowances**.

Theatre and film tickets

You can claim a deduction for the cost of theatre and film tickets if the show has a content directly related to your current work. You cannot claim the cost of tickets for shows you attend for general interest, entertainment or other private purposes.

Tools and equipment

For information about claiming deductions for the decline in value of tools and equipment used for work, see **Capital allowances**.

Repairs

You can claim a deduction for the cost of repairing tools and equipment used for work. If the tools or equipment were also used for private purposes, you cannot claim a deduction for that part of the repair costs.

Union and professional association fees

You can claim a deduction for these fees. If the amount you paid is shown on your payment summary, you can use it to prove your claim. You can claim a deduction for a levy paid in certain circumstances – for example, to protect the interests of members and their jobs.

You cannot claim a deduction for:

- joining fees, or
- levies or other amounts you paid to assist families of employees suffering financial difficulties as a result of employees being on strike or having been laid off.

REMEMBER:

- Make sure you write down all your income on your tax return – include any benefits you received from the Government, any income from a second job and any interest you received from a bank, building society or credit union.
- Attach your payment summaries to page 3 of your tax return.
- Sign your tax return. It is your responsibility to make sure your tax return is correct even if you use a tax agent.
- Keep all the records you need to prove your deduction claims. *TaxPack 2004* will tell you which records you need.
- Ask for more help if you need it – ask your tax agent or phone the Tax Office.

MORE INFORMATION

Publications referred to in this guide include:

- *Taxation Ruling TR 95/20 – Employee performing artists – allowances, reimbursements and work-related expenses*
- *TaxPack 2004* (NAT 0976 – 6.2004)
- *TaxPack 2004 supplement* (NAT 2677 – 6.2004)
- *Guide to depreciating assets* (NAT 1996 – 6.2004)
- *Practice Statement PS LA 2001/6 – Home office expenses: diaries of use and calculation of home office expenses*
- *Taxation Ruling TR 93/30 – Deductions for home office expenses.*
- *Taxation Ruling TR 2003/16 – Deductibility of protective items.*

To get these publications:

- visit the Tax Office website at www.ato.gov.au
- phone our Publications Distribution Service on **1300 720 092** for the cost of a local call, or
- phone us on **13 28 61**.

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