Tax tips for librarians

***Robert Duncan*, President of the Association of Taxation and Management Accountants (ATMA), explains how to minimise your taxes**

TAX TIME IS WITH US once again and it is important that you complete your income tax return correctly to obtain the maximum possible tax refund based on your own particular circumstances.

Before 1 July 1986 tax law specified the type of expenses which were deductible in determining taxable income. The law, however did not specify what evidence was necessary to substantiate the deduction claimed. Post-July 1986, the substantiation provisions of tax law require that documentary evidence must be available to support claims made in tax returns.

Since the introduction of self assessment of personal income tax returns last year, the Australian Taxation Office (ATO) will accept at face value the information contained in any return lodged. A return will not be examined closely for misinformation such as doubtful claims. Coupled with self assessment, is the trend towards greater desk audit of returns.

Remember that audits and penalties for lodging false returns have increased, so take care when preparing your return.

Generally you can claim for any work related expenses incurred in gaining your assessable income. But take care to claim for expenses actually incurred by you. Do not claim more than you have spent.

The onus of proof supporting claims rests with the taxpayer. For substantiation purposes, the taxpayer is required to keep the necessary documentation of work related expenses for three and a half years, and for five years for car and travel expenses. Note that the period runs from the date of lodgement of the return with the ATO.

Librarians span many fields of employment ranging from public, school, university, and special libraries. Similar deductions would apply to all librarians. Those of you employed in special libraries may have additional expenditure which may be deductible.

Librarians can claim tax deductions

- Professional Association fees, including ALIA and trade unions.
- Self education expenses (over $250) in work related education activities, e.g. post graduate studies. Higher Education Contribution Scheme (HECS) fees are a tax levy and are not deductible.
- Conference, seminar and workshop expenses to keep up-to-date, including registration, accommodation and meals, provided the particular event exceeds 4 hours excluding meal breaks.
- Overseas travel to conferences and conventions to keep aware of new developments in your field of employment.
- Depreciation of your personal professional library. Any additional purchases of books during the year will add to the value of your personal library for depreciation purposes. Do not forget to keep the receipt for purchase of any books.
- Business use of your private motor vehicle such as user group meetings conducted in work hours, but not normal home to work travel. Travel to after hours meetings, conferences, etc. can be claimed provided a log of kilometres is kept.
- Subscriptions (if any) to professional journals needed for your work that are not normally covered by membership of a professional association.
- Stationery items such as pens, notebooks, diaries, etc. not supplied by your employer, but used by you in gaining your income.
- Home telephone costs if you use your home phone on employer related activities including calls for ALIA related activities. It would be essential for you to maintain a log of calls made–rental of your phone will not be allowed.
- Home electricity expenses where work is actually performed at home. Again, a log of hours must be maintained.
- Sickness and accident insurance premiums paid to provide you with a regular income in the event of illness–not health fund contributions such as MBF, HCF, Medicare Private, etc.
- Government financial charges (FID's) and bank charges etc. paid on income producing savings and investment accounts.
- ALIA activities–costs associated with attendances and participation at Association activities such as, travel expenses registration fees, etc. This applies equally to members of committees and sub-committees.
- Costs associated with continuing professional development activities (if any) such as registration, travel, telephone, etc.
- Keep those receipts!

Basically, you can claim a deduction for any cost incurred by you relating to your employment as long as a connection exists between the activity and your employment. You must have the required documentation to substantiate your claim if required to by the Tax Office.

In claiming work related expenses there are two golden rules that apply:

1. Any expenses you claim must have been incurred in the course of earning your income; and

2. All expense claims must be supported with receipts. Credit card vouchers are not acceptable as receipts nor are items entered on savings account statements.

Deductions that are not work related usually refer to gifts to charities, donations or fees. Gifts or donations of $2 or more to approved charities, overseas aid funds and approved school building funds are tax deductible.

Diaries can be used in substantiating tax deductible claims. A diary can be used to prove expenses for items of no more than $10 each and totalling no more than $200. Ensure that you sign each diary entry and write out the details normally found on a receipt or invoice - date, nature of the item purchased, where it was purchased and how much it cost.

When claiming work related car expenses it is necessary to keep a log book to record all work related travel within a 12-week consecutive period. I recommend that you maintain a log book and record all work related travel–excluding normal home to work travel which is not deductible–not just for the 12-week period–but continuously. Use of your private car can include travel to seminars or conferences, including parking station fees, attendance at universities or other libraries to deliver lectures or attend ALIA meetings etc.

Travel expenses relating to overseas travel and extended domestic travel have special substantiation rules that apply. Section 82KT(1) of the Income Tax Assessment Act defines 'travel expenses' to mean an outgoing expense incurred in any travel outside Australia or travel within Australia where a person is away from his/her place of residence for a continuous period of more than five nights.

To be entitled to a deduction, a taxpayer must obtain documentary evidence and maintain a travel diary giving the details of the date, place, duration and nature of the business activity. The provisions of the tax act deem that an activity which is not properly documented is not considered to have been incurred in the course of producing assessable income. What this means is that if there is no travel diary and related documentary evidence then there is no deduction.

Where your total expenses (other than those relating to a meal allowance or travel allowance when away from home on business) do not exceed $300 for the year, you need not keep the detailed records referred to above. However, you should keep all receipts and information necessary to accurately detail the expenditure actually incurred.

In order to maximise your refund by including all your legally allowable deductions, it is just as important to show all your taxable income from all sources. Income includes: salary as per group certificates issued to you by your employer; interest from savings or investment accounts with banks, building societies, credit unions, finance companies, etc.; dividends received from share investments and unit trust investments; distributions from property trusts and other unit trust investment.

Also included as income are profits made on the sale of property (excluding your family home) which is normally subject to a capital gains tax (CGT). Any CGT is indexed for inflation to reduce the incidence of taxation on property investments held longer than one year.

Superannuation

In limited circumstances superannuation fund contributions can be claimed as tax deductible.

Tax concessions are available for superannuation contributions made by employees whose only employer superannuation is by way of the 3% productivity contribution or by employees with low levels of employer support. Where a person's sole superannuation support is as a member of a productivity fund sponsored by your employer you are entitled to claim up to $3 000 for contributions to an approved personal superannuation. Remember if you are in a 3% productivity fund only, your maximum personal deduction to your own superannuation fund is $3 000.

Members of employer sponsored superannuation funds with limited employer support may be entitled to a rebate of tax for their personal contributions to a fund where your assessable income does not exceed $31 000. An eligible scheme is a complying fund which provides an average annual level of employer support (apart from productivity contributions) for each member of $1 600 or less.

Note that this limited employer support results in a rebate and not a tax deduction. If a person meets all the conditions of Income and low employer support then that person is entitled to a rebate equal to 25% or the lesser of:

- $3 000 reduced by 50 cents for each dollar of assessable income (not taxable income) over $25 000; and
- The amount of contributions actually made.

No rebate is available to a taxpayer whose assessable income is $31 000 or more.

Did you change jobs or retire?

Eligible Termination Payments (ETPs) must also be included in your tax return if you have changed jobs or retired during the year ended 30 June 1992. In many instances, special concessional tax rates apply to these payments.

Can a Tax Agent help?

It may seem a daunting task to complete your tax return considering all the record keeping that is now required. However, if you anticipate receiving a refund it may pay you to consider using a tax agent who uses the Electronic Lodgement Service (ELS). Last year more than 85% of people who lodged their returns using the ELS facility had their refunds issued within fourteen days. ELS makes faster processing of returns and fewer errors. Last year almost 5 000 tax agents were using the ELS method of lodgement and this year there will be more. If you do not lodge your return electronically it will take about eight weeks to receive your refund.

Remember if you have any doubts at all about your tax return see your local tax agent and check that s/he uses the ELS program. Considering that tax agents' fees are tax deductible, the benefits of using a tax agent generally far outweigh the costs. A listing of ATMA Taxation Accountants appears in your local Yellow Pages.

Bob Duncan is a tax accountant practising in Petersham NSW. The ATMA contact number is (02) 568 3544