



Appendix

Substantiating Deductions

Some significant changes to the Tax Agent Services Act (TASA) come into effect from 1st July 2025. These changes impose additional requirements on tax agents when providing any tax agent services.

The new obligations seek to enhance the high professional and ethical standards expected by the community of registered tax practitioners, with the objective of:

- improving transparency and accountability
- giving the public greater confidence and trust in the integrity of the tax profession
- strengthening tax system integrity and the regulation of the tax profession

The impact of these changes is that we may now require additional information from you in order to complete your return. Please use the attached as a guide as to how deductions can be claimed for most commonly used deductions and the documentation that is MANDATORY to provide to us.

More information about these changes can be found at our website [LINK HERE](#).

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Motor Vehicles

Log Book Method

Please provide a copy of your current in force log book. Your log book should:

- cover 12 continuous weeks during the year you first claim your car under this method
- must be representative of your travel throughout the year
- not be older than 5 years
- be updated if your circumstances change (increased working from home hours for example)

For more information on your log book and the requirements see this link:

- <https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/deductions/deductions-for-motor-vehicle-expenses>

Working From Home Expenses

Actual Cost Method

The ATO have prescribed specific methods for how to calculate your work from home claims when using the actual cost method.

To claim your work from home expenses using actual costs, you must keep:

- either a record showing
 - the number of actual hours you work from home during the entire income year – for example, a timesheet or spreadsheet
 - a continuous 4-week period that represents your **usual pattern** of working at home – for example, a diary.

You must provide your **AGS Accountant** with a summary that shows:

- the additional running expenses you incurred while working from home, such as receipts, bills and other documents
- how you worked out the amount of your deduction

Each deduction has a different method to work out your claim amount.

To claim occupancy expenses when you work from home, you must show that:

- it was necessary for you to work from home because your employer doesn't provide you with an alternative place to work from
- the area of your home that you use for work is exclusively or almost exclusively used for work purposes and isn't readily capable of being used for any other purpose.

Electricity

You can work out the cost of your electricity and gas (energy expenses) for heating, cooling and lighting by using the:

- cost per unit of power you use (your utility bill has this information)
- average units you use per hour, which is the power consumption (this information may be found in the manufacturer information, the star energy rating label or by searching the internet) and is
 - per kilowatt (kw) hour for each electrical appliance, equipment or light you use
 - per megajoule (MJ) hour for gas heating appliances you use
- total annual hours used for work-related purposes by checking your record of hours worked or your diary.

Telephone / Mobile Phone / Internet

There is a Practice Statement from the ATO that governs how deductions are calculated when it comes to electronic device usage

<https://www.ato.gov.au/law/view/document?DocID=PSR%2FPS20016%2FNAT%2FATO%2F00001&PiT=99991231235958&document=document>

Evidence is required to demonstrate how the taxpayer has calculated their deduction based on a proportion of the total expense incurred. In apportioning the expense, taxpayers need to factor in the extent to which:

- the device usage expense was incurred by the taxpayer for income-producing purposes or if the taxpayer also incurred the device usage expense for private purposes, and
- any other members of the household used the service or device for any purpose (including automated functions such as application updates on devices and streaming of TV and movies).

Taxpayers can prove their deductible (work) use proportion by:

- providing evidence of the proportion of deductible use for the whole year, such as 'itemised' supplier records which have the taxpayer's work-use proportion for the applicable period marked on each record as evidence of their annual claim for deduction

- providing records showing their detailed usage pattern over a representative period (if they have one). For example, a 'diary' record of use over a representative 4-week period can be accepted. A 'diary' in this context is a record prepared by the taxpayer during the period of use and acknowledged as such by the taxpayer, or

Special rules for device usage expenses

Taxpayers can calculate their device usage expenses by:

- keeping records and written evidence to determine their work-related proportion of actual expenses, or
- claiming up to \$50 in total for all device usage charges (being phone calls, text messages and internet use for all devices) with limited documentation. This approach is appropriate where their device usage is incidental.

Taxpayers who use the actual expenses method to claim a deduction for their device usage expenses (either for the year or a representative 4-week period as set out in sections 3 or 4 of this Practice Statement) can apply the following to assist with their calculation:

- For deductions for home telephone expenses, the following formula is an acceptable way to calculate the work-related proportion

$$\text{work-related calls (incoming and outgoing)} \div \text{total calls (incoming and outgoing)}$$

- For mobile phone expenses, in determining a work-related proportion, the following factors are elements that can be considered
 - number of work calls compared to private calls
 - time used for work calls compared to private calls
 - time used in different functions for work related purposes compared to private purposes - for example, some taxpayers may use the camera and gaming applications exclusively for private use whereas other taxpayers may require the camera and many applications for work purposes
 - the time spent using the mobile telephone for work-related and private purposes each day
 - any employer requirements or restrictions for work use of the mobile phone for work purposes, and
 - work-related and private-use proportions of data usage (see below).

The relevance of type of use on a mobile phone can be significant. Thus, if a taxpayer predominantly uses a mobile phone for phone calls, then analysis of phone call use will provide the most relevant measure of use. In such cases the guidelines provided for home telephone use are relevant.

- For device data-usage expenses, either:
 - the time spent by the taxpayer using the internet for work purposes compared to time spent by the taxpayer and all others using the internet (time basis), or

- data used for work purposes compared to data used for all purposes for the taxpayer and all other users (data basis).

Taxpayers using the \$50 method can keep basic records to show how they arrived at their claim without keeping detailed written evidence. They can base their records on the following:

- for a home phone, based on a rate of 25c per work call
- for mobile phones, based on a rate of 75c per work-related call and 10c per work related text message, and
- for device data usage, based on time spent or data used for work purposes (compared to all other usage by the taxpayer and other users).

Self-Education Costs

In accordance with updated Tax Ruling TR 2024/3; **Income tax: deductibility of self-education expenses incurred by an individual**; self-education expenses now include:

- courses undertaken at an educational institution (whether leading to a formal qualification or not)
- courses provided by a professional or industry organisation
- attendance at work-related conferences or seminars
- self-paced learning and study tours (whether within Australia or overseas)

Under this revised ruling, self-education costs are incurred in gaining or producing your assessable income if:

- Your income-earning activities are based on the exercise of a skill or some specific knowledge and the self-education enables you to maintain or improve that skill or knowledge. (*Principle 1*); and / or
- The self-education objectively leads to, or is likely to lead to, an increase in your income from your current income-earning activities in the future. (*Principle 2*)

Of note: There is a clear requirement for any self-education expenses to be clearly linked to your current income earning activities. The tax ruling has very detailed scenarios where expenses are / are not deductible

<https://www.ato.gov.au/law/view/view.htm?docid=%22TXR%2FTR20243%2FNAT%2FATO%2F00001%22>