



Allowances on PAYG Summaries

Help your employees give the ATO a raspberry to their new draconian bully tactics on reasonable allowances.

This blog is both for employers and for employees who have read our article on travel allowances <https://bantacs.com.au/Jblog/reasonable-allowance-concessions-effectively-abolished-by-the-ato/#more-159>

If you are the latter make sure you give your employer a copy of this, so they can do whatever they can to keep your tax and their FBT to a minimum.

In TR 2017/D6 the ATO have made a number of new determinations that they intend to apply retrospectively to the date of issue of the draft ruling and there is no hope in site of the final ruling being released as its due date was February 2018.

TR 2017/D6 looks into when an employee can claim travel expenses. This is also important for employers because if they pay these expenses and they are not “otherwise deductible” to the employee and not to a remote area, then the employer must pay FBT in addition to the cost of the expenses. It is also relevant to deciding whether to withhold tax from any allowances paid to an employee.

Further, an employer can assist their employee in staying under the ATO’s radar in a very legitimate and legal way. If an employee receives an allowance and the amount appears on their PAYG summary, then they must include it as income and claim a deduction for the corresponding expenses. The trouble with this method, is that if the allowance is large it will

send off the bells and whistles at the ATO and your employee is likely to be audited. Not to mention the huge record keeping requirement because the ATO have decided that if you want to use the reasonable allowance method you have to not only have receipts but bank statements to prove each transaction. So, your employees are better off just keeping all their receipts and not using the reasonable allowance concession.

An employer can assist their employee by simply not including any travel allowance, motor vehicle allowance or overtime meal allowance, that they have paid to an employee, on the employees PAYG summary. Too simple? Here is a link to the ATO page showing what does and doesn't have to be included on the PAYG summary
<https://www.ato.gov.au/Business/PAYG-withholding/Payments-you-need-to-withhold-from/Payments-to-employees/Allowances-and-reimbursements/Withholding-for-allowances/>

Here are the rules on when an employer does not need to include an employee's allowance on their PAYG summary and as a result that employee does not need to include the allowance or corresponding deductions in their tax return unless their Accountant decides it is worth their while.

Living Away From Home Allowance – This allowance is only ever subject to FBT so should never appear on the employee's PAYG summary. No FBT is payable if the food component is no more than the reasonable amount refer <https://bantacs.com.au/Jblog/lafha-living-away-from-home-allowance/#more-296> There also needs to be receipts for the accommodation and the employee needs to give the employer a declaration that they still have a home other than the abnormal workplace you are sending them to. Further, they must only be in that location for less than 12 months. This 12 month period is not reset if sent to the same area again.

Travel Allowance – Providing the employer is satisfied that the amount has been fully expended by the employee (for example employee provides representative sample of receipts) and the travel is bon a fide (refer TR 2017/D6 <https://www.ato.gov.au/law/view/document?DocID=DTR/TR2017D6/NAT/ATO/00001>) and the amount is less than the ATO reasonable amount issued each year, then the allowance does not have to appear on the employee's PAYG Summary.

For the 2018-2019 reasonable amounts refer TD 2018/11
<https://www.ato.gov.au/law/view/view.htm?docid=%22TXD%2FTD201811%2FNAT%2FATO%2F00001%22>

Car Allowance on km basis – If the amount paid is at the rate of 68 cents a kilometre or less and the number of kilometres is 5,000 or less then, providing the employer is satisfied that the amount is fully expended, it does not have to appear on the employee's PAYG summary

Overtime Meal Allowance – Provided the allowance is paid in accordance with an award for working more overtime and is under the reasonable amount then it does not have to appear on the employee's PAYG summary. For 2018/2019 the reasonable amount was \$30.60.