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MEDIA RELEASE



Pay close heed to the ATO's tax stats before tinkering with work-related expense deductions!

With what remains of the government's tax reform package expected to finally see the light of day in the earlier-than-expected Federal Budget on 3 May, all eyes are now turning to which measures from the many on the government's wish-list will make it into the Treasurer's speech.

With a General Election expected just weeks later, this Budget, more than most, will have its work cut out to deliver meaningful outcomes without upsetting key parts of the electorate, according to H&R Block's Director of Communications, Mark Chapman.

Just how difficult that balancing act might be has been revealed this week by the ATO's newly released Tax Statistics 2013-14.

One of the proposals which has been widely floated is the abolition (or substantial reform) of our current system of work-related deductions. The perception appears to have taken hold – fed by some over-enthusiastic tax policy wonks and ex-ATO staff – that work-related deductions are essentially one big rort on the tax system.

The reality of course is rather different. People claim deductions for work-related expenses because, in the course of earning their income, they are obliged to spend their own money, for instance driving between worksites, staying overnight whilst working away from home, using their own phone or computer for work purposes or buying new tools, work boots, or other job-specific clothing. Quite simply, they can't do their job without spending this money.

But those politicians who think they might be comfortable taking a proposal to reform the system to the voters would be well advised to spend some time digging deep into those ATO tax statistics. It might give them pause for thought. Amongst the facts they might discover are the following:

- Of Australia's 9.7 million taxable individuals, 88% of them made a claim for work-related expense deductions
- The average size of claim was \$2,417
- Over 3.2 million people made a claim for work-related car expenses, over 6.2 million people claimed for work-related clothing and uniforms and nearly 500,000 people made a claim for self-education expenses to maintain or improve their skills
- Self-education claims tend to be amongst the larger ones (averaging \$1,865 each) but arguably that investment flows through into the economy in the form of a better trained, more innovative workforce
- Typical claimants for work-related expense deductions reside in lower to middle income households, often in electorally crucial areas such as Western Sydney.

Using Western Sydney as an example, the largest number of claims for work-related motor vehicle expenses in the whole of New South Wales were located in postcodes 2170 (Liverpool/Fairfield, mean taxable income \$48,658), 2560 (MacArthur/Camden, mean taxable income \$48,469) and 2145 (Parramatta/Western Sydney, mean taxable income \$52,067).

To put those mean income levels into perspective, the “richest” postcode in New South Wales is 2027 (Darling Point and surrounds, coincidentally the Parliamentary constituency of the Prime Minister, Malcolm Turnbull), with a mean taxable income of \$200,015.

That pattern is repeated for other expense types, such as work-related clothing and self-education expenses and across other states.

For further information please contact:

Mark Chapman
Director of Tax Communications
H&R Block
0415 844 388

Tim Allerton
City PR
(02) 9267 4511 or 0412 715 707