

## Claiming self-education expenses



The value of a good education is widely accepted, and it is a common experience over one's working lifetime to find that further learning is required along the path of one's chosen career.

Changing technology and evolving workplaces means that at some stage in every taxpayer's life, an educational re-boot could become necessary — as the adage says, "you're never too old to learn". Therefore supplementary education mid-career is a valuable, and hopefully income-boosting, pursuit.

Funding for that education however is another consideration, although this is generally also seen to be worthwhile pursuing — to use another quote, "if you think education is expensive, try ignorance". Fortunately, Australia's tax system is set up to provide some breaks to help the motivated among us get ahead.

To be able to claim certain expenses relating to self-education is a tax concession that is not to be overlooked, but to be eligible your present employment and the course you undertake must have sufficient connection for the self-education expenses to qualify as a work-related tax deduction.

In other words, if the course of study is deemed to be too general in nature, and can be viewed as having little relevance to your income-earning activities, the connection between them (and eligibility for a tax deduction) may not be seen to be viable by the ATO. Deductions are also not generally available if the subject of self-education is designed to obtain new employment, or to open up a new income-earning activity.

By way of examples of relevant connections, the ATO gives the following scenarios:

- the taxpayer is upgrading their qualifications for their current employment — for example, upgrading from a Bachelor qualification to a Masters
- they are improving specific skills or knowledge used in their current employment — for example, a course that will allow them to operate more or different machinery at their current job
- they are employed as a trainee and are undertaking a course that forms part of that traineeship — for example, an overseas trained person employed as an intern while completing a local bridging course, and
- they can show that at the time they were working and studying, their course led, or was likely to lead, to an increase in employment income — for example, a teacher who will automatically get a pay increase as a result of completing the course.

## TRAVEL, ACCOMMODATION AND MEALS

The expenses relating to travel between your home and an educational institution and return, and between your place of work and the educational institution and return, are allowable, as being part of the incidental costs of the course of study.

If however you travel from home to an educational institution and then to your place of work and return home by the same route, only the costs of the first leg of each journey are allowable, as being incidental costs of the study.

The costs of the second leg of the outward journey are costs incurred in order to get to work. And the costs of the second leg of the return journey are costs incurred in order to return home, the essential character of which is considered by the ATO as being of a private nature.

Expenditure on accommodation and meals ordinarily has the character of a private or domestic expense. Expenditure on meals and accommodation while attending an educational institution, work-related conference or seminar where you are not required to sleep away from home (for example, you live in the Sydney suburb of Homebush and attend an educational institution in the central city) is not allowable as a deduction as the outgoing is private in nature.

However, the “occasion” of the outgoing may operate to give the expenditure the essential character of an income-producing expense. An example is where the expenditure is incurred while away from home overnight on a work-related activity.

Where you are away from home overnight in connection with a self-education activity, accommodation and meal expenses incurred are generally deductible.

Examples include an overseas study tour or sabbatical, a work-related conference or seminar or attending an educational institution. These expenses are part of the unavoidable cost of undertaking the tour or attending the conference or seminar or going to the educational institution. The ATO does not deem this expenditure as being of a private nature because its “occasion”, as it puts it, is the travelling away from home to pursue activities to enhance income-producing abilities.

In regard to the general rule outlined above however, the ATO has in the past referred to a court case outcome that supports its view that there may be exceptions to deny travel deductions, for example where a taxpayer establishes a new home while incurring educational expenses.

## HOME STUDY EXPENSES

If you have a room set aside for self-education purposes, you may be able to claim decline in value of (and repairs to) the home office furniture and fittings, as well as a portion of the heating, cooling, lighting and cleaning representing the period the room is used for self-education activities.

Alternatively, there is available a fixed rate of 45c per hour of usage instead of keeping individual costs for heating, cooling, lighting, cleaning and decline in value of furniture for that room. Occupancy expenses however are disallowed.



### SELF-EDUCATION EXPENSES SPECIFICALLY DENIED

Note that the legislation specifically disallows the following expenses related to self-education:

- expenditure on meals while attending an educational institution, work-related conference or seminar where the taxpayer is not required to sleep away from home
- expenditure on accommodation and meals where a taxpayer who has travelled to another location for self-education purposes has established a new home (as mentioned above), and
- repayments made (whether compulsory or voluntary) on debts a taxpayer may have under the following loan schemes:
  - HECS-HELP
  - FEE-HELP
  - OS-HELP
  - VET FEE-HELP
  - SA-HELP
  - SFSS
  - Trade Support Loans program (TSL)
  - Student Start-up Loan (SSL)
  - ABSTUDY Student Start-up Loan (ABSTUDY SSL).

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