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Laundry expenses hung out to dry

The ATO is airing the 'dirty laundry' on work-related clothing and laundry expenses warning that it is closely reviewing claims.

"Last year around 6 million people claimed work-related clothing and laundry expenses, with total claims adding up to nearly \$1.8 billion. While many of these claims will be legitimate, we don't think that half of all taxpayers would have been required to wear uniforms, protective clothing, or occupation-specific clothing," Assistant Commissioner Kath Anderson said.

Clothing claims are up nearly 20% over the last five years and the ATO believes taxpayers are making common mistakes and errors like claiming ineligible clothing, claiming for something without having spent the money, and not being able to explain the basis for how the claim was calculated. In some cases, the ATO will ask employers if they require their employees to wear a uniform to check the validity of claims made.

In one case highlighted, a car detailer claimed work related laundry expenses of over \$20,000 per year over two years. It seems that the taxpayer worked out how many hours he spent doing his laundry then multiplied that by what he thought was a reasonable hourly rate (\$227 per hour because his personal time was valuable). Needless to say, the taxpayer's claim was reduced to \$0.

It's not just large claims that the ATO is reviewing but claims up to the \$150 substantiation threshold. Claims over \$150 have to be substantiated with receipts for expenses. Below this level taxpayers are not required to keep normal records. The ATO believes that a lot of taxpayers are simply ticking the box thinking that the claim is a 'standard deduction' but it's not an automatic entitlement.

"Just to be clear, the \$150 limit is there to reduce the record-keeping burden, but it is not an automatic entitlement for everyone. While you don't need written evidence for claims under \$150, you must have spent the money, it must have been for uniform, protective or occupation-specific clothing that you were required to wear to earn your income, and you must be able to show us how you calculated your claim," Ms Anderson said.

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