

The Handbag vs Briefcase deduction debate

If a man can claim a briefcase as a tax deduction why can't women claim their handbags? Recent comments from the ATO would appear to suggest that they have softened their stance.

It has long been a topic of debate – is there really a difference between how men use a briefcase and women use a handbag? After all, men often have a lot of personal items in their briefcases and working women are just as likely to carry their ipads, documents, and other work related items in their handbag. So, what's the difference and why the disparity? Before you try and claim your \$4,000 Gucci handbag as a tax deduction, let me step you through the facts of the deductibility debate.

What can you claim a tax deduction for?

The rules around what you can personally claim as a work related tax deduction are fairly rigid - otherwise everyone would be claiming everything even vaguely associated to what they need for work.

Is the item connected to the work you do?

The first and most basic rule is that there needs to be a connection between the income you earn and the item purchased. In other words, you need the item to do your job. The Australian Tax Office (ATO) can ask you to prove what you have claimed is connected to your job and if you claimed the full cost, then you need to prove that the item is 100% used for work purposes. You can see the

immediate problem here with claiming 100% of that Gucci handbag – it's fairly unlikely it is only going to be used for work purposes and it would be up to you to prove otherwise. Whereas with a briefcase, unless you were going to a Revenge of the Nerds fancy dress party, it's unlikely you would carry it around for any other reason than for work.

Did your employer already pay for it – directly or indirectly?

If you already claimed the cost of the item you purchased from your employer, you can't generally claim it as a personal deduction. The same applies if your employer provides you with an expense account or payment as part of your remuneration package to cover specific costs.

Can you prove you paid for it?

The ATO always requires a receipt or paperwork to support any purchase you claim a deduction for. If you don't have this and you are audited, then the ATO will simply deny your deduction.

Does the price tag make a difference?

Does the price of a work related expense make a difference? For example, if the ATO accepts a deduction for a \$200 laptop bag will they also accept a claim for say a \$4,000 Burberry laptop bag?

It comes down to a question of need. If the claim is excessive, you need to prove that the excessive cost is actually required for your job. The larger the deduction claimed the more likely it is that your tax affairs will be reviewed by the ATO.

A few tips for supporting any claim

If you do intend to make a claim for your handbag, here are a few tips for supporting your claim.

It may be prudent to keep a record of the work use of a handbag, ideally by using a logbook for a period of about

three months, in the event that the ATO decides to audit your tax affairs.

The cost and size of a handbag, as well as a person's profession, are likely to be issues that the ATO also looks at when reviewing a claim. Handbags that are large, such as tote bags, and those with lots of compartments will likely be seen as being more suitable for carrying work items compared to smaller clutch-type handbags.

If you carry a couple of bags, say one larger bag for carrying documents and devices and one smaller bag for your personal items, the ATO will be more comfortable with a claim for the cost of that larger bag.

"Ultimately access to tax deductions has nothing to do with gender – it's all about the basic rules of how closely connected the purchase is to your job and your ability to support your claim."



JULIAN NICHOLS