

1990-91-92

THE PARLIAMENT OF THE COMMONWEALTH OF
AUSTRALIA

SENATE

TAXATION LAWS AMENDMENT BILL (NO.6) 1992

Supplementary Explanatory Memorandum

(Circulated by the authority of the Treasurer,
the Hon J. Dawkins M.P.)



Expenditure On Occupational Clothing

General Outline and Financial Impact

The amendments will amend the Taxation Laws Amendment Bill (No.6) to:

- postpone the commencement of the new provisions in relation to non-compulsory corporate uniforms or wardrobes until 1 September 1993;
- extend the period for which expenditure in relation to previously approved corporate wardrobes/uniforms will be eligible for deduction to 1 July 1994.

Financial impact: These amendments are not expected to have a significant financial impact.

Summary of proposed amendments

Purpose of amendments: The proposed amendments will postpone the commencement of the proposed section 51AL until 1 September 1993. Additionally, the amendments allow taxpayers to continue to claim tax deductions for expenditure in relation to corporate wardrobes/uniforms, until 1 July 1994, where the wardrobes/uniforms have been approved prior to 1 September 1993 by the Australian Taxation Office.

Explanation of proposed amendments

Date of effect

Following representations from industry concerning the lead times that operate in this industry from design of uniforms to manufacture, the implementation of the measures contained in the Bill will be postponed until 1 September 1993.

As a result, the provisions in the Bill in relation to expenditure on both compulsory and non-compulsory uniforms and wardrobes will now have effect from 1 September 1993 [*Amendment 1*].

Expenditure on uniforms or wardrobes previously approved by the ATO

Concerns have also been raised with the government that corporate wardrobes/uniforms which have been previously approved by the Australian Taxation Office, in accordance with guidelines set down in Taxation Ruling IT 2641, will lose their tax deductibility status as of the date on which the legislation takes effect, ie. 1 September 1993. This will have an excessively harsh impact on both manufacturers and employees who have acted in reliance of the ATO's approval having effect for a period of time.

In recognition of these concerns, it is proposed that a transitional provision be introduced so that employees can continue to obtain a deduction for expenditure incurred in relation to those corporate uniforms/wardrobes which have approved in writing by the Commissioner of Taxation under IT 2641 [*Amendment 2, new paragraph 51A(1)(4A)*].

The statement to the employer must be in writing and its application is limited to the design of the uniform/wardrobe which was granted approval by the ATO. Any subsequent design changes for non-compulsory uniforms or wardrobes after 1 September 1993 must be submitted to the TCFDA as set down in the provisions of the Bill.