



WHERE SELF-EDUCATION EXPENSES ARE NOT DEDUCTIBLE

In the case of *Lloyd v Federal Commission of Taxation* a taxpayer tried to argue that there was a perceived connection between the education expenses she had incurred while doing her PhD in Interactive Digital Media and Telecommunications and the increased income she received from her bank employer as a result of promotions.

Furthermore the taxpayer also tried to argue that there was a connection between the expenses claimed and the income she received in her later project administration and management roles with two other companies, and that these did not involve new income earning activities.

The Administrative Appeals Tribunal (AAT) found that perceived connection was not sufficient to justify the deduction. The AAT found that the taxpayer's purpose in undertaking employment was to support her study for her PhD, and her purpose in undertaking the PhD was to enhance and expand on her knowledge in the IT and telecommunications fields so that she could ultimately obtain more highly paid positions within that field.

Generally, you cannot claim a deduction for self-education expenses where the activity is:

- Designed to result in new income earning activities as was the case above, or
- Too general in nature. For example a manager who does a meditation course to improve her health and therefore her efficiency at work cannot claim this as a self-education expense.

You can however claim a deduction for expenses that you incur in activities that:

- Maintain or improve the knowledge and/or skills that you exercise in your current income earning activities, such as a secretary undertaking an advanced word processing course because their current duties include extensive word processing, or
- Are likely to lead to an increase in income from your current income earning activities such as a teacher studying a postgraduate education course to improve her chances of promotion.

For more information about self-education deductions contact us.