Australian Government
Australian Taxation Office

GST and employee reimbursements

- https://www.ato.gov.au/Business/GST/In-detail/Rules-for-specific-transactions/GST-and-employee-reimbursements/
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GST and employee reimbursements

As an employer you're entitled to a GST credit when you reimburse an employee for a taxable expense that is directly related to your business activities. This includes paying an expense payment benefit.

You can claim the credit in your activity statement in the normal way once your employee gives you a tax invoice or receipt for the expense.

You and your employee cannot both claim a GST credit for the same expense.

Find out about:

- Reimbursements
- Allowances
- Payments for notional expenses

Reimbursements

You make a reimbursement when you pay your employee the amount, or part of the amount, of a particular work-related purchase they make. For example, if your employee purchases an item for $220, whether you pay them $220 (the whole price) or a lesser amount, say $110 (half the price), the payment is a reimbursement.

You also make a reimbursement if you pay:

- your employee when they become liable for an expense, even if they haven't yet paid it
- your employee an advance for an expense they have not yet incurred, providing they have to repay any unspent amount of the advance to you
- an expense on behalf of your employee, for example, to a business that has

made a sale to the employee.

You need to have a tax invoice if the expense is more than $82.50 (GST inclusive).

Example: Reimbursement of a work-related expense

Alexandra employs Petra in her advertising agency. Petra purchases craft materials for a client presentation that she is responsible for. The materials cost Petra $90, including GST. As the expense is for Petra's work in the agency, and Alexandra's policy is to reimburse these expenses if tax invoices are presented, when Petra makes a claim for her expense with the receipts attached Alexandra pays her $90.

Alexandra is entitled to a GST credit on this reimbursement.

Example: Reimbursement of expense payment benefits

Karim's children attend a non-government school. Karim pays their yearly school fees in advance. He also pays for school uniforms. Karim's employer, Maria, agrees to reimburse him these expenses after he gives her all of the relevant receipts and invoices. Maria makes separate payments for the school fees (education is GST-free) and uniforms (taxable). Both payments to Karim are expense payment benefits.

Maria is entitled to a GST credit on the reimbursement for Karim's purchase of taxable school uniforms. However, even though Maria reimbursed the school fees, she cannot claim a GST credit because the cost of education is GST-free.

Maria may have a fringe benefits tax (FBT) liability for the reimbursed expenses.

See also:

- Expense payment fringe benefits

Exclusions

The definition of a reimbursement for GST purposes excludes some situations.

You are not entitled to a GST credit if you:

- reimburse non-deductible expenses, such as the portion of expenses relating to entertaining clients
- reimburse expenses that relate to input taxed sales that you make in the running of your business and you exceed the financial purchases threshold (if you exceed this threshold you may only be entitled to a reduced GST credit on certain specific purchases)

- pay your employee an [allowance](#) or a [payment based on a notional expense](#).

See also:

- [Financial acquisitions threshold](#)
- [Income and deductions for business](#)

Allowances

You are paying your employee an allowance when you pay them an amount for an estimated expense without requiring them to repay any excess. An allowance is not included in the definition of a reimbursement and you are not entitled to any GST credits.

Example: Allowances

Miyuki employs Juan in her Melbourne software firm. She asks Juan to attend a conference in Sydney. Miyuki pays Juan a travel allowance of $450. Juan is not expected to repay any of the allowance he does not spend, but he will not be entitled to an additional payment if his expenses exceeds this amount.

Miyuki has paid Juan an allowance. She is not entitled to any GST credits for Juan's expenses, regardless of how much Juan spends.

Miyuki may have pay as you go (PAYG) withholding obligations when she pays an allowance.

See also:

- [Withholding from allowances](#)

Payments for notional expenses

A payment made to an employee based on a notional (rather than an actual) expense, such as a cents-per-kilometre payment to cover work-related use of an employee's private car, is an allowance, not a reimbursement. As it is not a reimbursement you are not entitled to a GST credit for this type of payment.

Example: payment for a notional expense

Henri uses his car regularly for work purposes. His employer, Janne, requires him to keep records and pays him a monthly amount based on the car's engine size and the number of kilometres Henri travels for work purposes.

Janne is not making a reimbursement so is not entitled to a GST credit.

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