

## Living Away From Home Allowance (LAFHA)

### What is a LAFHA?

The payment of a living-away-from-home allowance (LAFHA) is a fringe benefit.

For FBT purposes, a LAFHA is an allowance the University (as the employer) pays to an employee to compensate for additional expenses incurred and any disadvantages suffered because the employee's duties of employment require them to live away from their **normal residence**.

The term 'additional expenses' does not include expenses the employee would be entitled to claim as an income tax deduction.

### When is an employee considered to be living away from their normal place of residence?

Generally an employee is considered to be living away from home where the employee moves away from their normal place of residence to a temporary residence so that they can carry out their work duties. This is usually for greater than 21 days and for a maximum period of 12 months. An employee's transfer should be for a fixed period and the employee is expected to return to their normal place of residence upon completion of their temporary work assignment.

For further guidance on this matter, please contact the Tax Compliance Team via email [taxcompliance@vu.edu.au](mailto:taxcompliance@vu.edu.au) or call Samira Hagos – Manager, Corporate Finance Services on ext. 2236.

### Eligibility Criteria

The University will only consider a staff member to be living away from home and thus eligible for LAFHA where the following criteria are satisfied:-

1. It can be clearly established that the assignment is of a temporary nature and that it is the staff member's intention to return to their normal place of residence following completion of the assignment.
2. The VU employee maintains a home in Australia (at which they usually reside) for their immediate use and enjoyment at all times while required to live away from home for work. To maintain a home in Australia:
  - the employee and/or their spouse must have an **ownership interest** in the home
  - that home must be **available for their immediate use and enjoyment at all times** while they are living away from it, and
  - it is reasonable to expect that the employee will resume living at that home upon their return when he/she are no longer living away from home for the purpose of his/her employment.

A home in Australia is a unit of accommodation where the employee normally resides. A unit of accommodation is:-

- A house, flat or home unit
- Accommodation in a house, flat or home unit
- Accommodation in a hotel, motel, guesthouse, bunkhouse or other living quarters
- A caravan or mobile home
- Accommodation in a ship or other floating structure.

An individual has an **ownership interest** in a home when the individual or their spouse own or rent the home. In general, adult children who live in a family home do not have an ownership interest in the home.

In order for an individual's home to be available for **the individual's immediate use and enjoyment at all times**, the individual:

- cannot rent out or sub-let the home while they are living away from it, and
  - must incur the ongoing costs of maintaining the residence such as mortgage, rental payments, rates etc.
  - must be able to return to the individual's home at any time to take up immediate occupancy.
3. The VU employee incurs expenses for accommodation and food or drink **for a maximum period of 12 months** while living away from home (LAFH). However the 12 month period may be paused, if the employee returns to their normal home after taking leave, such as annual, long service or sick leave.

Also a new 12-month period starts if the employee's work location changes; for example the employee moves to another location to perform the duties of employment and it would be unreasonable to expect the employee to commute to the location from the earlier location for which a LAFHA was provided.

4. The VU employee provides the University with the following LAFHA declarations:-
- A declaration that they are living away from home; and
  - A declaration that they will be incurring accommodation and food and drink expenses for which LAFHA will be provided.

Copies of the above declarations are included on pages 8 and 9 of this factsheet and can also be downloaded from the Finance intranet site under Financial/Tax Information/Tax Information/Taxation Forms. The completed and signed declaration should be forwarded to the Taxation Accountant (Finance) for inclusion in the FBT Return and a copy should be forwarded to Payroll/People and Culture for their records.

***Please note if the University provides a LAFH benefit to an employee who does not satisfy the above criteria, the full amount of the benefit provided will be subject to Fringe Benefits Tax.***

## **LAFHA Components**

The LAFHA is made up of two components, the ***exempt accommodation*** and ***exempt food*** components.

**The Exempt Accommodation Component:** this is the amount of the accommodation expenses actually incurred by the employee during the period. The employee must be able to substantiate the full amount of the expenses incurred for accommodation. In this regard, lease agreements, credit card statements, bank statements, receipts etc. would form a good basis of documentary evidence of the accommodation expense incurred.

**The Exempt Food Component:** this is the amount of the food component that represents reasonable compensation for the increased cost of meals likely to be incurred for the staff member and eligible family members as a result of living away from home.

A food component of a LAFHA allowance is not totally exempt from FBT, as tax legislation recognises that an employee would incur some expenditure on food if the employee had continued to live at their normal place of residence. The ATO therefore only treats so much of a food component as it exceeds \$42 per week per adult

and \$21 per week per child as constituting an exempt food component thus a \$289 per week food component of a LAFHA paid to a single person would only attract a \$247 exemption per week i.e. \$289-\$42.

The following table (ATO approved) should be used when deciding on the amount of the food component that is to be paid to an employee who is LAFH i.e. if the period of stay for the travelling employee is 4 weeks, then the maximum food component to be paid without incurring any FBT would be  $(289-42) \times 4 = \$988$ . Any payment over this amount will attract FBT.

The reasonable food component is released annually by the ATO in a Taxation Determination (TD). The reasonable food component for FBT Year: 01/4/2018 - 31/3/2019 are released in TD 2018/3 and are extracted in the tables below.

**Table 1: Amounts of reasonable food and drink – within Australia**

No. of persons	Per week (AUD \$)	Allowable exempt component after deducting the statutory food amounts
One adult	\$265	\$265 - (\$307 -\$42)
Two adults	\$398	\$398 - (\$482 -\$42-\$42)
Three adults	\$531	\$531 - (\$657-\$42-\$42-\$42)
One adult and one child	\$332	\$332 - (\$395-\$42-\$21)
Two adults and one child	\$465	\$465 - (\$570-\$42-\$42-\$21)
Two adults and two children	\$532	\$532 - (\$658-\$42-\$42-\$21-\$21)
Two adults and three children	\$599	\$599 - (746-\$42-\$42-\$21-\$21-\$21)
Three adults and one child	\$598	\$598 - (\$745-\$42-\$42-\$42-\$21)
Three adults and two children	\$665	\$665 - (\$833-\$42-\$42-\$42-\$21-\$21)
Four adults	\$664	\$664 - (\$832-\$42-\$42- \$42-\$42)

Adults for this purpose are persons who had attained the age of 12 years before the beginning of the FBT year (1<sup>st</sup> April).

In relation to larger family groupings, the ATO accepts the food component based on the above figures plus \$133 for each additional adult and \$67 for each additional child.

### **Reasonable amounts for food and drink – overseas**

The tables below set out the weekly amounts the Commissioner of Taxation considers to be reasonable food and drink amounts for a LAFHA paid to employees living away from home outside Australia for the FBT year commencing 1 April 2018 to 31 March 2019. Table 2 sets out the cost group to which a country has been allocated. Table 3 sets out the reasonable amount for food and drink expenses for each cost group.

If the employee lives away from home in a country that is not shown in Table 2 the employee can use the amount for Cost Group 1 in Table 3.

### **Table 2: List of Countries**

If a country is not listed in this table use the amount in Table 3 for Cost Group 1.

For the amounts that apply to each cost group see Table 3.

Country	Cost Group	Country	Cost Group
Albania	2	Eritrea	3
Algeria	3	Estonia	3
Angola	6	Ethiopia	3
Antigua and Barbuda	5	Fiji	3
Argentina	3	Finland	5
Armenia	3	France	5
Austria	5	French Polynesia	5
Azerbaijan	3	Gabon	5
Bahamas	6	Gambia	2
Bahrain	5	Georgia	3
Bangladesh	4	Germany	5
Barbados	5	Ghana	4
Belarus	2	Gibraltar	4
Belgium	5	Greece	4
Bermuda	6	Guatemala	3
Bolivia	2	Guyana	3
Bosnia	2	Hungary	3
Brazil	4	Iceland	5
Brunei	2	India	3
Bulgaria	2	Indonesia	3
Burkina Faso	3	Iran	3
Cambodia	3	Ireland	5
Cameroon	3	Israel	5
Canada	4	Italy	5
Chile	3	Jamaica	4
China (includes Macau & Hong Kong)	5	Japan	5
Colombia	3	Jordan	5
Congo Democratic Republic	4	Kazakhstan	3
Cook Islands	4	Kenya	4
Costa Rica	3	Korea Republic	6
Cote D'Ivoire	5	Kosovo	2
Croatia	3	Kuwait	5
Cuba	3	Kyrgyzstan	2
Cyprus	4	Laos	3
Czech Republic	3	Latvia	3
Denmark	6	Lebanon	5
Dominican Republic	4	Libya	3

East Timor	3	Lithuania	3
Ecuador	4	Luxembourg	5
Egypt	3	Macedonia	2
El Salvador	3	Malawi	2
Malaysia	3	Samoa	5
Mali	4	Saudi Arabia	4
Malta	3	Senegal	4
Mauritius	3	Serbia	2
Mexico	3	Sierra Leone	3
Monaco	6	Singapore	5
Morocco	3	Slovakia	4
Mozambique	3	Slovenia	4
Myanmar	3	Solomon Islands	4
Namibia	2	South Africa	2
Nepal	2	Spain	4
Netherlands	5	Sri Lanka	3
New Caledonia	5	Sudan	3
New Zealand	4	Surinam	2
Nicaragua	3	Sweden	5
Nigeria	5	Switzerland	6
Norway	6	Taiwan	5
Oman	5	Tanzania	3
Pakistan	2	Thailand	4
Panama	3	Tonga	3
Papua New Guinea	4	Trinidad and Tobago	5
Paraguay	2	Tunisia	2
Peru	4	Turkey	3
Philippines	3	Uganda	3
Poland	3	Ukraine	2
Portugal	3	United Arab Emirates	5
Puerto Rico	5	United Kingdom	5
Qatar	5	United States of America	5
Romania	3	Uruguay	3
Russia	5	Vanuatu	5
Rwanda	3	Venezuela	5
Saint Lucia	4	Vietnam	3
Saint Vincent	3	Zambia	3

**Table 3 Amounts by cost groups**

<b>Cost Group</b>	<b>Food and drink for one adult</b>
1	\$137

2	\$201
3	\$273
4	\$310
5	\$437
6	\$537

Where the employee is accompanied by other family members while overseas, the reasonable food and drink amount per week for the family is worked out by multiplying the amount shown in Table 3 by the relevant factor in Table 4 below.

**Table 4: Factors to apply for family groups – overseas**

<b>Family group</b>	<b>Factor</b>
Two adults	1.5
Three adults	2.0
One adult and one child	1.25
Two adults and one child	1.75
Two adults and two children	2
Two adults and three children	2.25
Three adults and one child	2.25
Three adults and two children	2.5
Four adults	2.5

In relation to larger family groups, the Commissioner accepts the reasonable food and drink amounts to be increased as follows:-

- For each additional adult by a further 50% of the relevant single adult rate in Table 3; and
- For each additional child by a further 25% of the relevant single adult rate in Table 3.

### **Example 1: calculation of reasonable amounts for food and drink – within Australia**

Jasper, his wife and their two children (both under 12 years of age) temporarily move to Brisbane from Sydney for a period of 5 months (from 1 May 2018 to 30 September 2018; 21 weeks and 6 days) for Jasper to work on a project for Victoria University. Jasper receives a LAFHA from the University.

The University Policy is to pay LAFHA that is exempt from FBT.

According to the reasonable amounts for food and drink within Australia (refer Table 1) Jasper will receive a LAFHA \$11,628 (\$532 per week multiplied by 21 6/7 weeks) without incurring an additional Fringe Benefits Tax to the University.

### **Example 2: calculation of reasonable amounts for food and drink – overseas**

Maria is seconded from Australia to Canada by Victoria University for 25 weeks, starting work there on 1 April 2018. Maria agrees to temporarily move with her husband and child. Maria will receive a LAFHA from Victoria University for the period of the secondment.

The University Policy is to pay LAFHA that is exempt from FBT.

According to the reasonable amounts for food and drink – overseas, Maria will receive a LAFHA of \$13,575 (Table 2 lists Canada as being in Cost Group 4 and using Table 3, the reasonable amount for food and drink is \$310 per week. A factor of 1.75 for 2 adults and 1 child is applied to this rate as per Table 4 and that works out to be \$543 per week multiplied by 25 weeks) without incurring additional FBT expenses to the University.

### How is Living Away From Home Allowance paid?

The University Policy is to pay LAFHA, which is exempt from FBT, and payment must be made via People and Culture.

Approval must be sought from the Tax Compliance Team – Corporate Finance Services prior to any payments is being made.

The organisational unit seeking to provide LAFHA must provide LAFHA declarations including the documentation for exempt accommodation and exempt food component to the Tax Compliance Team – Corporate Finance Services.

The Tax Compliance Team will make a determination within two business days after receipt of all information required. The Tax Compliance Team will advise the organisation unit if it is determined that the employee is LAFH and therefore eligible to be paid LAFHA for a maximum period of twelve months.

If the Tax Compliance Team determine that, an employee is not LAFH and not eligible for LAFHA, this advice will be given to the organisation unit with reasons supporting the determination.

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### References

- Fringe Benefits Tax Assessment Act 1986, Section 30 & 31.
- ATO Factsheet – Changes to the tax treatment of living away from home allowance and benefits (ATO view)
- Fringe Benefits Tax – a guide for employers (ATO view)
- Miscellaneous Taxation Ruling MT 2030- Fringe Benefits Tax: living away from home allowance benefits
- Taxation Determination 2018/3

## Living away from home declaration – employees who maintain an Australian home

Name of employee

I,

Declare that the address I usually reside at in Australia is:

Address of employee


Either myself or my spouse has an ownership interest in the unit of accommodation located at the address stated above. This residence continues to be available at any time for my immediate use and enjoyment during the period that the duties of my employment require me to live away from it and it is where I expect to resume living when that period ends; and

From 

Day	Month	Year

 to 

Day	Month	Year

When the duties of employment required me to live away from where I usually reside when in Australia, I actually resided at the following addresses.


**Signature**



## Living away from home declaration – employee related expenses

Name of employee  
I,

Declare that:

From  Day  Month  Year to  Day  Month  Year

I have incurred the following expenses for which a living away from home allowance fringe benefit has been provided.

### 1. Accommodation

The total amount of accommodation expenses which I can substantiate with documentary evidence is

\$\_\_\_\_\_ (including accommodation expenses for all eligible family members living with me during the above period).

### 2. Food or drink

I have incurred food or drink expenses which do not exceed the amount that the Commissioner considers reasonable based on the number of eligible family members living with me for the above period and therefore I am not required to substantiate these expenses.

I also declare that my employer, Victoria University will compensate me for the additional costs of food and drink I have incurred based on the rates determined by the ATO Taxation Determination after deducting the statutory food amounts.

Signature

Date

