



## LAFHA – Living Away From Home Allowance

This blog only applies to workers who are transferred to a temporary work location for a period of less than 12 months. It does not apply to your typical fly or drive in and out worker who has a permanent work site.

LAFHAs are taxed as a fringe benefit, that is the employer pays the tax not the employee. It is very important that your employment contract clearly states that the allowance you receive is a LAFHA not a travel allowance. A travel allowance is taxed in the hands of the employee!

For your employer to avoid paying Fringe Benefits Tax (FBT) on your LAFHA they must meet a few conditions. Firstly, you need to provide them with a declaration that you have a home elsewhere that you could return to at any time. Here is a link to that form. <https://www.ato.gov.au/uploadedFiles/Content/SME/downloads/NAT%2074716-10.pdf>

The next step for your employer is to prove that the allowance they paid you was reasonable. With regard to food, they need receipts for all of the food you have purchased or the amount they pay you has to be under the reasonable amount set by the ATO in TD 2018/3 <https://www.ato.gov.au/law/view/document?docid=TXD/TD20183/NAT/ATO/00001> A new ruling comes out each year. For work locations with in Australia the reasonable amounts for the 2018-2019 year are:

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

	Per week \$
One adult	265
Two adults	398
Three adults	531
One adult and one child	332
Two adults and one child	465
Two adults and two children	532

(‘Adults’ for this purpose are persons who had attained the age of 12 years before the beginning of the FBT year.)

TD 2018/3 has more information on larger families and different rates for overseas work locations.

There is not a reasonable amount for accommodation, that is based on the actual cost. Generally, an employer will provide the accommodation but if not, they will be chasing you

for a copy of your receipts because without these the accommodation portion of the allowance will not be exempt.

If an employer pays more than the reasonable food amounts, listed above, they must pay FBT on the extra unless you can provide them with receipts for food that totals up to the full amount that they paid you. It is not a matter of finding receipts for the excess it must be for the full amount if the employer wants an exemption from FBT for the excess amount paid.

Alternatively, the employer will ask you for a second declaration saying that you have all these receipts. Here is a link to the form.

<https://www.ato.gov.au/uploadedFiles/Content/SME/downloads/NAT%2074715-10.pdf>

Do not be pressured into making a false declaration. No, it is not going to mean you will pay more in tax if you don't sign. As long as your payslips or contract state that this is a living away from home allowance, it is your employer who will have to pay more tax, not you. Certainly, if you have been paying for accommodation and have receipts for that, complete item 1 but unless you have enough receipts to cover all of the portion of your LAFHA that is over and above your accommodation costs, put a zero in item 2. When putting any amount in either of these boxes bear in mind that the FBT year goes from 1<sup>st</sup> April to 31<sup>st</sup> March.

The following are links to and extracts from ATO rulings on the matter, in case you need to convince your employer that even though you have put a zero in item 2 they do not have to pay FBT on the reasonable portion of the LAFHA.

TD 2018/3

<https://www.ato.gov.au/law/view/document?docid=TXD/TD20183/NAT/ATO/00001>

2. Where the total of food and drink expenses for an employee (including eligible family members) does not exceed the amount the Commissioner considers reasonable, those expenses do not have to be substantiated under section 31G of the FBTAA. Where an employee receives a LAFHA fringe benefit, for the employer to reduce the taxable value of the fringe benefit by the exempt food component, the expenses must be either:

equal to or less than the amount the Commissioner considers reasonable under paragraph 31G(1)(b), or

substantiated in accordance with the requirements in subsection 31G(2).

3. If the total of an employee's food or drink expenses exceeds the amount the Commissioner considers reasonable, the substantiation provisions under section 31G of the FBTAA will apply.

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

10. 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 his employer. Jasper receives a LAFHA from his employer.

11. *Jasper does not need to substantiate his family's food and drink expenses during the 5 month period if his total expenses do not exceed \$11,628 (\$532 per week multiplied by 21 6/7 weeks).*

12. *If Jasper's family's total food and drink expenses for the period exceed \$11,628, Jasper will have to substantiate all of the expenses incurred, or his employer will be liable to FBT on the amount of LAFHA paid to Jasper that is in excess of \$11,628.*

17. This Determination is intended to be read in conjunction with Taxation Determination TD 2013/4 Fringe benefits tax

TD 2013/4

<https://www.ato.gov.au/law/view/document?LocID=%22TXD%2FTD20134%2FNAT%2FATO%22&PiT=99991231235958>

3. If the total of an employee's food or drink expenses exceeds the amount the Commissioner considers reasonable, the substantiation provisions under section 31G of the FBTAA will apply. The exempt food component will be so much of the food and drink expenses (less the applicable statutory food total) that are substantiated by the employee. Where substantiation is required, all food and drink expenses must be substantiated before they can be treated as an exempt food component. Where food and drink expenses exceed the reasonable amount, and are not substantiated in full, the reasonable amount will be exempt, but the employer will be subject to FBT in respect of any excess paid to the employee over the reasonable amount.