

FBT: Living away from home allowances (G)

31 March 2013

Employee name	Amount of allowance	Component of allowance that relates to accommodation (\$)	Component of allowance that relates to food (\$)	Does the food component cover all food costs or just the additional food costs?
Total	\$ -	\$ -	\$ -	

Transitional rules are in place for Australian permanent residents who entered agreements prior to 7:30pm on 8 May 2012. These provisions extend the arrangement to 1 July 2014, ***unless there has been material variation to the existing arrangement.***

A living away from home allowance (LAFHA) can be paid to an employee who is living away from home for employment purposes, as opposed to travelling on business. It is generally accepted that an employee is travelling where they are away from home for a period not exceeding 21 days. Some of the factors that indicate that an employee is travelling include that he or she is not accompanied by family members, stays in temporary accommodation (eg, motel), the employee does not take residential belongings and the employee continues to reside at the existing location.

A living away from home allowance paid to an employee is a fringe benefit. The allowance compensates the employee for the additional costs incurred and any disadvantages suffered because the employee is required to live away from their usual place of residence to perform their work duties. Like all fringe benefits, the allowance is not taxed in the hands of the employee and is subject to FBT in the hands of the employer.

The taxable value of the allowance is the amount paid less:

- * any part of the allowance that is reasonable compensation for the cost of accommodation; and/or
- * any part of the allowance that is reasonable compensation for the additional costs of food