

## SALARY PACKAGING GUIDELINES AND CONDITIONS - LIVING AWAY FROM HOME ALLOWANCE (LAFHA)

### **Related Policy:**

Remuneration and Employment Benefits Policy

### **Purpose**

Detail the application process for Living Away From Home Allowance (LAFHA) and ensure that:

- LAFHA is provided by the University on a fair and equitable basis
- LAFHA is only paid to staff members who are living away from their usual Australian place of residence, for a period of more than 21 days, in order to perform temporary duties of employment with the University
- Eligibility for LAFHA benefits is regularly reviewed during the staff member's period of temporary absence from their usual place of residence
- LAFHA can only apply for the first 12 months of any secondment
- All staff members are advised and understand their obligations with respect to the provision of LAFHA benefits
- LAFHA is only paid in circumstances that will not result in any FBT liability to the University.

### **Scope**

Living Away From Home Allowance (LAFHA) only applies to staff members who:

- are temporarily living away from their usual place of residence in order to carry out employment duties with the University;
- meet both the University and ATO eligibility requirements; and
- are employed on a fixed-term contract of 12 months or greater and staff appointed to a continuing position.

### **Exclusions**

The following staff members are excluded from applying for a Living From Home Allowance:

- Casual staff members
- Staff members appointed on fixed-term contracts for a period of less than 12 months.

### **1. Background**

A Living Away From Home Allowance (LAFHA) provides staff members with a concessional tax arrangement to compensate staff members for additional expenses and disadvantages experienced as a result of being required to temporarily live away from their usual place of residence in order to perform the duties of employment.

Where a Staff Member is considered Living Away From Home, certain benefits may be provided which are exempt from FBT and exempt from income tax in the hands of the Staff Member.

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## 2. 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 met:

- The staff member has taken up a temporary residence away from their usual Australian place of residence in order to carry out duties at a new but temporary workplace either in Australia or overseas;
- The staff member has the intention to return to their home in Australia at the end of their assignment; and
- The staff member's usual place of residence in Australia remains available for their immediate use and enjoyment, i.e. it is not rented out or sub let during the period of any LAFHA.

A staff member's usual Australian place of residence generally means the place where he or she dwells permanently or for a considerable time in Australia.

Where all of the above criteria are met any LAFHA shall be for a maximum of the first 12 months of the assignment

## 3. Cessation of LAFHA

A staff member's entitlement to LAFHA benefits will cease if:

- The staff member ceases to maintain their usual place of residence in Australia for their immediate use by sale, cessation of any lease, renting or subletting;
- A period of 12 months has expired since the assignment commenced;
- The staff member does not submit the required statutory declaration (*Living Away From Home Declaration Form*) and expense documentation where required to the Human Resources Branch;
- ATO requirements change to exclude continuation of LAFHA FBT exemptions; or
- The University becomes aware that the staff member's circumstances have changed that affects their LAFH status such as:
  - becoming permanently employed in their assignment location;
  - purchasing a house in their assignment location; or
  - having a change of intention to remain in the assignment location.

## 4. LAFHA cannot be provided retrospectively

Under ATO guidelines, any payment by the University to compensate a staff member for expenditure incurred must be for future costs. It cannot apply to expenditure incurred in the past

## 5. Staff members on a Sponsored Visa – Temporary Business (Long Stay) - Standard Business Sponsorship (Subclass 457) Visa

Under changes to the LAFHA concession effective 1 October 2012, staff from overseas are unlikely to be eligible for the LAFHA concessions unless:

- they maintain a home in Australia;
- are seconded away from that home; and
- continue maintain the original home in Australia for their immediate use and enjoyment.

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## Staff Member's responsibilities

Staff members in receipt of LAFHA benefits have an obligation to:

- Inform the Human Resources Branch (Employee Services team) where there is a change in:
  - Family status
  - Rental arrangements or costs
  - Availability of their permanent family home (e.g. sold, lease expiry, sublet or rented out whether at cost or not)
  - Length of assignment
  - Staff member's intention to return to their declared usual place of residence
- Submit the required declaration (LAFHA Declaration form) advising that staff member is living away from their usual place of residence and provide a copy of the accommodation lease or receipts.

### 6. The staff member should seek independent financial advice

It is important that staff members fully understand their obligations and potential risk when entering into a LAFHA salary packaging arrangement. The University applies diligence and care in offering staff the option of salary sacrificing LAFHA.

Staff members who apply to enter into a salary sacrifice arrangement for LAFHA bear the risk of any change in ATO LAFHA administration. If circumstances change and/or the ATO undertakes a review and as a result tax (including fringe benefits tax) is owing, then these taxes will be passed on to the individual staff member.

These guidelines and conditions may change with or without notice, prospectively to comply with University Policy or either prospectively or retrospectively, to comply with ATO provision. Any comments made in this policy about the application of the LAFHA provisions are for illustrative purposes only. Individual circumstances will determine whether salary packaging LAFHA will be financially advantageous to a staff member.

The University strongly recommends that staff seek independent financial advice regarding the legal and taxation requirement of the salary packaging and LAFHA prior to submitting their application to Human Resources.

### 7. LAFHA Components that may be claimed

#### 7.1 LAFHA Accommodation Component

The accommodation component is an amount that compensates the staff member for additional expenses that are incurred in relation to a lease for accommodation.

It is the provision of a cash allowance to assist the employee in meeting the accommodation costs that are expected to rise from the employee having to temporarily relocate to take up the position. The University will only pay an amount equivalent to the actual rental amount paid by the staff member to rent their accommodation (furnished or unfurnished). A copy of the rental agreement, substantiating the actual rental expenditure, must be provided prior to the commencement of any accommodation component.

#### 7.2 LAFHA Food Component

The exempt food component is that part of the LAFHA that is reasonable compensation for expenditure on food and drink expected to be incurred by the staff member and any accompanying spouse and children because they are required to live away from home to perform their duties of employment.

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The ATO specifies the amount of weekly food allowance which it considers reasonable, based upon family size. The “reasonable weekly allowance” amount is updated annually. The first \$42 per adult per week and \$21 per child under 12 years of age of food expenditure are deemed to be normal food costs.

The University will only compensate staff members for additional food costs due to living away from home (i.e. the difference between the ATO’s ‘reasonable’ weekly allowance amount and the normal food costs applicable to the staff member’s family size). Allowances paid within these limits are generally exempt from both FBT and income tax. For reasonable food component values set by the ATO refer to the ATO’s website for [Reasonable Food Component for expatriate employees living away from home](#).

The rates are the same for domestic staff members and international staff members.

## 8. Administration Fee

An administration fee of \$10 pre-tax will be made via payroll each fortnight for the period that the salary sacrificing arrangement is in place. The University reserves the right to vary the level of the fee with appropriate notice to the staff member.

## 9. Application Procedure

9.1 The staff member applying for LAFHA must:

Read and adhere to the guidelines, conditions and eligibility criteria contained in this document.  
Complete and sign the following documentation:

- LAFHA Questionnaire - Living Away From Home Status
- LAFHA - Salary Packaging Application Form

Attach a copy of:

- the Rental Property Lease Agreement substantiating the actual rental expenditure
- forward the completed documentation to Human Resources Branch for the attention of:  
Employee Services  
Level 3  
50 Rundle Mall, Rundle Mall Plaza  
The University of Adelaide SA 5005

9.2 The Human Resources Branch will assess the application and if approved will process the payment in the next available fortnight.

9.3 Prior to 30 April each year in respect of the 12-month period ending on the previous 31 March the Human Resources Branch will request the staff member to complete a Living Away From Home Declaration Form (LAFHA Declaration).

## 10. Definitions

**ATO** means the Australian Taxation Office which is the Government’s principal revenue collection agency.

**Child** means a staff member’s child by birth, adopted child, step child or ex-nuptial child.

**Domestic staff member** means a new appointee or existing staff member relocating entirely within Australia to perform duties of employment with the University.

**International staff member** means a new appointee or existing staff member relocating from overseas to perform duties of employment with the University.

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**Fringe Benefits Tax (FBT)** means the tax payable by employers in respect of benefits provided to employees that are not in the nature of salary or wages. It is imposed at the highest marginal rate of personal income tax. FBT legislation classes the provision of certain benefits as “exempt benefits” or benefits having a “nil taxable value”, FBT does not apply to such benefits and the benefit is not subject to Australian income tax.

**Spouse** includes another person (whether of the same or opposite sex): who you were in a relationship with that was registered under a prescribed State or Territory law, or who, although not legally married to you, lived with you on a genuine domestic basis in a relationship as a couple.

**Staff member** means a person employed by the University.

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