

29 November 2011

Living-away-from-home allowances update

Following initial comments from the government over the weekend, Wayne Swan MP, Deputy Prime Minister and Treasurer issued a media release earlier today regarding living-away-from-home allowances and benefits:

<http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2011/148.htm&page1D=003&min=wms&Year=&DocType>

Tax free living-away-from-home allowances and benefits have been an important element of the remuneration package for international and domestic assignees/employees for many years, helping compensate for additional costs when living-away-from-home for employment purposes and Australia's relatively high personal tax rates. However, the Australian Taxation Office (ATO) has become concerned with the widespread use of tax free allowance and benefits.

Earlier this year the ATO commenced a review of living-away-from-home allowances which signalled a prelude to new legislation on this topic. Clearly, these proposed changes will increase costs for business; either by having to bear the tax due on accommodation etc. provided, being subject to increased claims to wage increases or

finding it more difficult to attract talent, especially from overseas as the proposed changes exclude temporary residents unless they have a usual place of residence in Australia from which they are living -away-from-home.

Business needs must, however, be balanced with the government's aim for budget surplus and focussing on employment for Australians.

PKF's International Employment Taxation practice will review and may respond to a consultation paper on this issue. If you would like to include your comments in our response please contact Kumar Krishnasamy, PKF Partner, directly.

Should you require assistance or additional information, please contact your PKF Tax Adviser:

Lance Cunningham
Director of Taxation
PKF Australia Limited
Level 10
1 Margaret Street
Sydney NSW 2000
Australia
T +61 2 9240 9736
E lance.cunningham@pkf.com.au

PKF Australia Limited is a national network of legally independent member firms that trade as PKF. Member Firms of PKF Australia Limited have offices in ACT, NSW, QLD, SA, TAS, VIC and WA. Member Firms of PKF Australia Limited, are also Member Firms of the PKF International Limited network of legally independent firms. Neither PKF Australia Limited nor its member firms accept responsibility or liability for the actions or inactions on the part of any member firm or firms of PKF Australia Limited or of PKF International Limited.

The material contained in this publication is in the nature of general comment and information only and neither purports, nor is intended, to be advice on any particular matter. Readers should not act or rely upon any matter or information contained in or implied by this publication without taking appropriate professional advice. All financial figures are quoted in Australian Dollars unless otherwise indicated.