

MT 2040 - Fringe benefits tax: living-away-from-home allowance benefits: reasonable food component for expatriate employees

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TAXATION RULING NO. MT 2040

FRINGE BENEFITS TAX: LIVING-AWAY-FROM-HOME
ALLOWANCE BENEFITS: REASONABLE FOOD COMPONENT FOR
EXPATRIATE EMPLOYEES

F.O.I. EMBARGO: May be released

REF N.O. REF: 86/9581-4 DATE OF EFFECT: Immediate
87/1500-9

B.O. REF: DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1011100	FRINGE BENEFITS TAX LIVING AWAY FROM HOME ALLOWANCES	FRINGE BENEFITS TAX ASSESSMENT ACT: SS.30, 31, 136

OTHER RULINGS ON TOPIC: MT 2030

PREAMBLE Guidelines for determining the circumstances in which an allowance paid to an employee is to be treated as a living-away-from-home allowance are contained in Taxation Ruling No. MT 2030.

2. The question has been raised, in representations from accounting firms, as to what amount represents a reasonable food component of living-away-from-home allowances received by expatriate employees during their term of employment in Australia.

3. To determine what might be expended on food and drink by expatriate families in Australia, reference was made to the 1984 Household Expenditure Survey conducted by the Australian Bureau of Statistics (ABS). The figures from this survey were considered in the light of surveys, conducted by accounting firms and supplied to this office with the abovementioned representations, of the weekly food expenditure incurred by expatriate families.

4. Included in the ABS survey were amounts expended on all food and drink, including meals in restaurants, hotels, clubs etc., snacks and take-away food, and alcoholic beverages. This office has taken the results of that survey as they apply to the weekly spending on food and drink (including alcoholic drink) of families within the highest decile of household income groups, and applied an indexation factor to determine the reasonable food component for relevant years of tax. (The highest decile was chosen because expatriate employees are likely to be among the higher salary earners and expatriate families will tend to have a higher cost of living than their more settled Australian counterparts.)

RULING 5. On the basis set out in paragraph 4 of this Ruling, a family in the highest income group comprising 4 persons would expend in the vicinity of \$188 per week at 1987/88 prices on food and drink.

6. In applying the living-away-from-home allowance rules to

expatriate employees working in Australia during the year of tax ended 31 March 1988, a family consisting of 2 adults and 2 children under 12 will be treated as spending \$188 per week on food and drink. That is, \$188 per week of a living-away-from-home allowance benefit received by an expatriate employee in Australia with a spouse and 2 children under 12 will be treated as the food component of the allowance, on the basis that it was intended to cover the total cost of the family's weekly food bill. In that case, the exempt food component would be \$188 minus \$126 (\$42 + \$42 + \$21 + \$21), i.e., \$62, with the remaining \$126 of the food component being exposed to fringe benefits tax.

7. In light of evidence in the surveys conducted by the accounting firms that expatriate families comprising only adults (i.e., persons aged 12 years or more) or adults and one child tend to spend more per head on food and drink than those with more than one child, in the year of tax ended 31 March 1988, \$168 per week will be accepted as an appropriate "food component" for a family comprising two adults. Furthermore because of survey evidence, families comprising 2 adults and 1 child or 3 adults will be treated as equivalent to a family of 2 adults and 2 children.

8. In the year of tax ended 31 March 1988 an acceptable amount for a single adult will be \$105. In relation to larger family groupings, this office will accept a food component based on the figures mentioned plus \$63 for each additional adult and \$31 for each additional child. Thus, for a family of 2 adults and 4 children, the amounts would be \$220 plus \$31, i.e., \$251; and for a family of 5 adults it would be \$251 plus \$63, i.e., \$314. For the year of tax ended 31 March 1987 reasonable food component for additional adult is \$60, and for each additional child \$30.

9. In summary, reasonable food components for various expatriate family groupings for the year of tax ended 31 March 1988 would be as follows. The amounts in brackets are those that will be treated as reasonable with respect to the year of tax ended 31 March 1987:

One adult	\$105	(100)
Two adults	\$168	(160)
Three adults	\$188	(180)
Two adults and one child	\$188	(180)
Two adults and two children	\$188	(180)
Two adults and three children	\$220	(210)
Three adults and one child	\$220	(210)
Three adults and two children	\$251	(240)
Four adults	\$251	(240)

10. While this Ruling will apply to the majority of cases, it will be open, of course, to any individual expatriate employee to establish a higher level of spending by reference to receipts or detailed records maintained for such period, e.g., 3 months, as would be sufficient to reflect a long-term expenditure pattern.

COMMISSIONER OF TAXATION
23 March 1989