

## 2011-12 MID-YEAR ECONOMIC AND FISCAL OUTLOOK

The 2011-12 Mid-Year Economic and Fiscal Outlook was released today by the Treasurer Wayne Swan.

### Living Away From Home Allowance

The Treasurer announced reforms to the living-away-from-home (LAFH) benefits concessions to address what he refers to as the growing exploitation by employers of temporary resident workers in Australia.

Currently, employees who are living away from home in order to perform the duties of employment are able to receive tax-free remuneration by way of LAFH allowances. Under the Fringe Benefits Tax (FBT) provisions, these allowances are exempt from FBT to the employer.

As a result of the current interpretation, the Treasurer believes that salaries and wages are being re-characterised as exempt LAFH benefits, allowing employees to access tax-free remuneration well in excess of actual costs incurred by the employee.

The reforms aim to stop the perceived misuse of the exemption by:

- Requiring employees to substantiate their actual expenditure on accommodation and food that is in excess of the statutory amount; and
- Limiting the tax concession for temporary residents to employees who maintain a home for their own use in Australia that they are living away from for work.

The reforms will not affect permanent residents unless the LAFH allowance received is in excess of their actual expense.

An extensive consultation process will be undertaken by the Government to ensure appropriate transitional arrangements will be in place for the proposed application date of 1 July 2012.

### Changes to Other Tax Measures

In addition to the LAFH reforms, the Treasurer also announced changes to several measures announced in the 2010-11 Budget:

- Standard deduction for work-related expenses and the cost of managing tax affairs will be deferred for 12 months, now commencing on 1 July 2013.
- The 50% discount applicable to interest income will also be deferred for 12 months, commencing 1 July 2013.
- Indexation of the superannuation concessional contributions cap has been paused for another year and indexation will now recommence for the 2014-15 year.
- Increase in the cost of a depreciating asset that is eligible for the immediate write-off from \$5,000 (previously announced) to \$6,500 for a small business, effective 1 July 2012.

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