

GES NewsFlash

Australia — TD 2014/9: Reasonable food and drink amounts for FBT year commencing 1 April 2014



May 19, 2014

Overview

The Australian Taxation Office (ATO) has issued Taxation Determination 2014/9 (<http://law.ato.gov.au/pdf/pbr/td2014-009.pdf>) which outlines what it considers to be the reasonable food and drink amounts for the purposes of section 31G of the Fringe Benefits Tax Assessment Act 1986. The determination specifically relates to food and drink expenses incurred by employees receiving a Living Away From Home (LAFH) allowance during the Fringe Benefits Tax (FBT) year commencing 1 April 2014.

1. Reasonable food and drink amounts

1.1 Individuals within Australia

The reasonable food and drink amounts for individuals within Australia are based

Family size	Per Week
One adult	\$236
Two adults	\$354
Three adults	\$472
One adult and one child	\$295
Two adults and one child	\$413
Two adults and two children	\$472
Two adults and three children	\$531
Three adults and one child	\$531
Three adults and two children	\$590
Four adults	\$590

upon the family size (i.e., number of adults and children) per the table below:

Where the family group size exceeds those listed in the above table, the Commissioner will accept that an additional amount of \$118 for each adult and \$59 for each child is reasonable. The weekly reasonable amounts have been based upon the latest Household Expenditure Survey which was conducted by the Australian Bureau of Statistics. Figures have been indexed to take into account movements in the food sub-group of the Consumer Price Index since the survey was

completed (2009–2010) and therefore the reasonable amounts (including large family group amounts) have marginally increased from those allowed in the 2014 FBT year. For the purposes of determining the reasonable food amounts, a person who has attained the age of 12 years before the beginning of the new FBT year (i.e., 1 April 2014) will be considered an adult.

1.2 Individuals who are overseas

For individuals on an overseas assignment, the reasonable food and drink amount is calculated by reference to the family size and the location of the individual. Overseas locations have been categorized into "Cost Groups," each of which has a specific weekly reasonable food and drink amount:

Cost Group	Food and drink for one adult
1	\$137
2	\$201
3	\$246
4	\$310
5	\$419
6	\$492

(Refer to the TD 2014/9 for specific country cost group information <http://law.ato.gov.au/pdf/pbr/td2014-009.pdf#page=3>)

In situations where there is more than one adult in the family, the Cost Group amount above is multiplied by a factor which is determined by reference to the number of adults and children in the group. The factors are listed below:

Family Group	Factor
Two adults	1.5
Three adults	2
One adult and one child	1.25
Two adults and one child	1.75
Two adults and two children	2
Two adults and three children	2.25
Three adults and one child	2.25
Three adults and two children	2.5
Four adults	2.5

For example, where a family group of two adults and two children has travelled to a Cost Group 3 country, the reasonable weekly food amount will be \$492 (i.e., \$246 x 2). Where the family group size exceeds that provided in the table above, the Commissioner will accept that reasonable food and drink amounts can be increased by 50% of the relevant single adult rate for each additional adult and by 25% of the relevant single adult rate for each additional child.

2. Substantiation requirements

The ruling has not imposed any changes to the substantiation requirements associated with LAFH allowances. As per last year, where a LAFH allowance for food and drink does not exceed the reasonable amounts (as discussed above), the employer will not have an obligation to substantiate food and drink expenses incurred. However, where the LAFH allowance paid exceeds the reasonable amounts, the employer will be required to substantiate all expenses in order to reduce the taxable value of the LAFH allowance by the full exempt food component.

We note that where food and drink expenses exceed the reasonable amount and are not substantiated in full, the reasonable amount will continue to be exempt. However, the employer will be subject to FBT on the portion of the allowance paid over and above the reasonable amount.

Deloitte's view

- The treatment of LAFH allowances discussed within TD 2014/9 aligns with that previously outlined in TD 2013/4 and does not reflect a significant change in ATO interpretation.
- The reasonable food amounts have generally increased as a result of indexation. Employers may therefore wish to review current LAFH allowance arrangements to ensure that concessional FBT treatment is being accessed in full. Importantly, where employees are eligible for transitional LAFH allowance concessions, employers should consider whether changes to a contract will constitute a "material variation" and therefore place access to transitional LAFH concessions at risk.
- The Cost Group of various overseas countries has been adjusted for the year commencing 1 April 2014. Employers providing LAFH allowances to individuals in foreign countries who rely solely on the reasonable food amounts to reduce FBT payable should review the LAFH allowances being paid and ensure that they remain within the reasonable amounts.
- With ever increasing scrutiny from the ATO and Offices of State Revenue, employers should continue to focus on accurate collation and retention of substantive records and declarations. In particular, given the onus of proof surrounding food and drink expenses and reasonable food amounts rests with employers, we would recommend a review of the policies and processes surrounding maintenance of substantiation records (including LAFH declarations) is undertaken.

Contacts

If you have any questions concerning the issues in this GES NewsFlash, please contact one of the GES professionals at our Deloitte offices as follows:

Brisbane

Shelley Nolan

Tel: +61 7 3308 7232

shnolan@deloitte.com.au

Melbourne

Paul Rubinstein

Tel: +61 3 9671 7603

prubinstein@deloitte.com.au

Jill Storey

Tel: +61 3 9671 7710

jstorey@deloitte.com.au

Perth

George Kyriakakis

Tel: +61 8 9365 7112

gkyriakakis@deloitte.com.au

Sydney

Rob Basker

Tel: +61 2 9322 7551

rbasker@deloitte.com.au

Elizma Bolt
Tel: +61 2 9322 7614
ebolt@deloitte.com.au

Stephen Coakley
Tel: +61 2 9322 7814
scoakley@deloitte.com.au

Kathy Saveski
Tel: +61 2 9322 5722
ksaveski@deloitte.com.au

Mark Wright
Tel: +61 2 9322 7454
mawright@deloitte.com.au

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Grosvenor Place
225 George Street
Sydney NSW 2000
Australia

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