

'LAFHA' stands for 'Living Away From Home Allowance'

To eligible taxpayers the benefits are excellent!

The legislation for this allowance was initially drafted back in May 2000, but has only really become a talking point over the past 6 months.

What is the allowance?

LAFHA is a tax free allowance paid by the employer to an employee as compensation for additional expenditure on food, accommodation and other disadvantages which the employee incurs whilst living away from his or her usual residence. This allowance usually forms part of an employee's salary package.

Who is eligible?

Any employee deemed to be required to live away from their principle place of residence,

whether interstate, international or on a temporary residency visa. The requirement to live away from home must be temporary and for a finite duration. Generally, expatriates can receive a tax free LAFHA for up to 4 years.

Employees on working holiday visas are not eligible for these benefits. Once the employee starts making their own decisions regarding employment, LAFHA ceases to be payable.

How much tax free allowance can be paid?

The Australian Taxation Office release annual guidelines on what they consider reasonable in relation to the food component of LAFHA. No guidelines are provided in rela-

tion to accommodation, although a reasonable amount is generally considered to be the market value of the employee's accommodation or what the employee would spend given his wage.

Declaration

The employee must provide a signed declaration to the employer each year setting out the particulars of the employee's usual place of residence and the actual place of residence during the period of absence from home.

If you would like more information please contact:

Stuart Boyers or Jared Balkin of SME Business Solutions on (02) 9411-2644 or info@smebus.com.au



Jared Balkin (l) and Stuart Boyers (r) of SME Business Solutions

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SA tops new business failures

Cape Town - An investigation into 37 countries found that South Africa has the highest failure rate among new enterprises.

It is therefore no surprise that only 6.5% of South Africa's adults start their own businesses, while 18.9% in Thailand, 17.9% in India and 15.7% in Chilli take this step.

This information comes from a report by the Global Entrepreneurship Monitor, an international project that measures entrepreneurship in 27 countries.

The report highlighted the need for financial literacy and development of basic business skills at primary, secondary and tertiary education levels.

The South African researchers on the project identified education as the key factor for a business to progress further than the establishment phase.

By increasing the number of

people who pass matric, the success rate of new ventures should improve and more job opportunities will be created.

The study found that newly established businesses created 140 000 job opportunities between January 1999 and July 2000 and new firms nearly 1m jobs.

However, South Africa performed poorest of all participating developing countries in all the sections in which entrepreneurship was measured.

The study particularly focussed on entrepreneurs from under-privileged communities and the difference between formal and informal entrepreneurs in these communities.

The entrepreneurs' need for support also came under investigation.

Researchers found that 88% of all business in these communities were informal and therefore not registered.

On average, informal entre-

preneurs employed 0.8 people, while formal entrepreneurs employed 7.2.

Two thirds of informal entrepreneurs did not have a matric qualification, while two thirds of formal entrepreneurs did have this certificate.

The study found that there was a lack of basic business skill among entrepreneurs and that business support services, especially those provided by government, were inaccessible and of poor quality.

Researchers suggested that social services would be more successful in reaching these entrepreneurs than business support.

Support should be focussed on enterprises that show initiative and that have the potential to be registered.

They recommended a micro-financing industry to support the informal sector.

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