

International Student Accommodation and Visa Approvals

Executive Summary

There is a potential solution to immediately increase the amount of accommodation available for international students, which at the same time will:

1. Take pressure off the rental crisis
2. Support student visa approvals
3. Decrease household cost-of-living stress
4. Protect jobs and the economy in international education

Background

The Australian Government has plans to limit the number of international students in Australia by capping the number enrolling at each university or college. The new measure will allow institutions to negotiate a higher cap if they build new student accommodation to ease pressure on the domestic rental market. Purpose-built student accommodation (PBSA) is costly and can take 7 or more years before a room is available.

According to Education Minister, Jason Clare, the changes were “*designed to ensure the integrity, quality and ongoing sustainability*” of Australia’s international education sector.

The 2024 Budget is reported to include plans for a discussion paper examining the critical shortage of student housing. This is expected to examine options to alleviate housing stress and the role of universities in addressing the crisis.

MyStay International (MSI) and its Australian Homestay Network (AHN) business are recommending a solution for all stakeholders to work together to deliver an outcome that can effectively accommodate more international students without disrupting domestic accommodation stock.

Domestic demand for housing (often being referred to as the ‘housing crisis’) is not impacted if members of the community looking to have a cultural exchange use a spare room in their home to host international students.

The solution proposed by MSI and AHN involves stakeholders working together to maximise the use of these unused, well-located spare rooms and making sure these are properly managed through NEAS-endorsed homestay providers.

The strategy will not only protect and enhance our important international education industry by cultivating a nationwide network of standards-compliant hosts, it will also take pressure off current rental/housing shortages and provide hosts with tax-free income which can alleviate cost-of-living pressures.

Education of international students about homestay / hosted accommodation through NEAS-endorsed providers will also highlight its benefits as a safe, secure, and comfortable option for students offering a premium experience and excellent value for money.

This solution will “*ensure the integrity, quality and ongoing sustainability*” of Australia’s international education sector.

Summary of Proposed Solution

1. Introduce a new student visa condition specifying compliance with specific accommodation arrangements that do not compete with domestic housing demand.
2. International students must have accommodation booked through existing PBSA (including on-campus dwellings) or NEAS-approved hosted accommodation (homestay) organisations.
 - Point 2 above would be an ongoing condition of the student visa.
 - Education providers to monitor and report on visa non-compliance.

The Stakeholders and Key Roles for the hosted accommodation strategy are:

1. The Federal Government

a. Key Roles:

- i. Not to restrict any visa-eligible student who agrees to reside in only PBSA or properly-managed accommodation arranged by a NEAS-approved, standards-based hosted accommodation provider as a condition of their visa.
- ii. Approve hosts for NEAS-approved providers for 'tax-free' revenue as per the recommended updated tax position (**See APPENDIX**).
- iii. Government to encourage Australians in key student locations with spare rooms to consider hosting an international student.
- iv. Work with media and local industry to promote the benefits of international education and students.

2. The State and Local Government

a. Key Roles:

- i. Continue to work with the international education industry to encourage students to be welcomed to study in their State / City.
- ii. Encourage locals in key student locations with spare rooms to consider hosting an international student.
- iii. Ensure local residents are aware of the many benefits international students bring to the local economy.
- iv. Work with media and local industry to promote the benefits of international education and students.

3. The Education Provider/University

a. Key Roles:

- i. Promote the 'new' student visa condition regarding hosted accommodation as providing a greater chance of acceptance.
- ii. Work with NEAS-approved hosted accommodation provider(s).
- iii. Establish a strategic plan in conjunction with hosted accommodation partner(s) to maximise the availability of appropriate hosts for their international students.
- iv. Assist in marketing the international student 'hosting opportunity' to their domestic student (and families) databases.

- v. Promote the hosting opportunity locally to help build a pool of high-quality, well-located hosts.
- vi. Ensure homestay fees are paid upfront and have been secured in an approved and secure financial vehicle arrangement.

4. The Student

a. Key Roles:

- i. Accept the visa condition to live with a specially chosen Australian family/host arranged through a NEAS-approved provider while studying in Australia.

This also benefits the student in many other ways, such as:

- Appropriate welcome to Australia
 - Pre-booked accommodation including a furnished room, internet access, utilities and meals
 - Peace of mind with compulsory host background checks, interview, house inspection and host training
 - Local orientation
 - Support network to assist with cultural integration, job access, building local connections, etc.
 - Set pricing with no hidden fees
 - Transparent payments
 - Homestay insurance
 - Forming lifetime memories, friendships and relationships
- ii. Abide by the student visa conditions.
 - iii. Ensure homestay fees are paid upfront and secured in an approved and secure financial vehicle arrangement (i.e. not paid directly to the host).

5. The Hosted Accommodation Partner

a. Key Roles:

- i. Ensure 'best practice' in hosted accommodation/homestay management and delivery by maintaining NEAS endorsement.
- ii. Work with education provider partners in maximising the quality and quantity of appropriate hosting in key locations.
- iii. Be available for all stakeholders to respond to any issues, opportunities, etc. meeting 'best-practice' NEAS standards.
- iv. Ensure homestay fees are paid upfront and have been secured in an approved and secure financial vehicle arrangement.

APPENDIX – ATO UPDATE REQUIRED

The below interpretive decision is dated 2001 and requires an update for 2024:

[ATO Interpretative Decision ATO ID 2001/381](#)

[Income Tax](#)

[Payments received under a homestay arrangement](#)

Below are the **recommended updates** on the above 2001 ATO interpretative decision:

ATO ID 2001/381

Income Tax

Payments received under a homestay arrangement

FOI status: may be released

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Issue

Is an amount received by a taxpayer with regard to a student who is boarding with them under a homestay arrangement, assessable under section 6-5 of the *Income Tax Assessment Act 1997* (ITAA 1997)?

Decision

No, the amount received by a taxpayer with regard to a student who is boarding with them under a homestay arrangement is not assessable under section 6-5 of the ITAA 1997.

Facts

The taxpayer boards a student in their home under a homestay arrangement organised through an Australian education provider .

The taxpayer intends to board one to three students at any one time.

The amounts paid to the taxpayer to board the homestay student are used to pay all of the household expenses of the student (food, phone, electricity etc).

There may be a negligible amount of surplus money after expenses in any particular week.

Reasons for Decision

The term 'homestay' is used to describe hosted accommodation provided to local and overseas students studying or training at Australian universities or other educational institutions.

Under a homestay arrangement, students live with the host family in their home. They are usually provided with their own room and have access to other household facilities. Main meals are provided by the host family. They may also have their laundry and ironing done, and provided with occasional transport. They may be required to help out with household chores and keep their room clean.

Housing officers at the educational institution typically determine the type of hosted accommodation arrangements available (including fees). The payments are designed to cover the costs to the host family of supplying food, utilities, and other minor expenses of the student.

Section 6-5 of the ITAA 1997 provides that the assessable income of an Australian resident includes all ordinary income derived directly or indirectly from all sources. Rental income is normally regarded as ordinary income and therefore forms part of the taxpayer's assessable income. However, where there is a non-commercial or domestic arrangement, amounts paid for board or lodging do not give rise to the derivation of assessable income (*FC of T v. Groser* 82 ATC 4478; 13 ATR 445).

Taxation Ruling IT 2167 considers the consequences of different rental income producing situations. Paragraph 18 of IT 2167 states that:

'Situations arise where the owner of a residence permits persons to share the residence on the basis that all the occupants, including the owner, bear an appropriate proportion of the costs actually incurred on food, electricity etc. Arrangements of this nature are not considered to confer any benefit on the owner. There is no assessable income and the question of allowable deductions does not arise.'

Amounts received under the homestay arrangement are typically approved by the educational institution to cover the expenses of accommodating the student in the home.

The amount of the payment is set with regard to the normal cost of supplying food, utilities and overheads for the student. These rates are not regarded as true commercial rates and there is no built in benefit component to the taxpayer for the use of parts of the house. While there might be some surplus on occasions to the home owner, these amounts will generally be small having regard to the expenditure incurred.

The amounts received by the taxpayer are made in relation to a non-commercial or domestic arrangement and are therefore not assessable income under section 6-5 of the ITAA 1997.

Date of decision: 14 September 2001

Legislative References:

Income Tax Assessment Act 1997

[section 6-5](#)

Case References:

FC of T v. Groser

[82 ATC 4478](#)

13 ATR 445

Related Public Rulings (including Determinations)

[IT 2167](#)

Keywords

Income

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AHN NOTES:

- 4 or more guests at one time is typically referred to as a boarding house, not hosted accommodation
- There needs to be consideration given to the effect of hosted accommodation payments on pensions and social security benefits
- The effect of the Australian housing crisis on our domestic population can be alleviated through incentives for hosted accommodation for international students