

Tax concession for live-in supporters

Using our tax system to better enable shared lives while making the NDIS more sustainable

KPMG Australia, August 2025
[KPMG.com.au](https://www.kpmg.com.au)

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Executive summary

KPMG Australia (KPMG) has been working closely with the Summer Foundation over recent months to look at how we can better support and incentivise Individualised Living Arrangements (**ILAs**) arrangements through Australia's tax and transfer system. ILAs ethos of sharing lives are intended to offer more than just assistance or support, but real connections and relationships in community, with the added benefit of lowering the overall cost of support.

ILAs are a contemporary model of disability support whereby a person with disability (**Individual**) lives with an unrelated supporter (**Live-In Supporter**).

This report examines recent analysis that find ILAs to be a cost-effective form of living support and typically cheaper than traditional group homes. In particular, the Summer Foundation analysis finds that the Australian Government could save about \$260 million over 5 years if 500 more people each year live in ILAs, rather than living in group homes.

Despite this, ILAs are an underutilised form of housing and living support for people with disability in Australia.

As the cost of the National Disability Insurance Scheme (**NDIS**) continues to escalate, and government and stakeholders acknowledge that the NDIS needs to be more sustainable, we consider that the growth of ILAs should be supported.

However, a key barrier to the scaling up of ILAs is the uncertainty and complexity of the tax consequences for the Live-In Supporter. This report finds that the Live-in Supporter's unique circumstances, where their support activities and home environment are blended, give rise to tax complexities and increased tax compliance.

In order to ensure ILAs can be more readily accessible and attractive, KPMG Australia recommends that concessionary tax treatment should be made available for Live-In Supporters. Looking abroad, there is good precedent for concessionary tax treatment for Live-In Supporters in other jurisdictions, with the United Kingdom (**UK**), United States (**US**) and British Columbia all providing concessionary treatment such as a full or partial tax exemption for payments received from these arrangements.

ILAs share strong parallels with other arrangements where people provide live-in support, including foster care. The concessional treatment provided by these foreign jurisdictions equally applies to both foster care and ILA type arrangements in recognition of their similar objectives. In Australia, an Australian Taxation Office (**ATO**) public ruling confirms that certain payments to foster carers are not assessable for tax purposes, but this ruling does not cover ILAs.

In summary, KPMG Australia recommends the implementation of a specific tax concession, modelled on the UK approach, to allow Live-In Supporters the choice to adopt a simplified tax treatment using a safe harbour dollar amount of Live-In Supporter payment that is tax exempt.

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KPMG Australia

Why KPMG Australia?

KPMG Australia has been involved in providing support in relation to the tax treatment of ILAs for a number of years. Our dedicated team of tax experts combines deep industry knowledge, specialist skills, and a comprehensive understanding of tax governance to deliver tailored solutions for clients.

KPMG is a global organisation of independent professional firms, providing a full range of services to organisations across a wide range of industries, governments and not-for-profit sectors. We operate in 140 countries and territories and have more than 270,000 people working in member firms around the world. In Australia, KPMG has a long tradition of professionalism and integrity combined with our dynamic approach to advising clients in a digital-driven world.

About the Summer Foundation

The Summer Foundation is a not-for-profit organisation working to design and scale better housing and living solutions for Australians with disability with high support needs. Home to one of Australia's leading disability research centres, they've pioneered innovative solutions, like the 10+1 disability housing model and created the Housing Hub, a social enterprise. By partnering with people with disability and like-minded organisations, they aim to set a new standard in housing and living supports for people with disability.

Insights

What are ILAs?

ILAs are a contemporary model of support that can be used where a person with disability (**Individual**) lives with an unrelated person who voluntarily provides support and receives a payment or stipend (**Live-In Supporter**). These are arrangements designed around the Individual and are intended to offer more than just assistance or support, but real connections and relationships in community.

ILAs reflect the way in which naturally formed relationships work and develop. Their primary focus is about sharing lives, which means there are benefits to both the people who require support and the people offering support – both have lives to share and experiences to contribute, offering everyone enriched experiences and enhanced qualities of life. Live-In Supporters who share their lives and their homes report the significant benefits to their own lives and their families.

ILAs share strong parallels with child foster care arrangements. Some ILAs originally arose out of the foster care system¹, and these models have similar principles, including that they involve the sharing of daily life and are voluntary and relational in nature.

Two ILA approaches are common in Australia:

- Host arrangements, where support is provided in the Live-In Supporter's home; and
- Homeshare arrangements, where the Live-In Supporter lives in the Individual's home.

Either arrangement can accommodate a large variety of support needs. Live-In Supporters assist with, or supervise, daily tasks to help Individuals to live as independently as possible, while building their skills. Support activities can include help with household tasks, cooking, getting ready for the day and companionship.

The detail of each ILA is driven by and dependent upon the Individual and Live-In Supporter's preferences. However, all ILAs should offer these key outcomes and benefits to all participants involved:

- **A home** – There is a sense of home for both the Individual and Live-In Supporter, irrespective of who owns or leases the dwelling.
- **A sense of belonging** – The Individual is a valued member of the household, and has the opportunity to participate in the everyday activities of the household and support person/s if they wish (e.g. support person/s family events, outings and activities).
- **Mutual contribution** – The Individual and the Live-In Supporter have the opportunity to contribute to the relationship, the home and a shared life and experiences.
- **Choice and control over one's life** – The Individual has the right to identify and express their own ideas and preferences for their home environment, how they lead their lives and their social and community interests, and is supported to pursue these as required.
- **A connection with others** – The Individual is encouraged and supported to develop and maintain their own personal relationships, including those with their family and friends.

¹ Burke A, Walker J, Stoeckel L, & Carey F (2025) 'Moving Out, Moving On: Beyond group homes for NDIS participants' Summer Foundation (**Summer Foundation report**), page 15.

- **A sense of equality and reciprocity** – The Individual has an equal stake in the partnership. The relationship is based on equality not hierarchy.
- **A safe and supportive lifestyle** – The Individual has the opportunities afforded to all citizens and the risks associated with this, with the safety of being supported by people who know and understand them.

Whilst relational and/or voluntary in nature, ILAs typically have formal structures that encompass them.²

Prevalence in Australia

In Australia, ILAs are a unique form of housing and living support for NDIS participants. They are more prevalent in Western Australia (**WA**) than the other states and territories. Their prevalence in WA can largely be explained by the WA Government recognising and supporting ILAs before the introduction of the NDIS.³ As at December 2024, there were at least 520 NDIS participants supported through ILAs facilitated by providers across Australia.⁴ Of these, about 27 percent are host arrangements, 23 percent are homeshare arrangements, and the remainder are a range of other ILA models.

The National Disability Insurance Agency (**NDIA**) created a funding stream for ILAs in 2019.⁵ The NDIA is seeking to encourage a greater uptake of ILAs as an alternative to traditional group homes.⁶ However, the lack of certainty in the ILA operating environment, in particular the tax-treatment of the ILA payments for the Live-in Supporter, is holding the model back.

Funding ILAs

NDIS funding to cover ILAs⁷ is paid in respect of Individuals who need access to, or support at home, for at least six hours per day, as assessed on an individual basis by the NDIA.

The Individual is always of adult age. The NDIA independently assesses the merits of ILA support applications on a case-by-case basis, to determine if NDIS funding for the ILA is to be made available, and if so, the amount of funding to be provided. This is undertaken through a Service Proposal, developed by the Individual and the NDIS Provider overseeing the ILA (**Provider**).⁸

The ILA is monitored on an ongoing basis and may be adjusted as support needs change. The Provider is responsible for coordinating and maintaining the monitoring plan.⁹

The ILA funding includes the costs of primary support (covering the costs of the main supporter, generally the Live-In Supporter), supplementary supports (e.g. paid support work) and administrative costs.

² For example, adherence to the National Standards for Disability Services, Codes of Conduct, NDIS Provider Policy and Procedures and Support Agreements. There are also people with disability (and/or families) who have set up ILAs without external assistance and therefore may not have all of these formal structures in place.

³ Commonwealth of Australia, Department of the Prime Minister and Cabinet (2023) '[Working together to deliver the NDIS - Independent Review into the National Disability Insurance Scheme: Final Report](#)' (**NDIS Review**), page 44.

⁴ Summer Foundation report, page 16. Note that the Summer Foundation analysis does not include arrangements that solely use an approach of supporting the individual through a formal roster of paid support workers to provide support in a participant's home. The analysis also does not identify all the arrangements across the country, as some NDIS participants are self-managing ILAs without the support of an organisation.

⁵ NDIS (2019) '[Individual Living Options](#)'.

⁶ NDIS (2022) '[Participant Service Improvement Plan 2022-23](#)', (page 4).

⁷ The NDIS funding is for 'Individualised Living Options' or ILOs, however for simplicity we have used the term ILA in this report to refer to both the living model and the NDIS funding option.

⁸ While this report primarily focuses on ILAs supported by Providers, there are some Individuals who self-manage their NDIS plans with established ILAs and self-direct their supports.

⁹ The plan can include processes such as paid coordinators to oversee arrangements, interviews, face-to-face check ins and reviews, and consideration of feedback.

The NDIS Rules¹⁰ specify the supports that are, and generally are not, NDIS payments.

In ILAs, payments made using NDIS funds which cover living costs for the Live-In Supporter may be made by the Provider (or the Individual) on the basis that the expenses form part of the cost of providing disability related support. We note that the Summer Foundation considers there is limited guidance on this point, and hence clarity should be provided about the types of costs that can be claimed through an Individual's NDIS plan for the Live-In Supporter.

Payments to Live-In Supporters

The agreement between the Live-In Supporter and Provider sets out the terms under which the Live-In Supporter provides support to the Individual. This includes the consideration received by the Live-In Supporter for the provision of support. This is typically a regular monetary payment (e.g. paid weekly or fortnightly) or an in-kind payment (such as the Provider directly paying the Live-In Supporter's rent).¹¹

Payments to Live-In Supporters are determined having regard to the following factors:

- The agreed level of support to be provided to the Individual; and
- Additional costs incurred by a Live-In Supporter directly because of the disability support needs of the Individual.

While the costs associated with providing live-in support to Individuals differ based on individual needs and circumstances, the payments to Live-In Supporters typically have regard to the following additional costs:

OCCUPANCY EXPENSES AND UTILITIES	CONSUMABLES	TRANSPORT	OTHER
Rent or mortgage payments	Kitchen and laundry products, toilet paper, etc.	Vehicles (some which may require specialisation to transport the Individual)	Cost of recreational activities (e.g. companion costs)
Increased household costs (e.g. rates, insurance)	General food and special food (e.g. participant dietary needs)	Increased use of fuel, tyres, and maintenance	Regulatory costs (e.g. medical clearances, police clearances, first aid courses)
Increased use of electricity, gas and water		Public transport or taxi costs	Training costs (e.g. manual handling training)
Additional wear and tear to the home (e.g. damage to furnishing and walls)			

¹⁰ National Disability Insurance Scheme (Getting the NDIS Back on Track No. 1) (NDIS Supports) Transitional Rules 2024. Schedule 2 provides that NDIS support excludes costs such as day-to-day living costs of the participant.

¹¹ Live-In Supporters may alternatively receive non-cash benefits such as free or reduced rent (e.g. a homeshare arrangement where Live-In Supporter lives in the Individual's home).

Increased use of household goods and appliances (e.g. air conditioning units, washing machines, blender, ovens etc)

A more cost effective alternative

Summer Foundation analysis

The Summer Foundation commissioned independent economic analysis of the typical costs of ILAs. This analysis found that ILAs are typically less costly than the equivalent support provided through Supported Independent Living (or **SIL**, otherwise known as group homes). When comparing host or homeshare arrangements with their typical alternative, the total cost of the ILAs is 9 – 45 percent less expensive.¹²

For example, the cost of an ILO Level 1 host or homeshare arrangement has been estimated at \$105,000, compared to the typical alternative at a minimum annual cost of \$191,902.¹³ This trend continues across different levels of support, with an ILO Level 2 host or homeshare estimated at \$150,000 per year, while the typical alternative carries a minimum cost of \$223,886 per year. The Summer Foundation notes that these costs are indicative of a typical arrangement, but individual cases vary significantly as do approaches by different service providers.

Within these arrangements, the Summer Foundation indicates that hosts receive \$30,000 - \$90,000 per year, with an average of \$60,000 per year; while homesharers receive \$15,000 - \$45,000 with an average of \$30,000 per year.¹⁴ These amounts have not been indexed since 2019 and, if indexed since then, the averages would be \$73,000 per year for hosts and \$37,000 per year for homesharers.

The analysis also finds that the Australian Government could save about \$260 million over 5 years if 500 more people each year choose to adopt ILAs, rather than living in group homes.¹⁵

The Summer Foundation report concludes that a lack of commitment by government to ILAs has stifled their growth. It makes several recommendations to help establish ILAs as a viable alternative to group homes, under the following themes:

- Demonstrate commitment to ILAs to provide certainty for providers and participants and help ILAs grow
- Ensure regulation enables ILAs to grow
- Provide participants opportunity and certainty to pursue ILAs
- Build awareness and capacity of people with disability and their families to pursue ILAs
- Invest in the workforce to deliver ILAs
- Grow the pool of live-in supporters.¹⁶

¹² Summer Foundation report, page 5.

¹³ Summer Foundation report, page 34.

¹⁴ Summer Foundation report, page 34.

¹⁵ Summer Foundation report, page 5.

¹⁶ Summer Foundation report, page 9.

Grattan Institute analysis

A Grattan Institute 2024 report¹⁷ examines the housing needs for Australians with intensive disability. Group homes are the only option for many of these individuals, at a cost of at least \$15 billion per year or more than \$350,000 per year per individual.

Grattan Institute considers that four significant changes are needed to improve housing and support:

- The NDIA should give more support to alternative options and help more disabled people into ordinary housing in the community.
- The current group-home model should be reformed so people who want to share their support can choose who they live with and control how services are provided in their home.
- The funding process needs to be reformed so people who need intensive support at home get more help to understand their options and navigate the system.
- The NDIS regulator should ensure the people who depend on these services are safe and have real choice.

Key to the first two recommended changes are ILAs. Grattan Institute analysis of data indicates that ILAs can be more cost effective than SILs, costing about \$45,000 per Individual less than a group home. Specifically, Grattan Institute examined both host and homeshare arrangements and compared these to the typical cost of group homes:

- Host arrangements – the analysis indicates a saving of up to \$67,000 per Individual compared to group homes, although some of this amount would need to be made available to compensate hosts.
- Home share arrangements – the analysis indicates a saving of up to \$58,000 per Individual as compared to group homes.

To ensure ILAs are more widely available, Grattan Institute recommends changes to current policy settings (but under existing legislation). This would include the Live-In Supporter being characterised as a volunteer rather than an employee, with the Live-In Supporter therefore receiving a tax-free subsidy. The subsidy would be provided for specified expenses associated with the Individual living with the Live-In Supporter.

Grattan Institute estimates that host Live-In Supporters could be subsidised by \$50,000 - \$80,000, pegged to the Consumer Price Index (CPI) and dependent on the costs the Live-In Supporter incurs. The Grattan Institute notes an amount of \$25,000 for the home share Live-in Supporter subsidy.

KPMG agrees there is good evidence to indicate that ILAs are overall more cost effective for the NDIS. We also agree that a more concessionary tax treatment for the Live-In Supporter would stimulate growth in ILAs. However, our preference is for a legislative change which applies specifically and exclusively to Live-In Supporters meeting certain criteria, in order to provide the most certainty for all stakeholders while also having regard to government budgetary constraints. This proposal is outlined below.

Current tax treatment

The Live-In Supporter's tax position in relation to the ILA payments ultimately depends on the person's facts and circumstances. In particular, the terms of the agreement with the Provider, the nature of support provided, and the nature of costs incurred in relation to providing support can impact the Live-In Supporter's tax position. There has also been

¹⁷ Bennett S, and Orban H (2024) '[Better, safer, more sustainable: How to reform NDIS housing and support](#)', Grattan Institute (Grattan Institute report).

some level of taxpayer uncertainty in relation to the characterisation of the ILA payments for tax purposes in previous years.

However, when a Live-In Supporter receives a regular payment in consideration for the support provided, the ATO's view is that the amounts received by a Live-In Supporter can be taxable as ordinary income.¹⁸ This is on the basis that the payments are consideration for the rendering of the support services.¹⁹

Live-In Supporters would also incur costs associated with providing support. As outlined above on page 7, the nature of these costs will depend on the specific arrangement and support being provided but may include outgoings such as rent, utilities, transport costs etc.

Where the ILA payments are assessable income for the Live-In Supporter, these expenses would, in principle, be wholly or partly tax-deductible on the basis that they are incurred in gaining or producing the Live-In Supporter's assessable income.

Whether an outgoing relates to the generating of the Live-In Supporter's assessable income, and is not of a private or domestic nature, can be a complex matter. Where an outgoing partly relates to the Live-In Supporter's assessable income, an apportionment is required between deductible and non-deductible components.

These matters of nexus to assessable income and apportionment of expenses can be encountered by many individual taxpayers. However, the unique circumstances of the Live-In Supporter exacerbate these issues, due to the blending of the Live-In Supporter's support activities and home environment.

In addition to having to navigate these challenging questions, the Live-In Supporter needs to keep and maintain detailed records, in order to substantiate tax deduction claims.

There are also flow-on consequences for the Providers, who must deal with the associated employment tax complexities, including PAYG Withholding and payroll tax obligations. They can also bear the burden of trying to help the Live-In Supporter to get clarity on their individual tax positions, with limited public guidance available.

Example 1: Live-In Supporter in a host arrangement

- The Live-In Supporter provides live-in support to an Individual in the Live-In Supporter's home.
- The Live-In Supporter receives weekly payments from a Provider under the ILA. The payment has regard to the level of support provided, the additional costs borne by the Live-In Supporter which are attributable to the Individual's disability support needs, and other factors.
- The Live-In Supporter has a bundle of costs incurred in earning the ILA payments, as follows:
 - Rental (or mortgage) payments
 - Running expenses including utility costs, water, phone and internet
 - Cost of some disability home modifications to the Live-In Supporter's home

¹⁸ For example, the ATO has considered this question on a specific set of facts in a 2023 private ruling Authorisation Number (1052198090581). Edited private rulings published by the ATO cannot be relied upon by taxpayers in any way.

¹⁹ Alternatively, where the amount received is a recoupment of deductible expenses and is not otherwise ordinary income, the amount may be taxable as an 'assessable recoupment'. These rules broadly provide that the amount received is assessed for tax in the year in which the deduction is claimed.

- General household items such as cleaning and laundry products
- The Live-In Supporter recognises that many of these costs will only be partly tax deductible, as they may be somewhat private or domestic in nature or do not wholly relate to the Live-In Supporter's support activities.
- The Live-In Supporter needs to work out how much of the rent / mortgage and running expenses are tax deductible. How should a fair and reasonable apportionment be undertaken? For example, would apportionment based on the home's floor area²⁰ be appropriate, or is apportionment based on time spent on the income-producing activity a better methodology?
- The Live-In Supporter needs to determine the period over which the home modifications are tax deductible. These tax rules are complex and can require specialist knowledge.
- For general household items, similar to the above the Live-In Supporter needs to work out any pro-rata split of deductible and non-deductible amounts. Collation of receipts and ongoing record keeping is required.
- As an alternate approach to all the above, should the total amount of the Live-In Supporter's tax deduction be equal to the total payments received?²¹ While not appropriate in this scenario, this approach may be reasonable in circumstances where the payments are exclusively computed with specific reference to the underlying expenses being subsidised.

Example 2: Live-In Supporter in a homeshare arrangement

- The Live-In Supporter provides live-in support to an Individual in the Individual's home.
- The Live-In Supporter receives weekly payments from a Provider under the ILA. The payment has regard to the levels of support provided, the rent payable by the Live-In Supporter which is attributable to the Individual's disability support needs, and other factors.
- The primary expenses the Live-In Supporter incurs are as follows:
 - Rent
 - Fuel and vehicle costs, when the Live-In Supporter takes the Individual to appointments and day-to-day activities
- As in Example 1, the Live-In Supporter recognises that these costs may only be partly tax deductible, as they may be somewhat private or domestic in nature or not wholly related to the Live-In Supporter's support activities.
- The Live-In Supporter needs to work out how much of the rent is tax deductible. How should a fair and reasonable apportionment be undertaken?

²⁰ Broadly akin to a home office scenario.

²¹ There is no established principle that a deduction should be limited to the amount of assessable income returned by the expenses. However, there are cases where such an apportionment was appropriate (e.g. *Ure v FC of T* 81 ATC 4100).

- The Live-In Supporter also needs to work out the tax deductions relating to the fuel and vehicle costs. A calculation using either a cents per kilometre or logbook basis may be reasonable, but both require substantial record keeping and monitoring.

Despite the similarities between ILAs and foster care arrangements, there is generally a difference in the tax consequences, with certain payments to foster carers not being assessable income pursuant to an ATO public ruling.²²

A case for change

People with disability have the same right as others to live, take part in and be included in the community. Research has shown that NDIS participants want to be able to live near family, friends and community activities, and many want greater choice as to who they live with.²³ It is acknowledged that, to address this, the NDIS should provide more innovative and creative home and living supports.²⁴ The NDIS Review²⁵ made several recommendations in relation to housing and living supports, including to deliver a diverse and innovative range of inclusive housing and living supports. The review notes that *“At the heart of a new housing and living approach should be a more urgent shift away from group home settings with little choice and control to one where participants can choose their living arrangements and the supports they receive.”*²⁶

ILAs are one innovative support option that are currently underutilised and should be further supported and encouraged. As discussed above, ILAs are also a more cost-effective housing and support option. This is important in the context of the need for financial sustainability of the NDIS.²⁷ The scheme has grown substantially since its inception.²⁸ The projected NDIS expenses are \$46.9 billion in 2024-25, increasing to \$92.7 billion in 2033-34.²⁹

We consider that a key barrier to the scaling of ILAs is the tax outcomes for Live-In Supporters under existing law, in particular the complexities associated with determining their tax deduction claims and the substantive compliance burden that goes with this.

In order to ensure ILAs can be more readily accessible and attractive, concessionary tax treatment should be available for Live-In Supporters.

There is an example in the existing law for similar payments being non-taxable, albeit in limited circumstances. The Australian Government carer payment is non-taxable where both the carer and the care receiver are under the age-pension age, or the carer is under the age-pension age and any of the care receivers has died.³⁰

²² [Taxation Determination TD 2006/62](#) is a public ruling providing the ATO view in relation to certain payments to volunteer foster carers. The ruling states that these payments are not ordinary income, given the foster carers are not employees, are not carrying on a business, and are not paid for their time or to reward them for any personal services they provide.

²³ For example, NDIS Review, pages 138-140 and NDIA & Scope, L Smith, L Borrowman, C Hart, S Koritsas, R Morello, A Goodall, M Giummarra, A Blanco, M Bennett, and B Gardner (2023) [‘Having a go’: Exploring the use of supports to make individualised living a reality](#), page 11.

²⁴ For example, NDIS (2021) [‘Consultation Summary Report: An Ordinary Life at Home’](#); Grattan Institute report.

²⁵ NDIS Review, page 4.

²⁶ NDIS Review, page 141.

²⁷ One of the objectives of the NDIS Review was to ensure the sustainability of the NDIS for future generations. The government has committed to a sustainable NDIS, including NDIS Financial Sustainability Framework ([National Cabinet commits to a sustainable NDIS](#)).

²⁸ NDIS (2024), [‘NDIS growth target on track to be delivered’](#).

²⁹ NDIS [‘Annual Financial Sustainability Report 2023-24’](#).

³⁰ Section 52-10 of the *Income Tax Assessment Act 1997*.

Looking abroad, there is good precedent for concessionary tax treatment for Live-In Supporters in other jurisdictions, with the UK, US and British Columbia all providing similar concessionary rules or revenue authority guidance. These are discussed below.

Approach taken by other jurisdictions

UK Shared Lives Schemes

The UK has Shared Lives schemes³¹, also known as adult placements, where individuals needing care live with an approved carer. The carers are paid by the Shared Lives scheme they are registered with, which is usually funded by the local council or the National Health Service. The care is provided through a Shared Lives carer agreement between the carer and the scheme (generally run by local councils or independent providers), and a Shared Lives agreement between the scheme and the individual needing care.

Carers providing Shared Lives care who meet the 'Qualifying care relief' rules can choose to access simplified personal tax treatment. These relief rules were originally for foster care arrangements but extended in 2010 to also cover Shared Lives care.³²

The 'Qualifying care relief' rules are as follows:

- Income from providing qualifying care is deemed to be nil where the total receipts from qualifying care do not exceed an individual qualifying amount.
- Where the total receipts from qualifying care exceeds the qualifying amount, the difference is treated as taxable income.

A carer providing care for an adult for the full year should have a qualifying amount of £45,430 (approximately AUD 93,000) for 2025-26. The fixed amounts increase annually in line with CPI inflation.³³

US Medicaid Home and Community Based Services Waiver programs

In the US, Medicaid Home and Community Based Services Waiver programs (**HCBS Waiver Programs**)³⁴ are administered at the state level to meet the needs of people who prefer long-term care services and supports provided in their home or community, rather than in an institutional setting. Certified Medicaid Providers contract with a care provider to care for an eligible Individual in the carer's home. The state (or an agency under contract with the state) approves the plan of care and monitors the individual's care.

Under the US Code, qualified foster care payments are not subject to tax. In 2014, the Internal Revenue Service (**IRS**) issued guidance confirming that it would treat qualified Medicaid waiver payments as excluded from tax under the foster care payments provision. This is on the basis that these payments compensate a carer for providing the additional care required because of an eligible individual's physical, mental, or emotional handicap for which a state has determined that there is a need for additional compensation.³⁵

British Columbia Community Care Services

Community Care Services programs in British Columbia provide a range of care needs including home sharing arrangements. Canadian Revenue Authority (**CRA**) guidance

³¹ National Health Service (2024) 'Shared Lives Schemes'.

³² Schedule 1 of the Finance (No. 3) Act 2010 (UK).

³³ HMRC (2023), 'Increase in Qualifying Care Relief'.

³⁴ Duckett MJ, Guy MR (2000) 'Home and Community-Based Services Waivers'. Health Care Finance Rev; Medicaid.gov 'Home and Community-Based Services Waivers 1915(c)'.

³⁵ IRS (2014) 'Internal Revenue Bulletin: 2014-4'.

confirms that the payments received in respect of home sharing arrangements are exempt from income tax.³⁶

Further background in relation to these international schemes is set out in the **Appendix**.

Australia should look to considering a tax policy framework that draws on these international approaches, and we set out our recommendation in this regard below.

The solution: recommendation for qualifying Live-In Supporter relief

Given the benefits of ILAs and recognising the contribution which Live-In Supporters are making in the community, we recommend consideration be given to Australia making provision for a specific tax concession to simplify the tax treatment for Live-In Supporters and thereby support and incentivise growth in this contemporary model of support.

The concession should be provided by way of an amendment to the income tax legislation, with a fixed relief amount (or 'safe harbour') being optionally available to Live-In Supporters, in lieu of an ordinary taxable income calculation.

Where a Live-In Supporter's income from an ILA is equal to or less than the fixed relief amount, no tax would be payable. Where the Live-In Supporter's income from the ILA exceeds the fixed relief amount, the difference would be treated as taxable income.

This would remove the compliance burden placed on Live-In Supporters, by relieving Live-In Supporters from the complexity in determining their tax deductible expenses, including partial tax deductions, and allowing Live-In Supporters to keep much simpler records.

This concession would only be available to specified 'qualifying' Live-In Supporters, covering ILAs which are:

- Funded by the NDIS.
- Administered by a registered Provider that is registered with the NDIS Quality and Safeguards Commission or an Individual who self-manages their plan.
- Governed by written agreements (whether between the Individual and the Provider and between the Live-In Supporter and the Provider; or the Individual or their representative and the Live-In Supporter directly).
- Meet all requirements in the NDIS legislation and relevant NDIS Quality and Safeguards Commission requirements, including the NDIS Code of Conduct.

The quantum of the fixed relief amount should be further considered by government – treatment of such payments as fully tax exempt or setting the tax exempt threshold at a high level increases the simplification and incentivisation benefits of ILAs.

If a threshold is required to be set in light of government budgetary constraints, we suggest that the fixed relief amount be at least \$65,000 per annum, with an annual increase in line with inflation. This amount is aligned to the midpoint of the host subsidy amount of \$50,000 – \$80,000 recommend by Grattan Institute.³⁷ It is also approximately the midpoint of the typical annual Live-In Supporter payments according to the Summer Foundation's research.³⁸ The recommendation to increase the fixed relief amount in line with inflation ensures that the concession continues to achieve its intended purpose in future years. However, as noted, a higher threshold would give rise to greater benefits and encourage a move towards ILAs and away from more costly group home arrangements.

³⁶ CRA (2018) 'Payments for In-Home Care of Developmentally Disabled Persons'.

³⁷ Grattan Institute report, page 28.

³⁸ Summer Foundation report finds that typical payments to Live-In Supporters are between \$30,000 and 90,000.

Where the Live-In Supporter does not make the choice to apply the qualifying care relief amount, or is ineligible to make the choice, the ordinary taxable income rules would apply.³⁹ In addition, where the Live-In Supporter earns other income (e.g. employment income), this income is subject to the ordinary taxable income rules and does not fall within the qualifying Live-In Supporter relief rules.

This recommendation is aligned with the UK approach, which provides Live-In Supporters with the choice to access qualifying care relief rules. Under this simplified treatment in the UK, the Live-In Supporter is not subject to tax on income from providing care up to a qualifying amount. Where the supporter's income from the care exceeds the qualifying amount, the difference is treated as taxable income.

The qualifying amount under the UK rules is currently £45,430 where one individual is being cared for (approximately AUD 93,000). The fixed amounts increase annually in line with the CPI.

As outlined on page 13, similar living support schemes for people with disability are available in the US and British Columbia, and payments under these arrangements are fully tax exempt. However, we consider that the fixed relief amount is a more reasonable approach for Australia at this juncture. The fixed relief amount would not allow for unfettered access to this concession and allows for appropriate guardrails to restrict the budgetary cost of this measure for the Commonwealth.

As a consequence, the PAYG Withholding and payroll tax laws should also be updated to produce appropriate outcomes where the Live-In Supporter uses the qualifying care relief rules:

- A PAYG Withholding variation (by way of Commissioner of Taxation Legislative Instrument) should be implemented. This would operate so that the entity making payments to a Live-In Supporter would not be required to withhold where the total payments are below the fixed relief amount.⁴⁰
- Similarly, a payroll tax exemption (by way of legislative amendments) should be available for Live-In Supporter payments, where the total payments are below the fixed relief amount.⁴¹

This will deliver some compliance alleviation for the Provider.

³⁹ The choice to apply the qualifying care relief rules should be made in the Live-in Supporter's individual tax return.

⁴⁰ This would be similar to the PAYG Withholding variation rules regarding reasonable travel allowances: [Taxation Administration Act 1953 - Pay as you go withholding - PAYG Withholding Variation: Allowances – Legislative Instrument](#).

⁴¹ As above, this would be similar to the payroll tax rules regarding exemptions for allowances up to specified amounts. For example, sections 29 and 30 of the [Payroll Tax Act 2007](#) (NSW).

Appendix

Overview of international schemes

Further background in relation to the UK, US and British Columbia schemes is outlined below.

UK

The UK Shared Lives scheme is used by people aged 16 onwards, with a wide range of support needs including learning disabilities, mental ill health, autism and dementia. Care can be long term, short term or respite care.

Shared Lives carers are paid a fixed fee, rather than an hourly rate, for the support they provide. The 'Qualifying care relief' rules were originally for foster care arrangements, but extended in 2010 to also cover Shared Lives care.⁴² The aim was to bring into line the tax treatment of carers who, like foster carers, share their homes and daily family life with an adult or child placed with them by a local authority.⁴³ The extension of the qualifying relief rules replaced certain concessions which HM Revenue & Customs (**HMRC**) operated for shared lives carers. The concessionary treatment was considered to be outdated as a result of developments in the care system and therefore the new relief rules were intended to provide one set of simplified income tax arrangements for both shared lives care and foster care carers.⁴⁴

The pre-2010 concessions include simplified arrangements for carers in some circumstances. For example, depending on the circumstances the carer may have been allowed to deduct a fixed amount of expenses (depending on the number of placements and the type of care provided e.g. day care), or alternatively to determine their deductible expenses for the year by keeping records for a short typical period. In this way, the carer could access simpler tax treatment with a reduced level of record keeping.⁴⁵

There was a further expansion of the rules in 2018. While the qualifying care relief originally applied where the care was funded by local authorities, the 2018 amendment covered Shared Lives care funded by the person receiving care using their own finances.⁴⁶

The 'Qualifying care relief' rules are as follows:

- Income from providing qualifying care is deemed to be nil where the total receipts from qualifying care do not exceed an individual qualifying amount.
- Where the total receipts from qualifying care exceeds the qualifying amount, the difference is treated as taxable income.

Alternatively, the carer can determine its taxable income under ordinary principles, i.e. carer is subject to tax on the total receipts less actual allowable deductions.

The qualifying amount is a fixed amount for the tax year (being £19,690 for 2025-26) plus a weekly amount for each person receiving care (the weekly amount for an adult is £495 for 2025-26). Therefore, a carer providing care for an adult for the full year should have a qualifying amount of £45,430 (approximately AUD 93,000).⁴⁷ The fixed amounts increase annually in line with CPI inflation.⁴⁸

⁴² Schedule 1 of the Finance (No. 3) Act 2010.

⁴³ HMRC (2010) 'Income tax relief for Shared Lives Carers – draft statutory instrument'.

⁴⁴ Explanatory Memorandum to the Qualifying Care Relief (Specified Social Care Schemes) Order 2011.

⁴⁵ HMRC (2013) 'Business Income Manual - BIM52805 - Care providers: shared lives carers for 2003-04 to 2009-10: establishing the profits'.

⁴⁶ HMRC (2025), 'Business Income Manual - BIM52753 - Care Providers: qualifying care relief: introduction'.

⁴⁷ HMRC (2025) 'BIM52765 - Care providers: qualifying care relief: calculation of qualifying amount'.

⁴⁸ HMRC (2023), 'Increase in Qualifying Care Relief'.

If the carer has other income, for example from employment, the qualifying relief rules are not available.

US

Nearly all US states offer services through Medicaid HCBS Waivers. Medicaid reports that there are currently about 257 HCBS Waiver programs active throughout the US.⁴⁹ States have flexibility in designing their HCBS waiver programs, with each waiver reviewed and approved by the Centers for Medicare & Medicaid Services.

The services that may be provided under the HCBS waiver program are broad and include homemaker services, home health aide services, personal care services and other services where they are necessary to avoid institutionalisation (but excluding room and board costs).

Certified Medicaid Providers contract with a carer to care for an eligible Individual in the carer's home. The state (or an agency under contract with the state) approves the plan of care and monitors the Individual's care. The Individual may be related or unrelated to the carer, although these programs generally do not compensate a family member for providing personal care services to an Individual if the family member is legally responsible for the Individual (for example, a minor child).

Under the US Code, qualified foster care payments are not subject to tax. Prior to 2014, there was uncertainty and inconsistency in relation to whether payments to carers under a waiver program could be excluded from taxation under this foster care payment provision. However, the IRS issued guidance in 2014 confirming that it would treat qualified Medicaid waiver payments as excluded from tax under the foster care payments provision.

In providing this guidance, the IRS acknowledged that the Medicaid waiver programs and state foster care programs share a similar objective, that is, preventing the institutionalisation of Individuals and enabling Individuals to live in a family home setting, as well as the programs both having state approval and oversight.

The exemption is capped to payments for the care of up to 10 eligible Individuals under age 19, or up to 5 eligible Individuals aged 19 or over.

British Columbia (Canada)

In British Columbia, Community Care Services programs provide a range of care needs including home sharing arrangements. Home sharing is an arrangement where an adult with a disability lives with a carer and receives support and services. The home can be either the home of the carer or the Individual. The care is overseen by Community Living British Columbia or through third-party agencies. The payments to the carer are made by Community Living British Columbia or the third-party agency.

The CRA has provided guidance on the income tax treatment of the payments received by the carer. The Canadian income tax law provides an income tax exemption for social assistance payments received for the benefit of the individual under the caregiver's care. The CRA guidance confirms that the payments received in respect of home sharing arrangements should satisfy this tax exemption.⁵⁰

⁴⁹ Medicaid.gov 'Home and Community-Based Services Waivers 1915(c)'.

⁵⁰ CRA (2018) 'Payments for In-Home Care of Developmentally Disabled Persons'.



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