right people, right places

amec

3 February 2012

Manager
Philanthropy & Exemptions Unit
Personal and Retirement & Income Division
The Treasury
Langton Crescent
PARKES ACT 2600
Email: FBT@treasury.gov.au

Dear Sir/Madam

Submission on the Consultation Paper – Fringe Benefits Tax Reform – Living-Away-From-Home Benefits released on 29 November 2011

AMEC welcomes the opportunity to make a submission in relation to the proposed reforms to the fringe benefits tax (FBT) treatment of Living Away From Home benefits as announced by the Government on 29 November 2011.

AMEC is in the business of providing engineering and construction management services to the mining resource industry both within Australia and overseas. This business involves the employment of many highly skilled and experienced individuals. The necessary skills, knowledge and experience required cannot always be found amongst the Australian workforce and therefore we are required to source the required expertise from overseas.

The current Living Away From Home Allowance (LAFHA) provisions allow AMEC to seek out and attract overseas expertise by providing additional remuneration to cover the high cost of living in Australia.

The proposed reforms will impact our ability to attract the required expertise to service our clients which, in turn, will adversely affect our business in the following ways:

- Like many other employers, AMEC currently bears the cost of a temporary resident's Australian taxes. As a result of these proposed reforms, AMEC would be required to increase the remuneration package of its foreign nationals to compensate them for the additional tax that would be payable on LAFHA. In addition to the increased package that will be required to be provided to the foreign nationals, AMEC will have increased tax costs in the form of superannuation guarantee and payroll tax. In order to remain competitive, the increased cost of business would require AMEC to consider reducing costs in other areas which may lead to redundancies of Australian personnel.

- With no proposed transitional rules announced to cover existing arrangements, the proposed reforms would have an impact on the profitability of AMEC's current long term contracts. The pricing for these contracts has already been determined and clients would be unwilling to incur these additional unbudgeted costs. Therefore, AMEC would suffer these costs which will reduce our profit margin and impact our ability to grow the business and provide new employment opportunities to the Australian workforce.

- If AMEC is unable to absorb these additional costs or pass them onto our clients, then we will need to pass them onto the foreign national which will impact AMEC's global competitiveness as an employer. As mentioned above, when we are unable to source talent from within

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Australia, we seek out expertise from overseas locations. Without the LAFHA concessions, foreign nationals will consider Australia a less attractive place to work and they will consider going to our global competitors who operate in jurisdictions such as China and the United Kingdom who offer concessions to temporary residents.

Given the adverse impact these proposed reforms will have on our business, we are currently considering a number of options for dealing with the proposed reforms. As a global company, one option we are considering is moving certain functions offshore to jurisdictions that offer concessional tax treatment to temporary residents. This may result in redundancies of Australian personnel.

Following discussions with our taxation advisors, we understand that alternative mechanisms are available that provide an equally effective method of addressing Treasury's concerns without creating as adverse an economic impact or burden on our business. We strongly urge Treasury to consider these options. If the proposed reforms are to be implemented, then we request that at a minimum, transitional provisions be introduced for existing arrangements. The relatively short time frame between the release of the legislation and the effective date provides little opportunity to deal with the impact on contracts at both a business and individual level. Most of our current contracts cannot be renegotiated and therefore the additional cost arising from the introduction of the proposed reforms will reduce our profit margin.

AMEC would welcome the opportunity to discuss this submission with Treasury. Please contact myself on 08 9347 4112 with any queries in relation to the contents of this submission.

Yours sincerely

Josh Murphy
Tax Manager