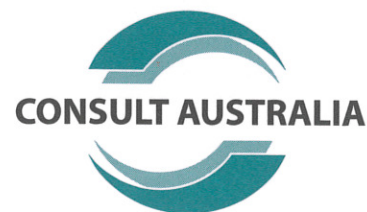


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Driving Business Success for Consulting Firms in the Built and Natural Environment

21 May 2012

**Mr Chris Leggett**

Manager, Philanthropy and Exemptions Unit  
Indirect Tax Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Dear Mr Leggett,

**Re: fringe benefits tax reform for living-away-from-home benefits**

Consult Australia appreciates this opportunity to provide comments on the exposure draft legislation for proposed reforms to the fringe benefits tax (FBT) treatment of living-away-from-home (LAFH) benefits.

**About Consult Australia**

Consult Australia is the association for professional services firms within the built and natural environment. We represent member firms' business interests at a commercial, community, industry and government level through collaboration, education, support and advocacy.

We represent over 250 companies that employ more than 50,000 people in Australia. Consult Australia member firms' services include, but are not limited to: design; architecture; technology; engineering; surveying; legal; and management solutions. This allows us to provide a collective, holistic and highly informed voice for industry.

Consult Australia is a member of the Australian National Engineering Taskforce (ANET), Australian Chamber of Commerce and Industry (ACCI), the Australian Construction Industry Forum (ACIF), National Engineering Registration Board (NERB) and the Australian Services Roundtable (ASR).

**Significance of the reform to our industry**

Consulting firms in the built and natural environment are essential to the valuable resources sector and for bringing Government infrastructure plans to fruition. A major challenge to their success is the chronic scarcity of the engineers and related professionals needed to get the job done. The industry therefore has a strong reliance on the services of temporary skilled migrants.

This reliance is illustrated by the experiences of Consult Australia member firms. Some report that they are forced to recruit about 15 per cent of their workforces from overseas. One large member firm with over 4,000 employees reports that over eight per cent of its workforce, for example, is employed with a visa subclass 457.



The LAFH benefits have made Australia an attractive destination for skilled migrants. Its removal will inhibit employers' abilities to recruit new skilled migrants and cause many existing workers to leave Australia. Those who remain are already demanding that employers 'fill the gap' left by the removal of LAFH benefits.

The sudden implementation of the LAFH reforms will have a significant impact on the industry:

- Highly skilled professionals who leave Australia because of the reforms create vacancies that are hard to fill, thus harming companies' abilities to deliver projects on time. The Consult Australia 2011 Skills Survey shows that 50 per cent of senior roles take between seven and 11 months to fill.
- The cost of 'filling the gap' left by changes to LAFH benefits will drive up employment costs. One member firm has estimated that the cost to them will be \$4.8m. This is money that cannot be spent on training, for example, or the cost will flow on to clients that very often include government.
- Widespread wage inflation will occur because the level of wages sufficient to attract the skilled migrants will increase markedly.

It is unprecedented for Government to expect business to respond to policy change overnight, and it demonstrates a disregard for the operational requirements of Australian industry.

In particular, it is unrealistic to expect businesses to make remuneration and recruitment plans based on proposed taxation reforms that are announced through such mechanisms as the Mid-Year Economic and Fiscal Outlook (MYEFO). This is a major reform and employers require certainty of policy before making changes to operations that have serious financial implications.

### **Proposed amendment to the exposure draft bill**

Consult Australia urges the Government to amend its bill to phase the LAFH reforms in for all people who are currently receiving it. This includes Australians and also the temporary residents and foreign residents working here on skilled migration visas.

Doing this will provide employers with sufficient time to manage employee expectations, amend workforce development and recruitment plans, and encourage existing employees who receive LAFH to properly prepare for the reform.

To achieve this outcome, Consult Australia believes that the following changes should be made to the exposure draft bill:

- Delete section 30(1)(a), and
- Delete section 30(2) in its entirety.

### **Conclusion**

Thank you for the opportunity to provide comment on the exposure draft legislation. If you wish to discuss this submission further, please contact Jonathan Russell, Senior Policy Advisor for the skills portfolio, on (02) 9922 4711 or at [j.russell@consultaustalia.com.au](mailto:j.russell@consultaustalia.com.au).

Yours sincerely,



**Megan Motto**  
Chief Executive