

30 May 2012

**Submission to : [FBT@treasury.gov.au](mailto:FBT@treasury.gov.au)**

### **FBT & LAFHA Allowance**

Dear Sir/Madam,

The effect of the proposed legislation is to transfer a tax benefit from corporations to a tax burden on employees.

While it is recognized that there is some positive policy intent, the proposed method of reducing corporate exploitation of the tax loophole, as proposed, will have an unforeseen deleterious effect on some classifications of workers and essential services across rural areas of Australia.

Specifically ETU Victorian branch will have several hundred rural and regional electrical worker members' net income reduced by up to 50%.

This is a consequence of the electrical contractors' and power companies' having heavily stacked the LAFHA as a proportion of total remuneration for electrical workers in rural and remote areas.

It is only the LAFHA that makes the trade offs for this workforce, in terms of loss of permanent residency or domesticity, worthwhile.

Many workers will not be able to demonstrate that they are maintaining a permanent household because they do not reside there. The 'permanent household' that they are often providing for belongs to a former partner and children that they maintain a responsibility to provide for. Many workers make the sacrifice of undertaking 'permanent transitory' work to provide income for their families, whether they reside with them or not. In other cases, younger workers are saving to enable them to enter the property market for a more stable lifestyle.

The decrease in income as a result of the new limitations on LAFHA and increased tax burden on employees is likely to dramatically effect the workforce and their willingness or capacity to continue working in the industry.

The large number of workers effected is a direct result of the decision by the electrical companies to reduce maintenance depots in rural areas following privatization.

These workers are highly skilled, undertaking dangerous work in difficult and extreme environments. The skills they possess are in short supply and the electrical companies have not been maintaining a sustainable supply of these skills with apprentices.

Security and safety of electrical supply in Victoria could become a serious issue within a short timeframe if appropriate exemptions or the transition mechanisms are not introduced with the taxation reforms.



# ETU

Electrical Trades Union

### **ELECTRICAL TRADES UNION OF AUSTRALIA VICTORIAN BRANCH**

Communications, Electrical,  
Electronic, Energy, Information,  
Postal, Plumbing and Allied  
Services Union of Australia

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The proposed transition timing and features do not allow for a renegotiation of contracts of the electrical contractors (employer) with the electrical companies, or Enterprise Agreements with electrical contractors.

It is assumed that the electrical companies will be able to receive any additional cost of the tax reforms, through higher wages imposed, from the cost pass through mechanism of the Australian Energy Regulator. This 'cost pass through' mechanism allows any cost increase, as a consequence of legislative reforms, to be cost neutral to electricity generators and distributors in Victoria.

However the cost will not be borne by them until their contracts with the 'contracting companies' are amended to reflect the higher cost of compensating employees for income losses of approximately 30% but up to 50%.

In the interim, the contracting companies (employers) do not have the margins to compensate employees for the large reduction in net income.

This demands a transition period or exemptions to rural electrical workers from the proposed necessity to provide evidentiary to access their existing LAFHA entitlements, tax free.

It is recommended that the final draft legislation mitigate the unintended impact on electrical supply by undertaking the following

1. Exempt electrical workers in rural and remote areas' LAFHA from the 'assessable income' for tax purposes
2. Extend the transition period for any change in tax treatment of this allowance until 2015/16, to enable contract and agreement renewal that reflect the disproportionately increase in cost for rural and remote electrical supply services delivery.

I look forward to a response from you on amendments to proposed legislation to address these unintended consequences, at your earliest convenience.

This is necessary for the practical reason that workers are already planning on reviewing their employment options on the expectation of a dramatic reduction in income. As such the sustainability of the safety and security of Victoria's electrical networks are in immediate jeopardy.

Yours sincerely,



**Troy Gray**  
**Assistant Secretary**

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