

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

Dear Sir/Madam

Submission on Fringe Benefit Tax Reform – Living Away From Home Benefits

We wish to provide comment on one aspect of the exposure draft regulation and explanatory material relating to Living Away From Home Allowance (LAFHA) benefits as it impacts on our operations.

VicRoads from time to time undertakes international assignments funded by agencies such as the World Bank, Asian Development Bank and AusAID which require employees to work in locations such as India or Cambodia for periods from several weeks to more than 12 months. As these assignments are generally relatively short in nature, employees normally undertake them on a single basis whilst their families remain in Australia.

Under the terms of our contract with the funding agency VicRoads is required to pass 100% of the stipulated daily living allowance to the employee. The allowance is typically in the range \$US80 to \$120 per day depending on the country and is based on reasonable benchmarked amounts maintained by international development agencies. The allowance is to cover accommodation, food and miscellaneous expenses such as local transport and communications to their home as well as compensate for dislocation.

Whilst the proposed changes appear directed at foreign workers in Australia and employment transfers within Australia, an unintended consequence specific to VicRoads operations appears to penalise Australian employees working overseas on international development assistance projects. The consultation paper appears to be silent as to how the LAFHA changes will impact on situations such as this, where there is a contractual obligation to pass onto the employee 100% of the overseas living allowance and the allowance includes a component for reasonable expenses other than for food and accommodation.

A further impact is that the allowances in our contracts are in foreign currency and our staff incur the related expenses and are paid their allowance in such foreign currency. A requirement to pay the allowance through the payroll system presents a significant complication and exposes both parties to unnecessary foreign currency adjustments/losses.

VicRoads suggests that the proposed reform recognise the contractual and allowance conditions associated with Australian businesses and residents working on development agency-funded projects overseas and either specifically deals with or excludes this situation in its final form.

We would also note the difficulty in implementing the underlying changes required if these reforms are to be implemented from 1 July 2012.

We would be pleased to provide additional information regarding our situation. Please contact myself or Mr. Greg Chambers on telephone 03 9854 2288, greg.chambers@roads.vic.gov.au

Yours sincerely



**PETER MITCHEM
EXECUTIVE DIRECTOR
TECHNICAL & INFORMATION SERVICES**

29/5 /2012