

Living Away from Home Allowance

ITCRA 2012

ITCRA Living Away from Home Allowance Survey

ABOUT THE RESPONDENTS

Spread of Members

45 Members responded to this survey.

Of the 49 that visited the survey site, 45 Members provided responses for the survey, with the remaining four answering no questions.

Members were analysed as a total group and selected questions were analysed in group sizes to cross-check.

In the interests of ensuring that all Membership categories were represented the categories represented are:

A: Offices in more than six states/territories which may include New Zealand

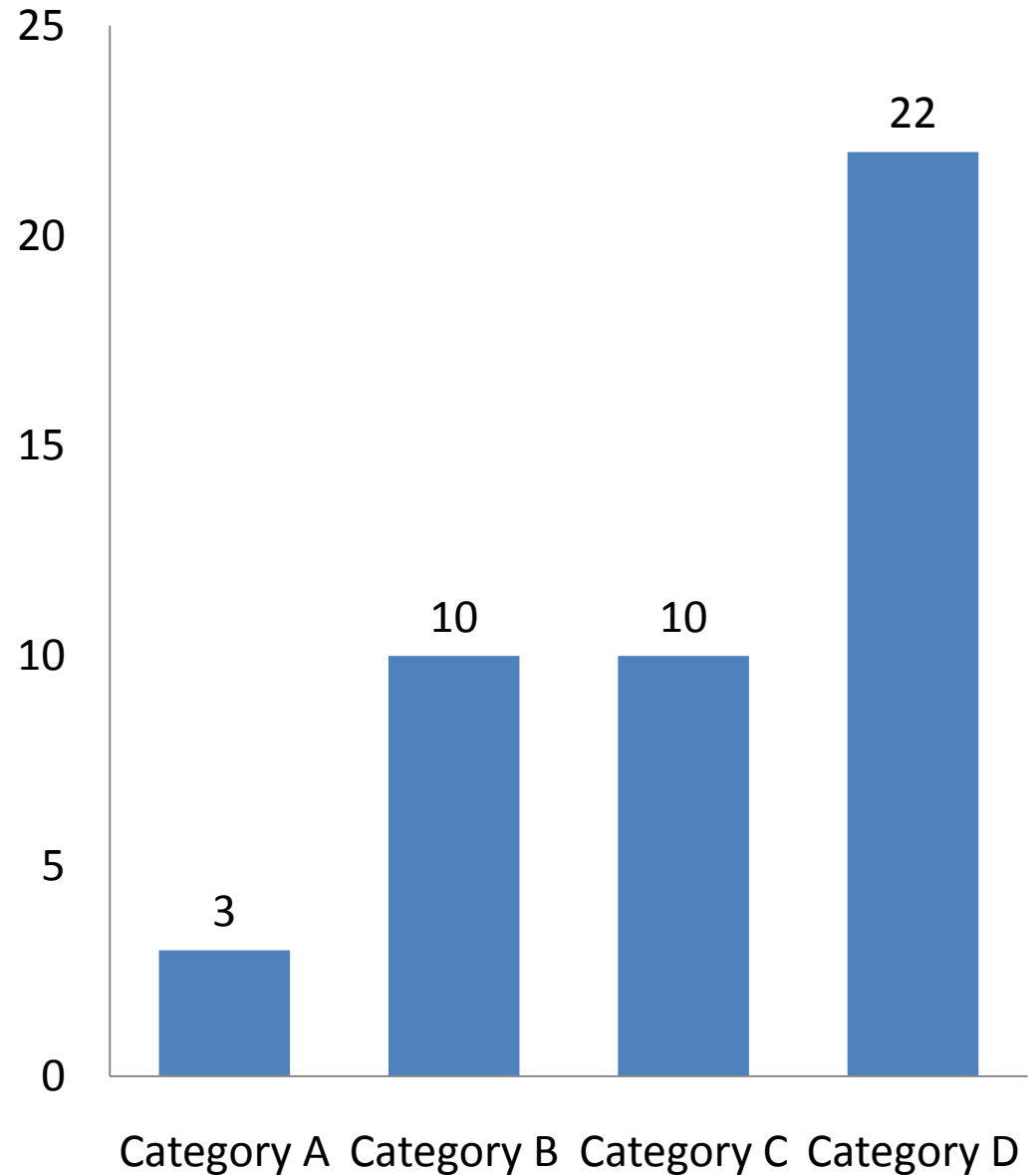
B: Offices in 5-6 states/territories which may include New Zealand

C: Offices in 3-4 states/territories which may include New Zealand

D: Offices in 1-2 states/territories which may include New Zealand

ITCRA also has a Membership group (Category E) with offices only in New Zealand. This group was not included due to the Australian-specific nature of the survey.

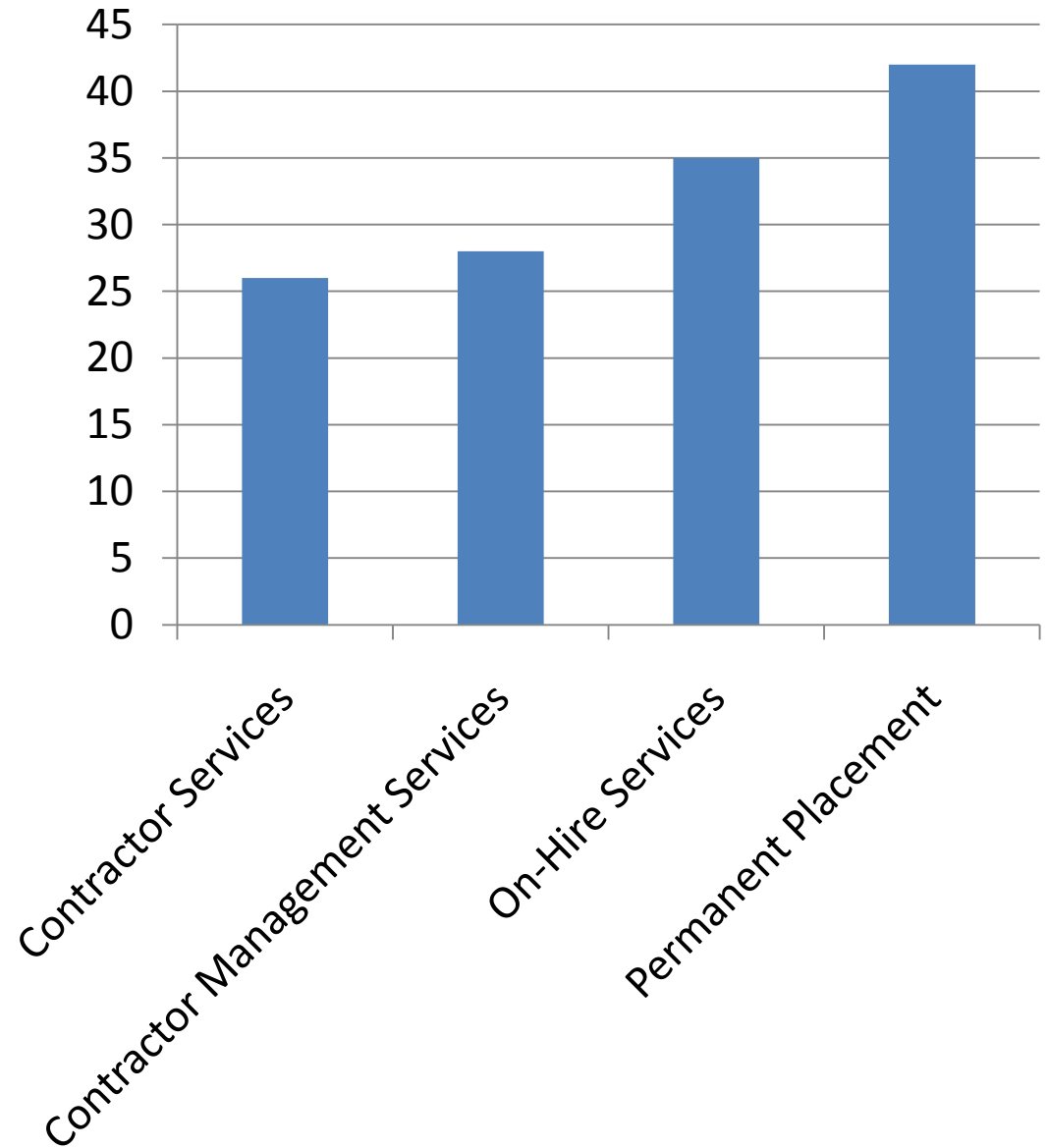
Of the 45 respondents, most were in Category D Membership, but there was a reasonable representation from all Categories.



Types of Services Offered

ITCRA Members participating in this survey offer a range of services, with most providing services in three or four areas.

This chart shows the number of respondents involved in each service offering type.

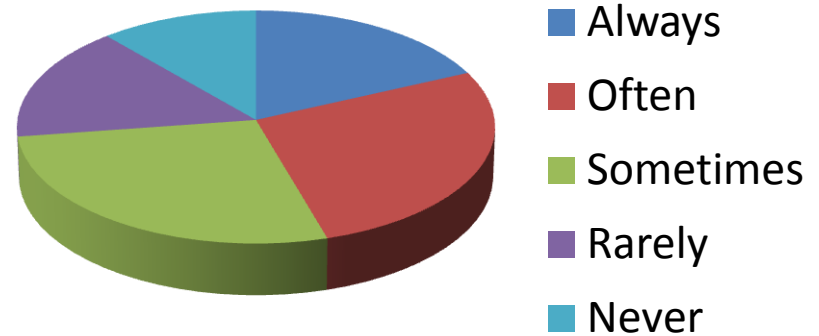


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CANDIDATE KNOWLEDGE

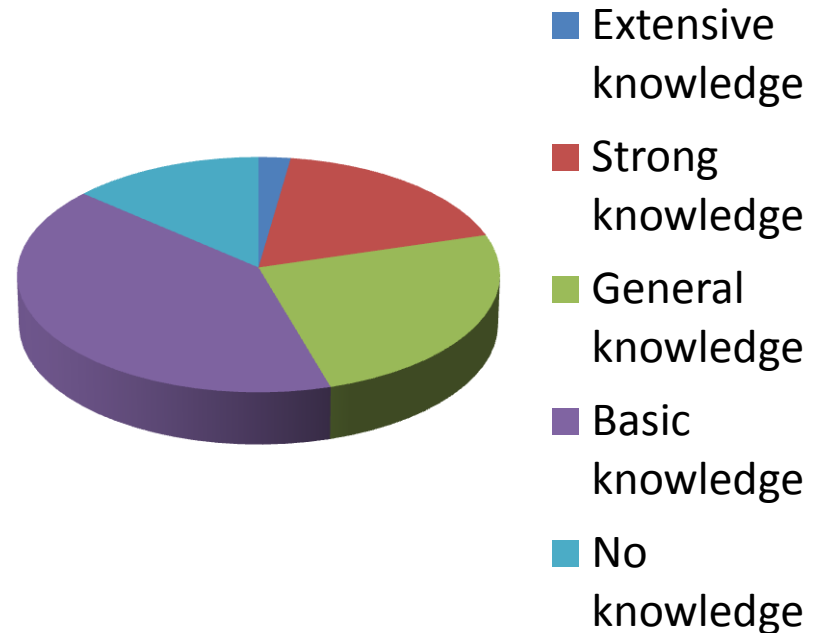
Attractiveness

- “Has the living away from home allowance been an attraction to prospective overseas employees?”



Knowledge

- “How extensively do prospective overseas workers typically know of the Living Away from Home Allowance?”



Examples

- “LAFHA is often discussed at the time of offer and it’s rare that the candidate has any prior knowledge. It’s usually seen as a bonus”
- “We have great success recruiting rare technical skill sets from overseas by using LAFHA as an incentive to move to Australia. Without it, it is unlikely we could have convinced them to make the move”
- “Most don’t know of the rules. The attraction has been working in Australia, rather than the tax breaks”
- “The last three employees I have sponsored under Visa 457 have known and understood the benefits of LAFHA and how that affects their take-home pay”

Comments

Obverse Side

- “I wouldn’t say that LAFHA was the reason that candidates move/relocate nationally or internationally”
- “I don’t believe LAFHA has been a key factor in any candidate of ours deciding whether they move to Australia... it is very difficult to compare a proposed salary in Australia [to] their current salary in another country. Exchange rate, taxes and standard of living make it very difficult to determine whether a proposed salary makes you better off.”

Reverse Side

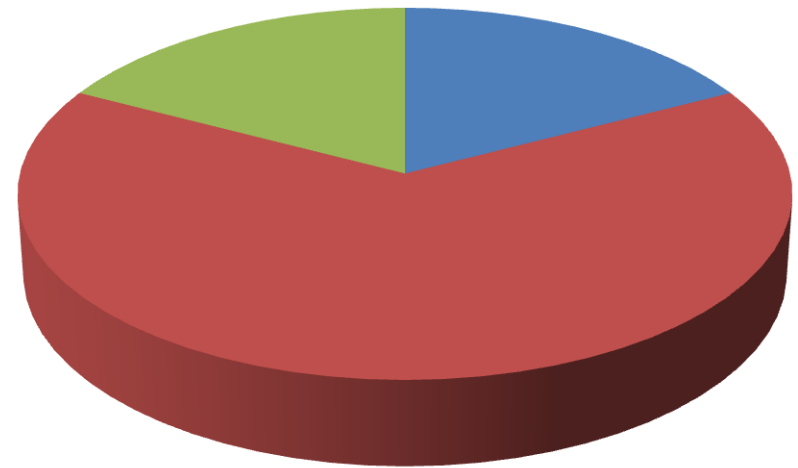
- “We need to maintain a competitive employment market in Australia. We run the risk of not attracting talent, or most likely having to pay more. The knock-on effect are higher costs for Australian companies or delayed projects.”
- “Australia has a severe skills shortage in a number of technical areas. It seems a very strange decision to remove an incentive to encourage highly-skilled workers to move to Australia...”

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OVERSEAS COMPARISONS

Awareness

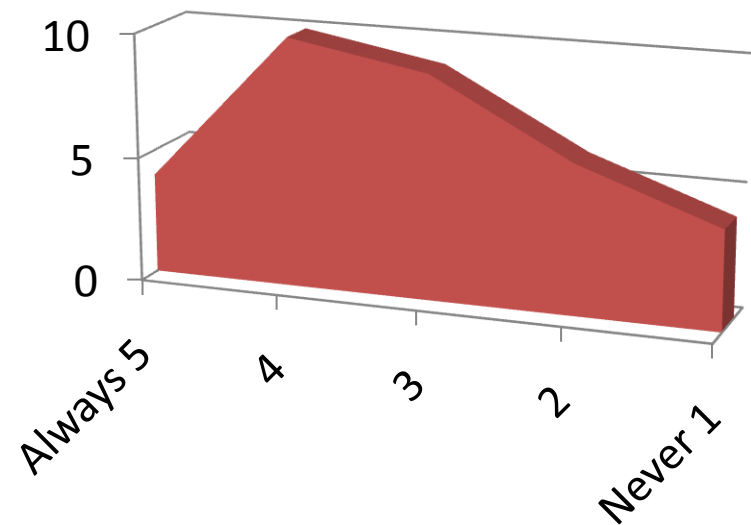
- “To your knowledge, does the Australian Living Away from Home Allowance have any overseas equivalent?”
- Only one response nominated a country (Singapore) as having a similar regime
- One response nominated New Zealand has not having a similar regime



■ Yes ■ Unsure/Don't Know ■ No

Impact of Taxation Rates

- “Are the taxation rates on an Australian employment income a factor in a prospective overseas-based employee's decision to decline an offer of employment in Australia?”
- 23% indicated NA to this question.



Overseas Workers Declining Offers

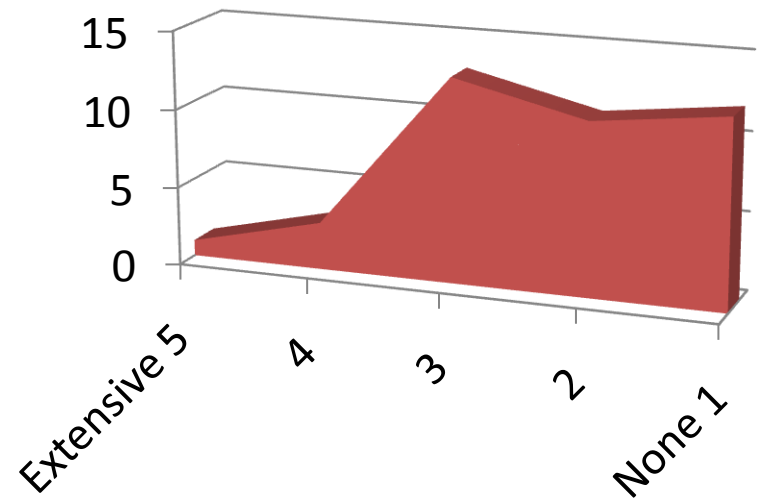
- “Do you have any examples of an overseas-based employee's decision to decline an offer of employment in Australia due to taxation issues?”
- 53% of respondents did not have examples to offer
- Of those that did, the issue of taxes in general were mentioned
- LAFHA is used as a way to attract candidates by offsetting the higher cost of living compared to their own countries or competing host countries.
- “A Hong Kong-based applicant recently declined a job offer in Sydney due to the high rates of tax”
- “Often when a candidate is moving from Asia”
- “No, as LAFHA has always overcome any objection in this regard”
- “UK-based employee not keen to work in Sydney due to the high cost of living”
- “Tax is high in Australia... they will attract and offer something we can't if we can't offset with the LAFHA”
- “The ones with families look closely at the figures and do budgets down to the last dollar. Although it's always hard to pin the final decision on tax alone, it's certainly a major factor”

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IMPACT OF PROPOSED CHANGES

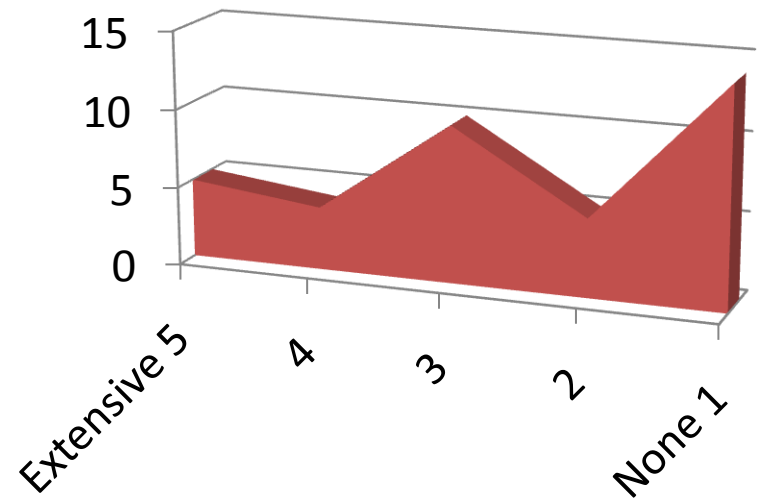
Domestic Competitiveness

- “What level of impact do you think it would have on your organisation's ability to compete with local competitors?”



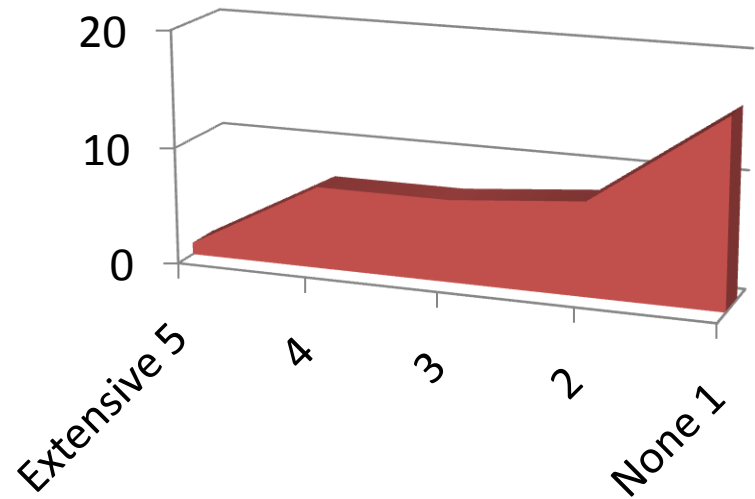
International Competitiveness

- “What level of impact do you think it would have on your organisation's ability to compete with overseas competitors?”
- 7.3% marked this as NA



Impact on PSAs

- “What level of impact do you think it would have on your organisation's ability to service your Preferred Supplier Agreement clients?”
- 7.1% marked this question as NA



Types of PSA Impacts

- “It will decrease the pool of candidates interested in relocating to Australia”
- “It will make it much harder to recruit rare skill sets... with some skills our only avenue is overseas”
- “It can be a contributing factor in an employee deciding to accept a role, especially if they are coming from overseas”

- “

Impact on PSA Contracts

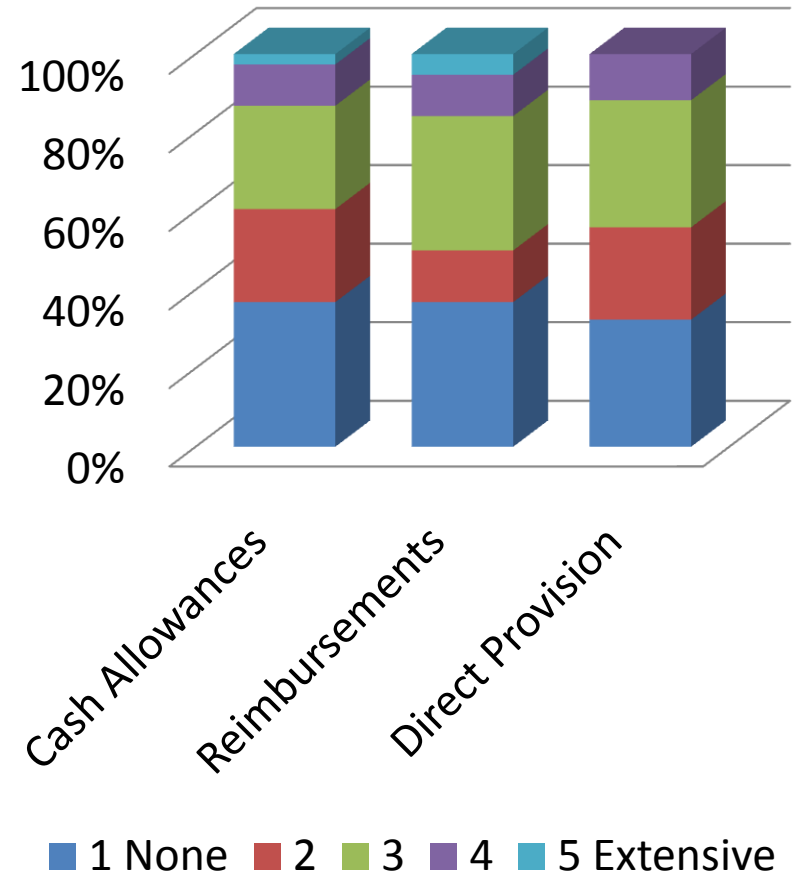
- “Do you perceive any impact on your organisation's ability to perform its contractual obligations under Preferred Supplier Agreements?”
- Twenty comments were made on this question
- Most suggested little or no contractual impact
- Some mentioned a loss of ability to source candidates
- One mentioned that “We have a number of people who may reconsider their contract as a result”

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COMPLIANCE ISSUES

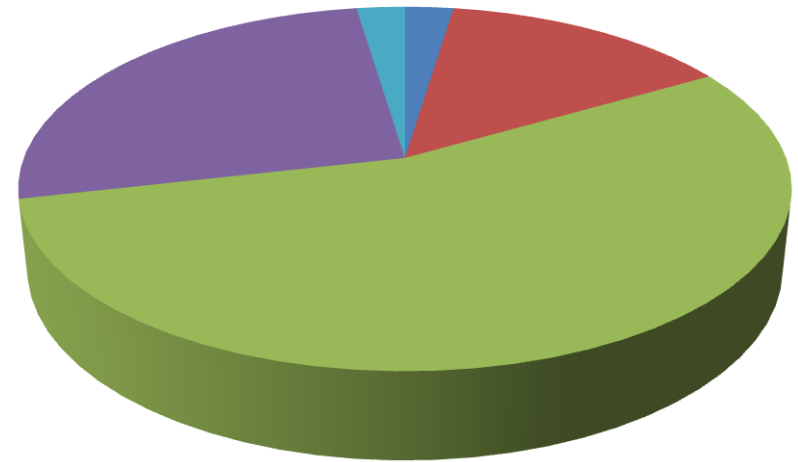
Impact in Terms of Use

- “What level of impact will the proposed changes have for your business in terms of your use of cash allowances, expense reimbursements and direct provision?”



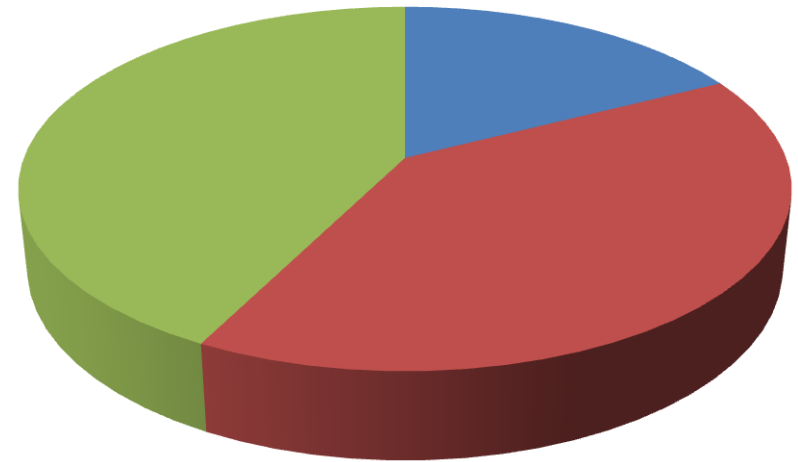
Comprehensible Treatments

- “How strongly do you agree with the statement, ‘It is easy to understand separate treatments for cash allowances, expense allowances and direct provision of services’?”



Cost of Compliance

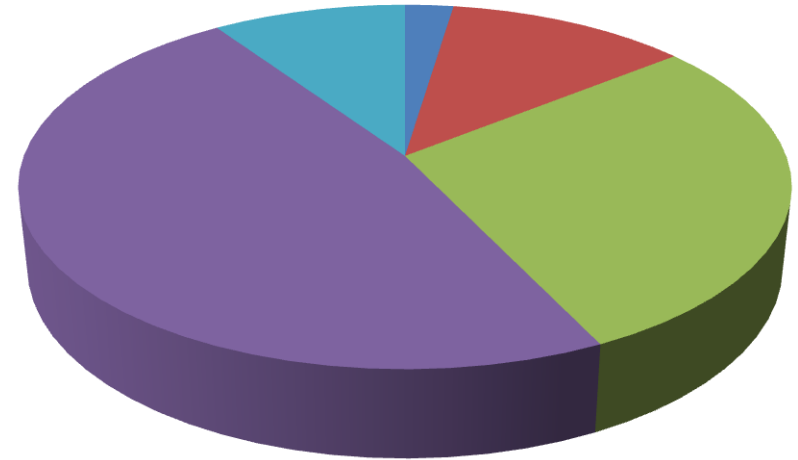
- “What will be the effect on compliance costs of the separate treatments for cash allowances, expense allowances and direct provision of services?”
- No respondents envisage a lowering of costs



- High extra costs
- Small extra costs
- No change
- Small lowering of costs
- Much lower costs

Comprehension by Employees

- “How strongly do you agree with the statement, ‘Employees will easily understand the different treatments’?”

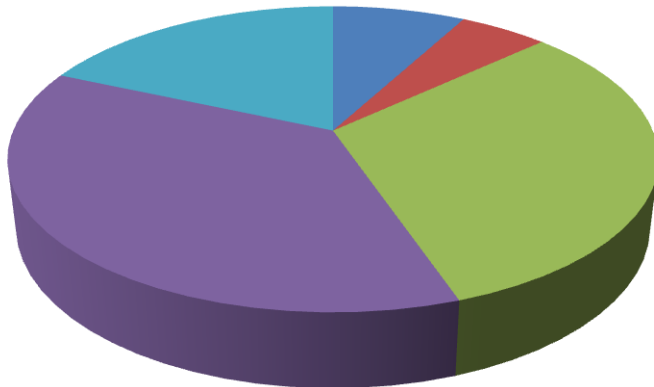


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CASH ALLOWANCE PROVISIONS

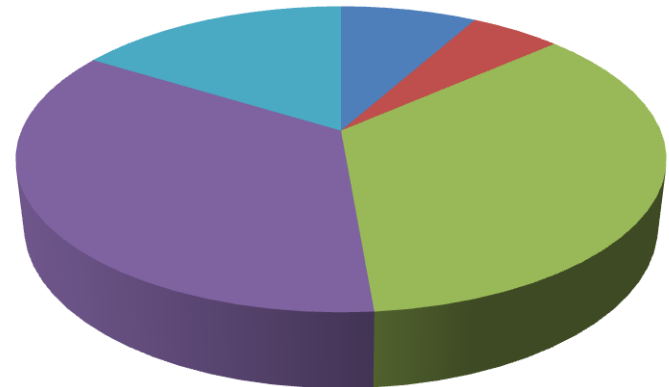
System for Cash Allowances

“Do you understand how this will work?”



- 5 Fully understand
- 4
- 3
- 2
- 1 Don't understand at all

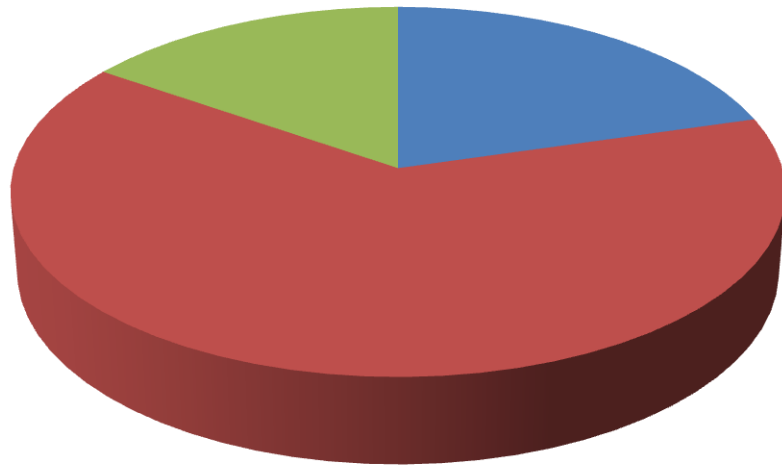
“This will be considered as assessable income for the employee. Do you believe this is practical?”



- 5 Totally practical
- 4
- 3
- 2
- 1 Totally impractical

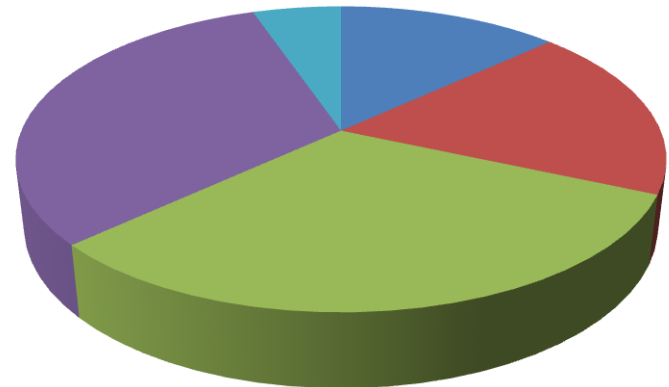
System for Cash Allowances

“Will you know how to treat this allowance for Pay-As-You-Go purposes?”



■ Yes ■ Unsure ■ No

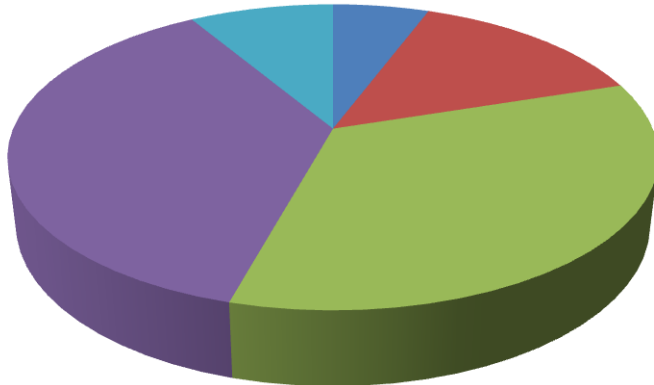
“How practical will it be to require the employee to substantiate their expenses?”



■ 5 Totally practical
■ 4
■ 3
■ 2
■ 1 Totally impractical

System for Cash Allowances

“Will you have the resources available to allow you to satisfy yourself as to the validity of the expenses incurred by the employee?”



- 5 Everything available
- 4
- 3
- 2
- 1 Nothing available

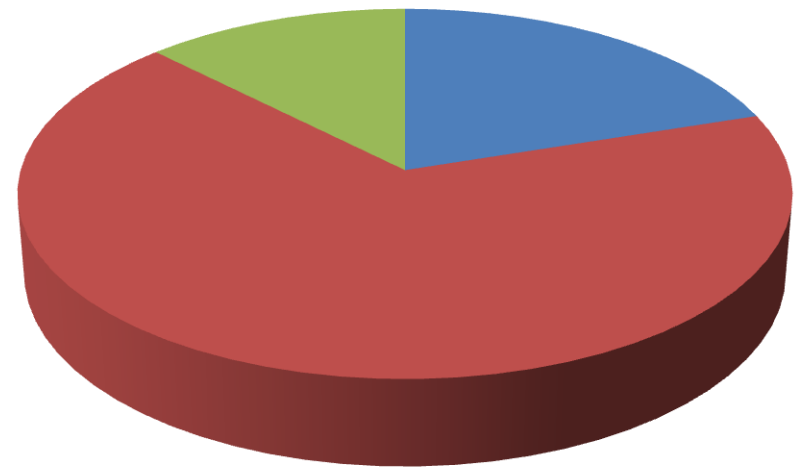
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REIMBURSEMENT OF EXPENSES

System for Reimbursement

- “In relation to the proposed treatment of the Living Away from Home Allowance in terms of the reimbursement of expenses for accommodation and food incurred by the employee...”

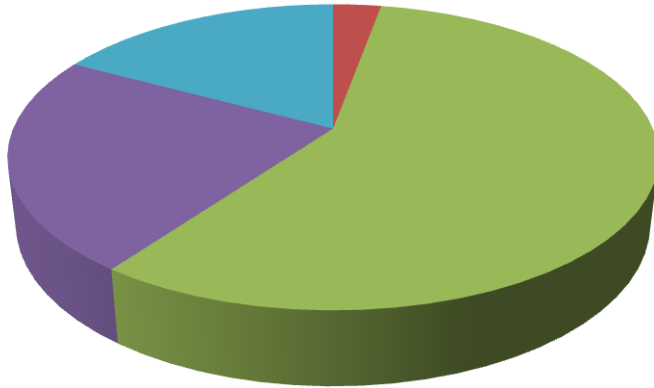
Do you understand how this will work?



■ Yes ■ Unsure ■ No

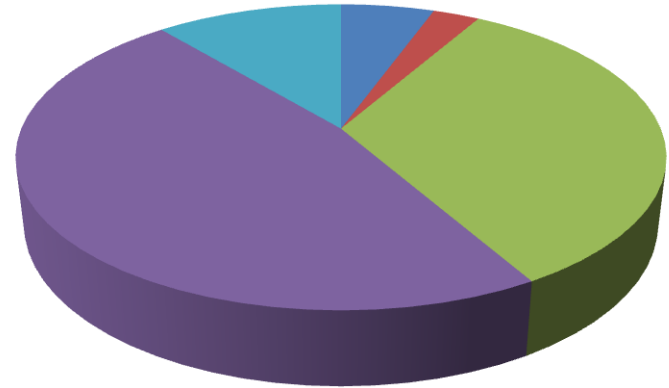
System for Reimbursement

How much will the possible imposition of Fringe Benefits Tax on these allowances impact on decisions to employ certain people?



- 5 Greatly improve chances
- 4
- 3
- 2
- 1 Greatly limit chances

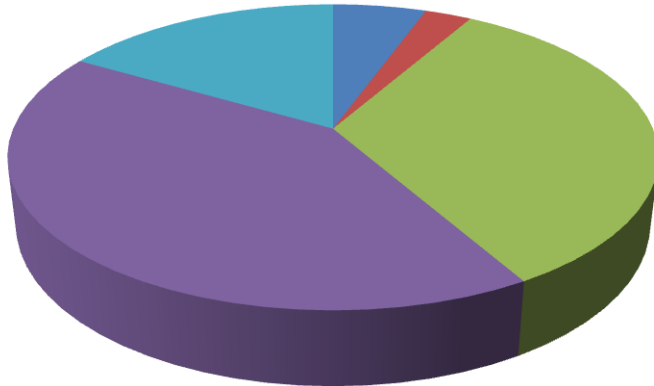
The Fringe Benefits Tax treatment and the amount of FBT will depend, at least practically in some circumstances, on the quality of employee records in relation to the expenses incurred. How practical do you think this will be?



- 5 Greatly practical
- 4
- 3
- 2
- 1 Greatly impractical

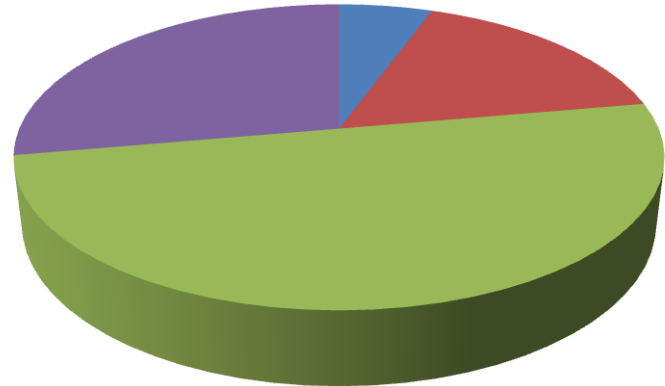
System for Reimbursement

Will this present any difficulties for you in relation to the inspection and maintenance of employee records?



- 5 Easy record keeping
- 4
- 3
- 2
- 1 Difficult record keeping

How practical will it be for you to obtain the employee declaration referred to?



- 5 Greatly practical
- 4
- 3
- 2
- 1 Greatly impractical

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COMMENTS

Comments

- “We do not use LAFHA as an incentive... we always considered this to be a potential minefield that could create more risk than benefit”
- “The biggest effect would be on the salaries our PSA clients will now need to pay. It will decrease our competitiveness internationally and our ability to deliver upcoming projects within [the] budget and timeframes required”

Comments

- “LAFHA is a nice carrot to offer to entice someone to move for a position, but it is not normally a ‘make or break’ incentive”
- “Very few people understand the proposed changes and there is a lot of industry concern”
- “I am very unclear about the definitions and impact on LAFHA employees”
- “I don’t really know about this. All I know is the impact of not being able to offer LAFHA to overseas jobseekers”

Comments

Comments

- “... once they start using the words, ‘self assessment’ I get nervous. We want clear guidelines that are easy to follow”
- “I believe that this issue does not allow for sufficient time for the employees and employers affected to prepare before the proposed changes are made”
- “... I think the timing and handling of this is going to have a significant negative impact on WA and QLD business

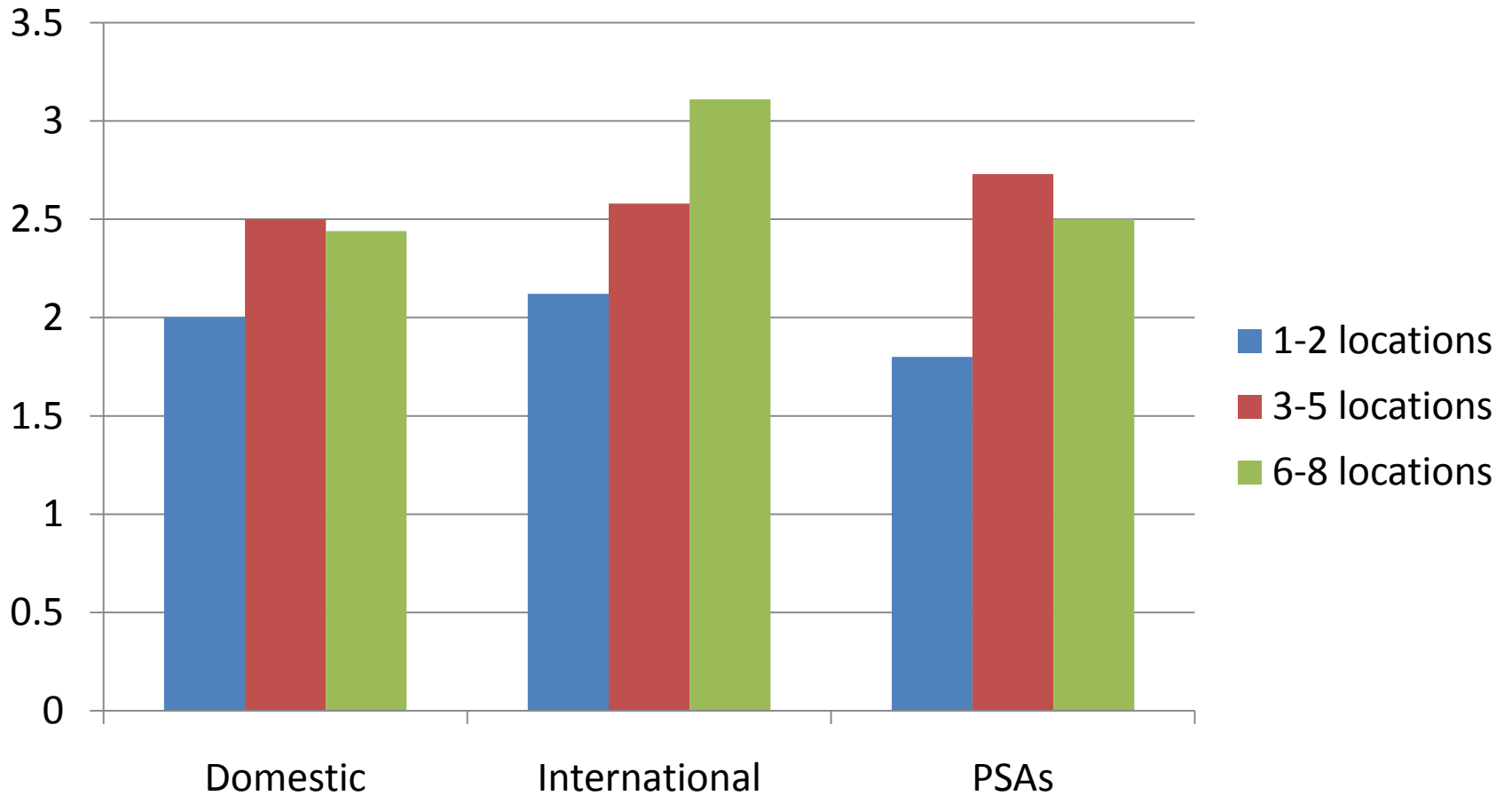
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SELECTED MEMBER COMPARISONS

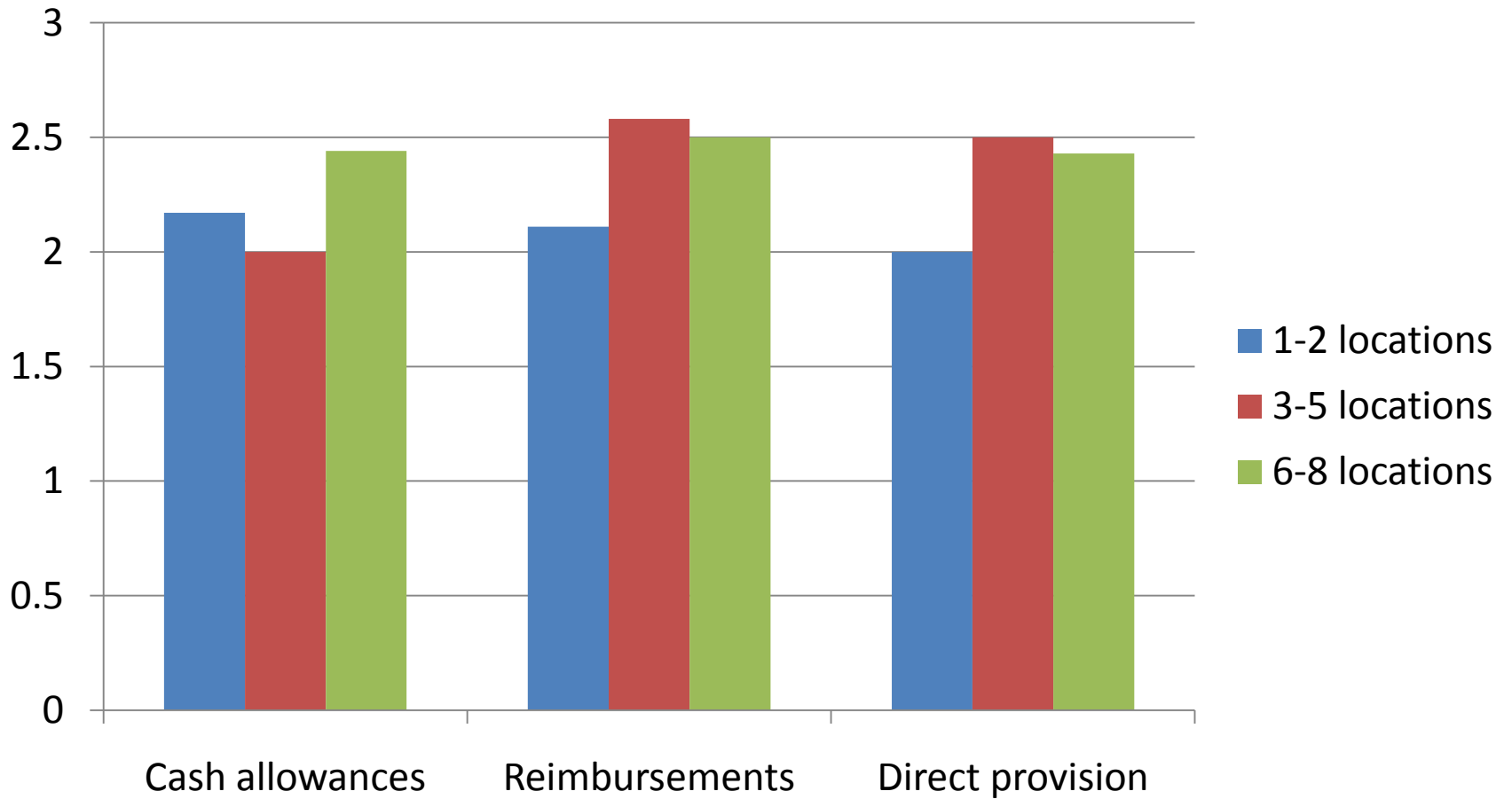
About these Comparisons

- Comparisons are made on business size. Locations refers to the raw number of states and/or territories of Australia the business operates in
- Comparisons are made on those questions that included a numeric Likert scale (1 to 5) where 1 was negative and 5 was positive
- The comparison allows a visual representation in overall differences and similarities of the average sentiment for each business size
- Reference to the question in the previous section should be made as part of reviewing this section

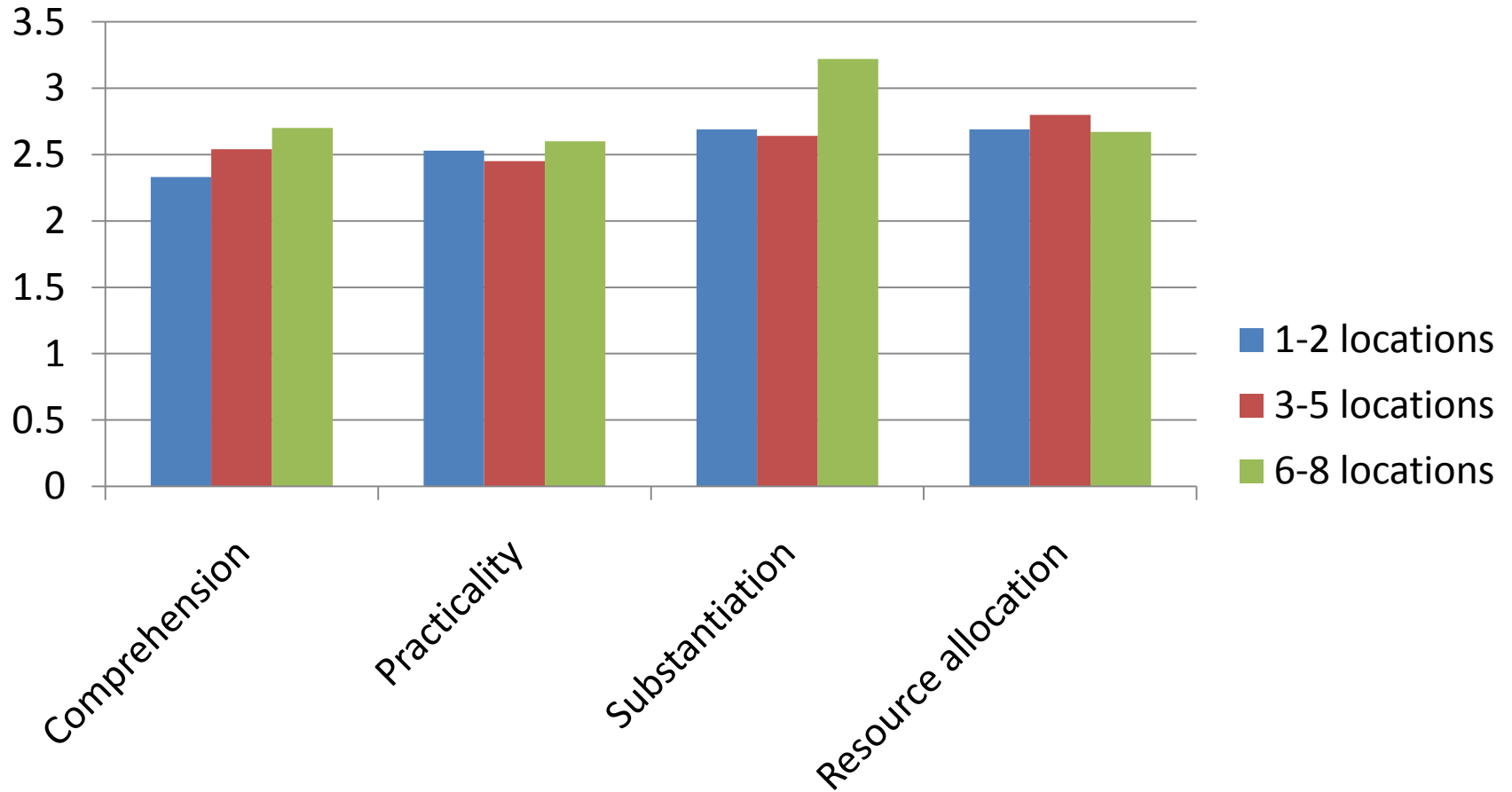
Impact on Competitiveness



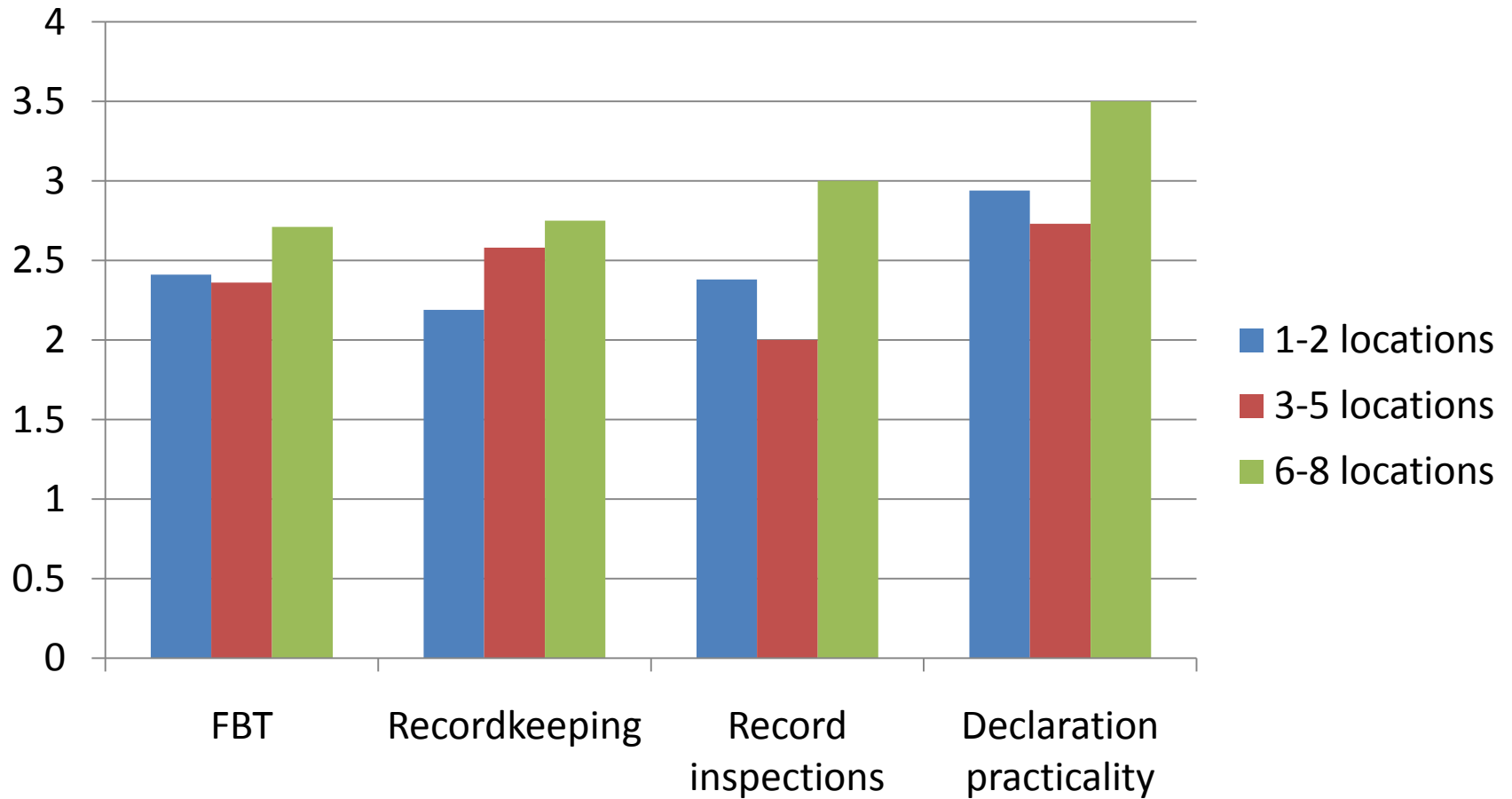
Impact on Use



Impact on Cash Allowances



Impact on Reimbursements



Commentary

- It would appear that generally, smaller businesses view the changes as more negative than the larger businesses
- However, there is no strong pattern of sentiment except in terms of international competitiveness where the larger the business, the more positive the sentiment
- The impact on cash allowances is closest for all business sizes, while impact on reimbursements appears to be very much based on individual business record-keeping systems

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RECOMMENDATIONS

ICT Recruiters are Neutral

- Generally, ICT recruiters are neutral about the changes
- However, they see that there will be some challenges in addressing the new paradigm
- Educational materials will be required for clients and candidates to understand the new system

ICT Recruiters Have Concerns

- If the rules are not clear and well-defined, ICT recruiters envisage problems surrounding:
 - Ease of understanding
 - Clarity of guidelines
 - Extra paperwork that fails to address the original problem
 - Certainty in the marketplace
- The timeframes of the introduction are seen as too tight to educate the market about the ramifications of these changes

ICT Recruiters & LAFHA Candidates

- The big question is whether the international candidate will in fact be locked out of LAFHA by the new rules
- If the new rules make it more difficult for international workers, it will damage Australia's international competitiveness
- It may also damage the ability to have domestic candidates move into remote areas