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**RESPONSE TO CONSULTATION PAPER: FRINGE BENEFITS TAX (FBT) REFORM
LIVING-AWAY-FROM-HOME BENEFITS**

Dear Ms O'Neill,

Thank you for the opportunity to provide comment on the November 2011 consultation paper, "[Fringe Benefits Tax \(FBT\) Reform Living-away-from-home benefits.](#)"

The [Australian Computer Society](#) (ACS) is the recognised association for Information and Communications Technology (ICT) professionals, attracting a large and active membership from all levels of the Australian ICT industry. A member of the [Australian Council of Professions](#) and active member of the [International Federation for Information Processing \(IFIP\)](#) under the auspices of [UNESCO](#), the ACS is the public voice of the Australian ICT profession and the guardian of [professional ethics and standards](#) in the ICT industry, with a commitment to the wider community to ensure the beneficial development and use of ICT.

In fulfilling our role, the ACS is active on a range of policy fronts and among ICT stakeholders to improve ICT skills, education and training capability and quality in Australia and to promote the responsible and professional use of ICT as it affects almost every aspect of daily life. The ACS supports the development of Australian ICT and works with key stakeholders to provide annual ICT reporting as well as to explore ways to further improve the measurement of ICT's contribution to the

economy, community and the environment so that we can make informed policy decisions. These policy areas have informed our response to the consultation paper.

Following discussions with ICT services businesses, the ACS is concerned that the proposed changes may have unintended negative consequences on Australia's developing digital economy and recommend that the existing arrangements for the Living Away From Home Allowance (LAFHA) are preserved for Information Communications Technology (ICT) skilled migrants and the businesses that support them, recognising there are broader domestic ICT skills supply issues and the key role ICT has in Australia's economy.

Failing preservation of the LAFHA arrangements for ICT skilled migrants, then the ACS recommends a longer transition period for the ICT sector to recognise the long term commercial contracts and business planning requirements of the sector. For example, ICT supply contracts can typically be set for 24-36 months, or longer, and many have been constructed cognizant of LAFHA arrangements.

ICT sector businesses have informed us that the proposed changes to the LAFHA will render existing commercial terms difficult for many suppliers, encouraging ICT operations to move offshore. We welcome section 2.3 of the consultation paper in this respect and encourage the government to further engage with the ICT sector:

The Government will examine the need for special transitional arrangements in specific cases to ensure there are no unintended consequences with the new arrangements. This may be particularly relevant for some sectors, such as the community sector.

The ICT sector is a major employer in Australia. In 2009, ICT accounted for nine per cent of professional employment and two per cent of all employment in Australia.ⁱ The value of ICT to Australia is rapidly increasing and at 7.7 per cent of GDPⁱⁱ compels a coordinated policy approach by government which takes into account labour supply and workforce planning. The 2011 Environment Scan by Innovation and Business Skills Australia points to increased demand for ICT skills partly aided by the rollout of the NBN and major government online initiatives such as e-health, the ongoing convergence of telecommunications, data and media, mobility and rapid development of the digital economy.ⁱⁱⁱ

The ACS is concerned that unintended consequences of the LAFHA proposal will include, increased offshoring by ICT labour and services supply companies which will erode Australia's ICT capabilities and a reduction in available ICT skilled labour that will cause delays and cost overruns of major ICT reforms and projects, including those within Government, as the sector continues to struggle to find skilled workers.

The story of Australia's development as a successful society and first world economy is inextricably linked to skilled migration but the attraction for skilled ICT practitioners to relocate to Australia today is challenged by the high cost of living and high taxes compared to Australia's competitor countries in the ICT sector.

The consultation paper notes "the living-away-from-home allowance is one of the most popular searched terms for workers on the 457 Visa." This is unsurprising given the average base salary of ICT skilled migrants ranges between \$51,700 and \$86,213 and the LAFHA is a key decision point for relocating to Australia versus other countries with lower taxation and lower costs of living.^{iv}

The ICT skills shortage in Australia is well known and frequently reported in the media.^v However, despite the recognised skills supply issues for ICT, and evidence that ICT is a rewarding and exciting career, not enough domestic students are studying ICT related courses and barriers exist to retraining which dissuade older workers and women entering the sector. The ACS believes that carry-over perceptions of ICT from the 'dot com' bubble of a decade ago continue to influence study choices by Australian students despite the increasing demand for ICT skills.

Table 1. Australian Domestic ICT Higher Education Commencements^{vi}

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
No	17436	15997	13553	11123	9277	8198	7839	7470	8328	8704

In 2006 domestic and international ICT students represented only 4.79 per cent of the total number of higher education students. This has declined each year and by 2010 only 4 per cent of all higher education students were studying ICT.

Although domestic ICT higher education commencements have shown some increase over the past two years, the dramatic decline over the last decade means that domestic supply cannot meet industry demand in the medium term requiring increased skilled migration. Today, the number of domestic students studying ICT represents only 2.5 per cent of the Australian higher education student body.^{vii}

Australian business is already finding it increasingly difficult to attract skilled ICT migrants as experienced by a decline in skilled ICT migration^{viii} and industry has reported to us that the high cost of living, high taxation and uncertainty over long term migration policy in Australia are the main restrictions in attracting the world's best and brightest ICT workers. The proposed changes to the LAFHA will further dissuade skilled ICT migration and encourage ICT business to offshore rather than absorb LAFHA costs.

Recommendations

That the government consider this response as an invitation to engage with industry in a roundtable discussion to understand industry's position regarding domestic ICT skills supply issues and the development of Australia's digital economy.

That Treasury can engage more closely with the ICT sector to understand how transitional arrangements could be constructed to minimise the ICT skills issues impacting the digital economy while achieving the intent of the proposal. For example, one suggestion from industry is that the ATO could restrict the housing allowance within the LAFHA to a percentage of annual guaranteed income with stronger governance and undertakings to audit lease agreements as proof of spending.

Another consideration suggested by industry is to limit the LAFHA rebate to the duration of the 457 Visa for skilled ICT workers with a maximum term, following which it can be made taxable or subject to FBT noting that current 457 visa holders need some protection as the proposal will have a significant impact when introduced across the board on July 1. This could otherwise reduce the competitiveness of Australian ICT.

Thank you for the opportunity to respond to the consultation paper. If you have any questions regarding this response, please do not hesitate to contact Mr. Adam Redman, ACS Manager of Policy and Stakeholder Planning on 02 9299 3666, or at adam.redman@acs.org.au.

Yours sincerely,



Alan F. Patterson MACS (Snr)
Chief Executive Officer

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- ⁱ ABS Labour Force Survey quoted in DEEWR Labour Supply and Skills Branch report: Overview of the 2009 ICT Research Program.
- ⁱⁱ ACS and CIER analysis: The Australian Computer Society 2011 Statistical Compendium
<http://www.acs.org.au/index.cfm?action=list&sgriD=ireport2010>
- ⁱⁱⁱ Innovation and Business Skills Australia, Environment Scan 2011 Information and Communications Technology:
<http://www.ibsa.org.au/Portals/ibsa.org.au/docs/Research%20&%20Discussion%20Papers/Escan/Escan%202011/IBSA%20Escan%202011%20-%20ICT.pdf>
- ^{iv} The mean salary for ICT workers in Australia with 0 – 7 years work experience. The majority of skilled ICT migrants have less than 7 years work experience. *Source: page 23. The Australian Computer Society 2011 Remuneration Survey,*
<http://www.acs.org.au/index.cfm?action=show&conID=201011180805048098>.
- ^v <http://www.theaustralian.com.au/careers/skills-shortage-to-become-critical/story-fn7174s-1226063877709>
- ^{vi} The Australian Computer Society 2011 Statistical Compendium. <http://www.acs.org.au/index.cfm?action=list&sgriD=ireport2010> p.65.
- ^{vii} *Ibid.* p 21, 65.
- ^{viii} DIAC (formerly DIMA) Population flow data shows the number of ICT Visa 457 entrants to Australia declined between 2008 and 2010 from 13,379 ICT 457 entrants to 8530.