



29th May 2012

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

Dear Sir/Madam

Proposed changes to living-away-from-home allowance

Ausfilm is an Australian industry-government partnership. Ausfilm's membership comprises Australia's Federal and State Governments, the major studios and the leading post and digital effects facilities and production service providers. Ausfilm promotes Australia's incentive schemes, locations and capabilities worldwide to assist international screen producers to make their productions in Australia.

Ausfilm members seek consistency and clarity in relation to all legislation affecting the screen production industry. The Australian Screen Production Incentives (ASPIs) have been implemented by the Federal Government to support a viable domestic production industry and to encourage big budget, international screen production in Australia. Ausfilm notes that the Federal Government passed legislation to increase the Post, Digital and Visual effects (PDV) Offset to 30% in November 2011 to encourage international productions to continue to use the world class facilities and expertise available in Australia for such specialist work.

Ausfilm members have requested Ausfilm to comment on the exposure draft of the legislation making changes to the tax status of living away from home allowances.

Working with the ASPIs and the existing taxation framework, including legislation affecting living away from home allowances, Ausfilm members strive to be competitive with international service and facilities providers. However, proposed changes to the living away from home allowance have significant flow on effects that Ausfilm members believe are not consistent with the overall intention of Government to support viability in the sector and to encourage international screen production.

Many of the flow on effects are outlined in the Rising Sun Pictures (RSP) submission. RSP is a member of Ausfilm and their submission is endorsed by Ausfilm.

The significant issues for Ausfilm members are:

- 1) Imported specialist cast and crew are integral to international productions. The nature of the industry, especially in relation to higher budget productions, is such that international cast and crew are required to work around the world. The proposed changes to the legislation will have significant cost implications for Australian companies seeking to compete for production, post production and visual effects work and therefore competing for specialist crew in particular (from within Australia

and abroad) and will affect international production companies assessing Australia as a cost effective production destination.

- 2) The length of time some of the specialist imported crew are required on one or more productions (especially for PDV work) may exceed 12 months. These crew are not only providing expertise to allow fulfillment of contracts for international production work but also providing specialist skills training to Australian crew/staff.

Anecdotally, Ausfilm members have already been told by imported specialist crew that they will seek work elsewhere unless their employer can reimburse them for the full cost of their living away from home expenses previously allowed as FBT exempt.

Ausfilm members are also concerned that the effect of adding these expenses to the salary of imported specialist staff will bring an inflationary demand from Australian staff doing comparable work.

There is a potential flow-on effect concerning superannuation, payroll tax and workers compensation increases (if the living away from home allowance is treated as taxable income of the employee) which will also deliver increased costs to the employer for each affected employee.

Ausfilm requests that:

- a) the commencement date for the legislation be further extended to allow companies to make adjustments in their businesses for future work they may be bidding for without affecting current work contracts they need to deliver on where these changes were not factored into the contract price (not just for existing employee arrangements);and
- b) extend transitional provisions to temporary residents or foreign residents, who do not maintain a home in Australia, to 1 July 2014.

Ausfilm also commends the submission by Finikiotis & Father and specifically the suggestion that the screen production sector be allowed to apply the 'travel allowance' provisions to employees in the industry for up to 183 days.

Ausfilm would be very happy to meet with the Philanthropy and Exemptions Unit of the Treasury to discuss the negative effect these changes will have on our industry.

Yours sincerely



Debra Richards
CEO