

# SUBMISSION IN RELATION TO THE REVIEW OF THE TAX LAWS AMENDMENT (2012 MEASURES NO. 4) BILL 2012

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ABN 78 106 676 359



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Thank you for the opportunity to provide comments and submissions in respect of the Review of the Tax Laws Amendment (2012 Measures No. 4) Bill 2012. Extend Technologies believes that the proposed changes to the Living Away from Home Allowance (LAFHA) will significantly impact on our ability to attract overseas candidates for roles we are unable to fill locally. The general principles of ensuring that the allowance is not abused is agreed, however, we would seek that any decision made would still provide a viable way of attracting employees to our shores that does not make the cost unsustainable for companies and/or individuals.

If the legislation is passed as is currently drafted we are also concerned with the lack of transition provisions provided for those currently in our employment on 457 visas.

## 1 BACKGROUND ON EXTEND TECHNOLOGIES

Extend Technologies is a leading provider of SAP solutions and services for large and medium organisations in the public and private sectors. We enable our customers to solve their complex business challenges through innovative, value-adding and proven deployments of SAP and complementary solutions. Revenue from our business is through selling our consultant's time to our customers who then design and implement IT solutions and systems for our customers to better manage their business. If we do not have the staff we cannot sell the time. Therefore our business survival and growth is dependent on sourcing suitable candidates and employing them within our business.

## 2 THE NEED FOR RECRUITMENT OF CANDIDATES OFF SHORE

Extend need to ensure that we are able to attract the best talent. The Australian job market for SAP specialists is extremely tight and the pool of candidates is very limited. Our initial search for staff always commences in the local market. Once these options are exhausted we look internationally to source candidates. We generally need our consultants to start as soon as possible, so to go through a visa application process is never an ideal option, however it often becomes our only alternative.

This being the case, we need to make the proposition to the candidate attractive enough that they will relocate to work for us.

In 2011, 25% of Extend's new hires were sponsored on 457 visas. Of these new hires 64% were from the UK, 22% from Europe, 7% from the US and 7% from India. In addition, 60% of these roles were newly created roles.

Of those that we do hire from overseas the majority of the candidates we have approached directly and invited them to consider Extend. In this industry segment very few candidates actually initiate the engagement process.

As those that we attract from overseas do not have the same entitlement to access to benefits and services that other Australian taxpayers have access to (eg. Medicare or government funded paid parental leave) their cost of living in Australia is higher than a resident on the same level of pay. Within the proposed changes there is no consideration given to this aspect. Additionally there are often benefits left behind in the home country that are not available here. The net outcome is that the individual on the 457 visa is financially disadvantaged by the move.

## 3 THE NEED FOR LAFHA TO CONTINUE

LAFHA provides a way in which employees can be provided a payment that takes into account all additional expenses that may be incurred due to the fact they are living temporarily away from their home country.

The result of these proposed changes will be a difficulty of Australian employers to attract suitably qualified staff to Australia where they have not been able to fill the role with a locally sourced candidate. This is especially the case for those companies that must entice the talent as opposed to those companies who have people continually knocking on their door.

The draft proposal does not recognise that these changes will result in many on the 457 visa being financially disadvantaged by a decision to move to Australia. The LAFHA benefit provides a simple way of calculating this, although it obviously does need to be monitored and audited.

These proposed reforms will adversely affect our business as it will become less attractive for those overseas to relocate to Australia for work. Without the people we are unable to sell services. This will significantly impact on our ability to grow our business and contribute to the economy.

## 4 TRANSITION PERIOD FOR CURRENT EMPLOYEES

If however, the legislation as drafted is passed there does need to be a transition period provided to those who do not fit the current criteria (ie. those on 457 visas). We are concerned both for the financial impact on these employees (many of whom are locked into leases until early 2013) and also from a retention perspective. We have already had 2 resignations from those on 457 visas who are returning to their home countries. Due to the number of employees in this category within our business we are concerned that if after 1 October 2012 there is not a further extension we will lose further staff and this will be to the detriment of

our business. We request that a transition period is provided so that they are able to reorganise their finances to then be able to adjust to a lower monthly household income.

## 5 CONTACTS

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