



Submission No 6

Inquiry into Australia's trade and investment relationship with the economies of the Gulf States

Organisation: ICS – Part of the Adesse Group

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From: Don Moore [moore@icspl.com.au]
Sent: Friday, 30 January 2004 4:52 PM
To: Committee, JSCFADT (REPS)
Subject: Submission to JSC
Importance: High

Committee Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade
Department of the House of Representatives
Parliament House
Canberra ACT 2600
AUSTRALIA

Submission from ICS.

We believe this is an appropriate forum to express our concerns relating to the "change in application" of the guidelines for the 23 AF Tax Exemption System managed by Austrade on behalf of the Federal Minister for Trade.

The terms of reference for this Joint Standing Committee on Foreign Affairs, Defence and Trade include, "The role of Government.....andassisting Australian Companies to maximise opportunities in the Middle East...."

The issue surrounding this presentation is that a change in Government Process has caused a significant and detrimental effect on Australian Companies and their ability to maintain and to grow bi-lateral trade with the Middle East regions.

Section 23AF of the Tax Act allows tax exemptions to be approved (under certain conditions) for Australians working internationally in zero income tax countries, (which include most of the Middle East Region countries).

Since 1995 our Company has been utilising this section of the Tax Act to provide exemptions for professional and executive personnel wishing to work in the Middle East Region. Our competition in placing Australians there is specifically Americans and then other western style countries, most of which provide their expatriates with tax exemptions which naturally increase the value of their earnings.

Many other Australian Companies in Personnel and in other fields including Construction use 23AF effectively.

Then without warning on or about November 2002 the application of the guidelines was changed from that accepted by Austrade since 1979 when the scheme was first introduced.

This change was in essence to tighten up and apply the legislated wording extremely precisely without consideration for the usefulness of the Project for export growth and Australia's image internationally.

So our request is to acknowledge that damage has been done by this change and quickly provide a solution to this Taxation incentive issue.

Please note, we are not saying the solution must involve 23AF, at least without legislative amendment. And this possibility apparently exists as per the previous change to allow Ship's

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Officers to come within the scope of 23AF. Because they move between countries, the definition of Approved Project was not met. Changes were made based upon the same set of logic we have put forward relating to fair treatment of all tax payers and competitive neutrality in the market place, plus the recognition of the benefits of employing Australians as Ships Officers.

The solution could equally well be based around 23AG of the same legislation or around some completely different concept.

What we must have is tax exemptions for Australian Expatriates working in the Middle East in order to compete on the world market.

The attached documents illustrate the effects that the change has had and will continue to have into the future, and we ask that they be accepted as part of our submission.

Thanking you

Yours sincerely

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Principal ICS

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