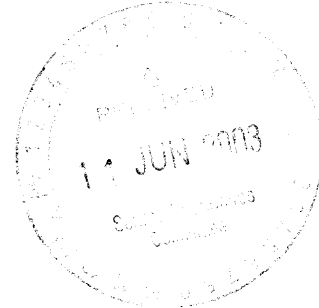




4 June 2003



Mr Peter Hallahan
Secretary
Economics and Legislative Committee
Senate of Australia
Parliament House
CANBERRA ACT

Dear Mr Hallahan.

Taxation Laws Amendment Bill (No.4) 2003

I am writing to you about the Senate inquiry into the circumstances of Fringe Benefits Tax (FBT) that is payable on employer contributions to redundancy funds. AMCA believes it important that the committee fully understands the cost to employers if FBT is imposed on the payments made to redundancy funds.

AMCA submits that there are special circumstances in the building and construction industry to exempt redundancy fund payments from FBT. Furthermore, the other benefits that are provided to employees out of the surplus generated by the efficient management of the funds should not be subject to employer liability for FBT.

Redundancy funds have existed in the building and construction industry since 1988. The history of central funds goes back even further, for example, long service leave. These central funds are for the benefit of employers as well as employees. The project based nature and the small capital base of many construction companies, has created these special circumstances.

AMCA members make payments to the Incolink Redundancy Fund on behalf of employees. This fund has been very well managed enabling it to generate significant surplus funds. In turn, these funds have been used to provide a range of benefits to both the industry generally, and individuals in particular. There is no doubt that the services provided to employees of the construction industry by Incolink, have been to the benefit of the industry.

An important issue for the Committee, and then the Parliament, is to ensure that employers are not presented with any retrospective FBT for redundancy fund payments or any other benefits, eg., insurances that are paid. Many AMCA members have been acting on the advice of the Treasurer set out in his press release dated 11 October 2002, and later advice from Incolink that FBT would not be payable on redundancy fund contributions. The issue of insurances, for example, was never mentioned.

AMCA has a number of members who employ in excess of 100 on site construction workers. Given that they are working to fixed price contracts, any retrospectivity to 1 April 2003, will now constitute a significant financial cost for which no provision could ever have reasonably be been made.

Yours truly,

A handwritten signature in black ink, appearing to read 'David Eynon', written in a cursive style.

David Eynon
Executive Director