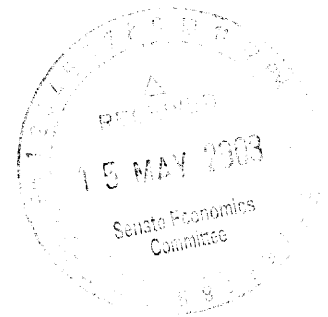


9th May 2003



South Australian Building Industry
Redundancy Scheme Trust

The Secretary
Senate Economics Legislation Committee
Room SG.64
Parliament House
CANBERRA ACT 2600



Taxation Laws Amendment Bill (No.4) 2003

Schedule 7 of the Taxation Laws Amendment Bill (No.4) 2003 relates to Fringe Benefits Tax (FBT) on contributions to employee benefit trusts.

The South Australian Building Industry Redundancy Scheme Trust (BIRST) is a redundancy fund in South Australia and the proposed passage of this bill in its current form will have a significant impact on both our employer members and the South Australian construction industry.

Employer Members

It is imperative that a bill is passed that will provide FBT free status for contributions to prescribed redundancy funds.

It is important that we are able to provide certainty to our employer members. They must be sure that a contribution to a prescribed redundancy fund, which is comparable to recognised industry standards, will be exempt from FBT.

The current bill provides an exemption for contributions required under an industrial instrument.

It does not provide an exemption for employers contributing:

- Under an award that does not *require* contributions to a fund
- An unregistered industrial agreement
- An expired industrial agreement
- A contract of employment

even if contributions are the equivalent (or less) than those set out in registered industrial agreements.

This clearly discriminates against employers that do not have registered industrial agreements.

It is not unusual for major employers to agree to employment terms by way of a registered agreement. Other, often smaller employers will agree to the same terms but do not consider it necessary to register their agreement. Others will elect to remunerate their employees on the same terms but not enter into a formal agreement due to other issues contained in industrial agreements. This may be done via a standard contract of employment.

Recommendation 12 of the Royal Commission into the Building and Construction Industry recommends prohibition of all forms of discrimination for or against a contractor on the ground that the contractor has or does not have a particular form of workplace agreement.

If passed in its current form the legislation would create the discrimination the report recommends be prohibited.

We urge the committee to recommend the legislation be altered to broaden the definition of industrial instruments to provide certainty to contributing employers and to ensure that all employers are treated equally.

The Construction Industry

The training and support functions undertaken by BIRST are significant in the context of the South Australian construction industry. The net income generated by funds invested has been used:

- To preserve the jobs of apprentices during the downturn in building activity in the early 1990's BIRST contributed significant funds to Group Training Schemes. Without this assistance it is likely that the current shortage of skilled tradespersons in South Australia would be even more severe.
- To provide funds to establish the Construction Industry Training Board. The CITB board now promotes, through training, increased productivity, career opportunities, personal satisfaction and occupational health and safety in the South Australian building and construction industry.
- To establish and fund the Construction Industry & Other Industries Drug & Alcohol Program Inc. The program has increased awareness of the dangers of drugs and alcohol in the workplace, reducing workplace accidents. It has received numerous Government awards recognising the impact it has had on workplace safety.
- To provide seed funding for various other training initiatives resulting in better skilled workers employed in a safer, more productive industry.

These initiatives are unlikely to have been realised without the ability to utilise income from BIRST for the benefit of the industry, as individual employers do not have the time or funding resources to establish and nurture these activities.

The current bill will prevent BIRST's income from being utilised in this manner, to the detriment of the building and construction industry in South Australia and its participants.

BIRST would like to continue to operate in a manner that has provided significant benefits to the building and construction industry in our state. We recognise that legislative change is required to prevent double taxation of redundancy contributions but it is unclear why these benefits must be forfeited to attain this exemption.

We thank you for considering our submission and if required, would be pleased to provide any further information.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alan Suridge', written over the printed name below.

Alan Suridge
Fund Manager