



Compelling case for a review of employee taxes for Aussies in Africa

AAMIG is engaged in high-level talks with the Australian Federal Government in an all-out effort to encourage the authorities to review the taxation regime for expatriate mining industry employees working in Africa.

A paper titled *The case for reviewing Australian taxation of expatriate mining industry employees deployed to Africa to improve international competitiveness* was produced by AAMIG in September 2014 after extensive consultation with the organisation's members. This substantial document clearly demonstrates the unintended consequences that the introduction of s.23AG and Fringe Benefit Tax (FBT) changes have had on the Australian resource sector operating overseas.

This AAMIG initiative stemmed from changes to Australian tax exemptions in July 2009, coupled with reforms to the living-away-from-home FBT rules in 2012, which have made the deployment of Australians to overseas projects increasingly uncompetitive.

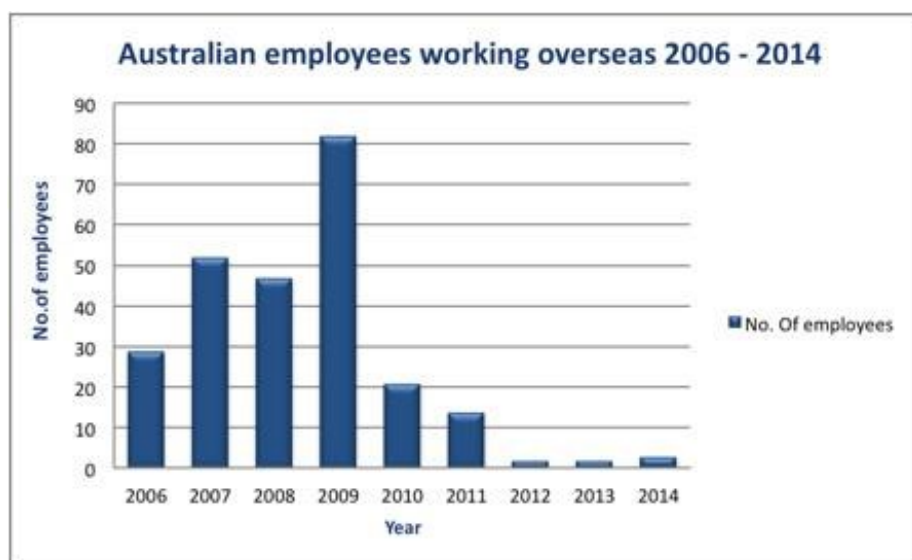
"Our submission highlighted the negative effect these changes have had on Australian businesses and personnel by making it more costly to do business in Africa. Roles are now being preferentially given to expats from other countries," said AAMIG chief executive officer Trish O'Reilly.

Given that there have been decades of successful mining interaction between the continents, AAMIG believes it is essential that this trans-Indian Ocean relationship be strengthened, rather than jeopardised.

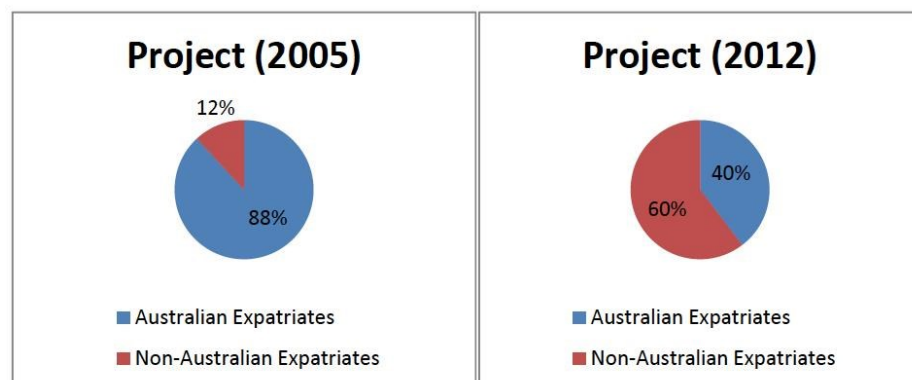
Multinational professional services firm PricewaterhouseCoopers helped AAMIG finalise the document before being submitted to Treasury and the Australian Taxation Office on 3 February 2015. O'Reilly was joined by two tax specialists from PwC to present the submission in Canberra.

The ATO subsequently asked for further information, and AAMIG quickly responded by again calling on members to provide the details. The AAMIG member responses included:

- Since 2009, there had been a definite increase in the cost of sending Australian employees overseas.
- Many employers no longer employ Australians to work on overseas assignments, preferring, for cost reasons, to employ nationals from more tax-effective jurisdictions (South Africa, Europe and North America),



Drop-off experienced by one AAMIG member engineering company in Australians employed in their overseas projects, as a result of the introduction of s.23AG.



Comparative staffing profiles for 2005 and 2012 for expatriate personnel sourced for two similar projects in Ghana, with similar capital cost (about US\$500 million), similar scopes of work, similar levels of complexity, the same commodity and the same client.

even if this does not provide the best overall outcome.

- Mining services companies were mostly affected, as they have to compete with financially driven tenders and 100% of those surveyed noted a decrease in the success rate of being awarded tenders in Africa. The primary reason for failing to win overseas contracts was cost, particularly employee costs.

- All employers had noted an increase in employee costs, primarily arising from the requirement to cover additional tax liabilities incurred by the employee working overseas.

- A number of Australians working overseas had relocated their home bases to more favourable jurisdictions around the world,

effectively making them non-residents for Australian tax purposes owing to the higher tax rates imposed by Australia, coupled with the lack of tax concessions made available for those working overseas.

AAMIG's intervention on these tax issues has resulted in a commitment by Treasury to prepare a tax white paper for discussion.

The Australia-Africa Mining Industry Group (AAMIG) is the leading member association supporting the Australian extractive industry operating in Africa.
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