

Submission 20

13 July 2012

Committee Secretary
Standing Committee on Economics
CANBERRA ACT 2600
By email: economics.reps@aph.gov.au

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Dear Committee Secretary

Submission on the Review of the Tax Laws Amendment (2012 Measures No. 4) Bill 2012- Living Away From Home Benefits

We welcome this opportunity to make a submission to the Standing Committee on Economics in relation to the review of the proposed reforms to the fringe benefits tax (FBT) treatment of the Living Away From Home Allowance (LAFHA), as announced by the Government on 29 November 2011 (Proposed Reforms).

We are a group of highly trained engineers, scientists and other professionals working for the Australian Nuclear Science and Technology Organisation (ANSTO), all hired under the 457 Visa (temporary resident).

As explained in the following section, we believe that the proposed reforms treat temporary residents unfairly and put them in a financially disadvantageous position when compared to Australian citizens and permanent residents in equivalent roles. Furthermore, the proposed reform does not provide for a transition period, hence, temporary residents will face a disruptive change of their net salary and will be put in a difficult budgetary situation. Therefore, the proposed reforms will have a detrimental and unintended impact on the ability for scientific research organisations such as ANSTO to remain internationally competitive in attracting and retaining overseas experts with highly needed skills and specific expertise that are difficult to find in Australia.

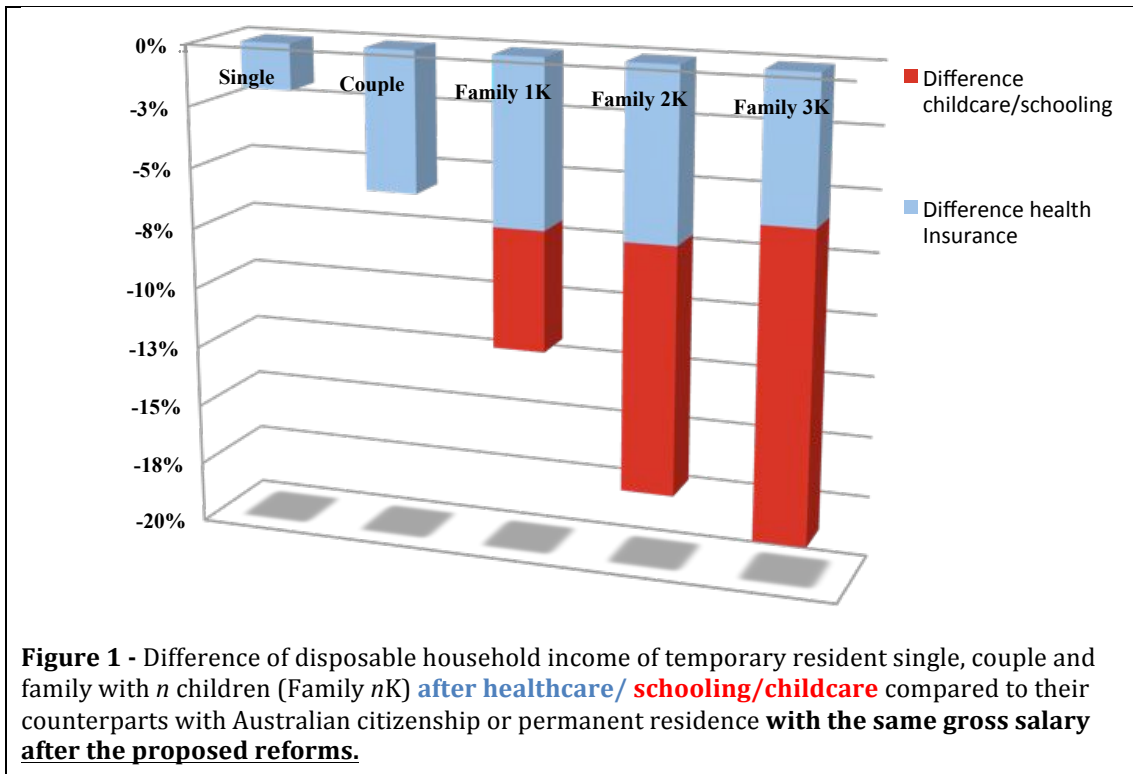
In order to analyse the financial inequality aspect of the proposed reforms, we have calculated the difference of the disposable household income after subtracting health care, schooling and childcare of a temporary resident family, couple or single person compared to their Australian counterpart after the proposed reforms. As an example for

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the calculation, we assumed an annual gross salary of AUD 80,000. The result depicted in Figure 1 shows the financial discrimination faced by temporary residents.

In particular, once schooling, childcare and healthcare costs have been covered temporary residents' families will have up to **19% less disposable income than citizens and permanent residents with the same gross salary**. This inequality mainly stems from the fact that while paying full taxes, temporary residents will be unable to avail themselves of any benefits associated with residency such as Medicare, childcare rebates, free schooling and a vote.



As a consequence of the implementation of the proposed reforms temporary residents will **lose approximately 10 - 20% of their net income**, with the hardest hit being those that have families. Such a financial loss has a dramatic impact. Many temporary residents accepted jobs in Australia based on budgeted levels of income and expenses. They committed to lease arrangements and bank loans based on the same calculations. Hence, they are tied in to financial agreements that they will no longer be able to afford. The disruptive nature of this change, and the fact that no transition period is offered, puts temporary residents in a difficult financial situation due to long term commitments they made based their salary package, which included LAFHA. Furthermore, for temporary residents it is hard to adapt to the new situation, not only facing increased financial burden but also being unable to afford the associated costs of relocating nationally or internationally.

For many of us, the salary including LAFHA was a strong incentive in relocating to live and work in Australia. With the proposed reforms we consider our remuneration and

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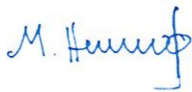
entitled benefits no longer competitive on the international market and as a result there is less incentive to work in Australia and will consider employment overseas.

If, despite the objections of a substantial proportion of Australian businesses and organisations, the Australian Government ceases LAFHA payments for temporary residents, we are of the opinion that measures need to be put in place to ensure that temporary residents are treated equally within the tax system. In other words, as full taxpayers we would request to be entitled to the same benefits as permanent residents and Australian citizens, including Medicare, a childcare rebate, free schooling and a vote.

If the Australian Government does not plan to make any concessions, we request a reasonable transition period to have a sufficient amount of time to adjust to the new financial situation.

We would be pleased to discuss any aspect of this submission, hence do not hesitate to contact our selected representative Dr. Marcus Hennig on phone +61 (0) 431 447 704 or marcus.hennig@ansto.gov.au.


Kind regards



Dr. Marcus Hennig



Dr. Mark D. Ogden



Dr. Ellen Moon



Dr. Dhriti Bhattacharyya



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Dr. Edward G. Obbard

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Dr. James Douth



Dr. Michael P. Weir



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