

I write this submission as a temporary resident in Australia who currently receives the Living Away From Home Allowance (LAFHA).

I learned from the 2012 Budget in May that there was a proposal to change the rules around LAFHA. I also learned that for existing LAFHA recipients, I was likely to be denied the transitional arrangements to July 2014 that Australian permanent residents would receive. In general terms, the wording in the Budget Paper on 8 May indicated *all* existing LAFHA arrangements would be honoured until July 2014, however Treasury back-tracked a few days later and said this had been misinterpreted.

The proposed LAFHA amendments will have very real and negative personal impacts on me and my family, not to mention that the transitional arrangements proposed appear to be discriminatory.

I would first urge and ask this Committee to review the non-discrimination articles in both the New Zealand and United Kingdom tax treaties. These treaties are arranged to protect individuals from discrimination and different tax arrangements, including for Fringe Benefit Tax (FBT) which LAFHA falls into under tax law. The manner in which the transition rules are proposed to apply for permanent residents verses temporary, is discriminatory and has the potential to breach these tax treaties.

For LAFHA recipients, these last few months have been an emotional roller-coaster. I am certain there is not one amongst us who does not have to make significant decisions based on the potential removal of LAFHA and/or transitional arrangements; and others who have already done so, e.g. down-sized accommodation, returned to home countries.

I do not have permanent residency and nor do I wish to apply for it as I intend returning to New Zealand when my assignment in Australia is due to complete. I was encouraged to move to Australia due to my skills and talent, and the opportunity attracted me. Financial consideration was part of my decision-making prior to moving of which LAFHA was a considerable incentive to ensure I could make ends meet.

I maintain a home in New Zealand (to which I derive no income), vehicle and other costs such as insurance and rates. In Sydney, I lease an apartment of a similar level to my home in New Zealand. My day to day budget decisions are based on continuing to receive the LAFHA. I'm not 'milking it' – simply getting by and putting money into Australia's economy in a variety of ways.

If tax legislation affecting the LAFHA is passed with no transitional arrangements, I will find myself in the unenviable position of having to leave Australia much earlier than anticipated.

I would urge the committee reviewing this proposed legislation, to consider the unintended consequences of introducing the legislation without further amendment, including change to transitional arrangements for foreign residents. My own situation and the consequence of removal of the LAFHA from 1 October 2012 will result in:

Submission 16

- My imminent departure from Australia and the loss of my expertise and talent to my employer;
- The removal of \$1250 per week in rental/lease costs ceasing;
- The removal of other living costs I pay into the Australian economy which I have calculated to be in the vicinity of \$5,000 average per month e.g. power, phone, social, food, medical and many other general living expenses;
- The tightening of my budget until my departure including for example, the cancellation of my cleaner and gym membership (which I have already done on the basis of the proposed legislation and the need to bridge the financial gap until I potentially depart);
- No further holiday travel within Australia (I consider myself a tourist and have in the past 18 months taken every opportunity to visit other States and Territories (a saying in New Zealand is “don’t leave home until you’ve seen the country”); and
- No further visits from friends and family to Australia (of whom we had 13 occasions in the last 18 months where we met, hosted and showed the sights of Sydney to people – notably these people travelled with the sole purpose of visiting us – it was a great excuse for them which otherwise might not have taken place).

My point is that the unintended consequence of squeezing out foreigners from LAFHA eligibility and transitional arrangements will be that many millions of dollars in tax revenue will not go into the Australian economy. It’s a tenuous at best argument that the Government will receive income in additional FBT and tax to cover what would have been spent in other ways. It’s also very likely that many future people will be dissuaded from coming and many already here, like me and my family, will be forced to depart. And I haven’t even raised the matter of the talent and expertise we provide to our Australian businesses – that is another whole other argument and basis of not amending this legislation to exclude temporary residents.

Expanding the transitional arrangements to include temporary and foreign residents will provide enough time to readjust our financial commitments and enable me to stay in Australia for the duration of my tenure.

This law will place genuine hardship on many people, not to mention some truly talented individuals and their families who will return to their home countries.

As I understand it, the LAFHA tax concession is intended to support people who are bearing additional costs because they maintain a home away from their actual home for work purposes. The draft legislation proposes the ‘actual home’ be in Australia. In all other aspects, my situation exactly matches the intention of LAFHA, but I am to be discriminated against due to the location of my home.

Please consider applying a level playing field for LAFHA going forward, but don’t discriminate against temporary residents in the transitional arrangements as is currently proposed.

Please consider expanding the transitional period to include temporary and skilled individuals such as myself. At a very personal level I believe I deserve equal treatment and the value of my role and what I put into Australia’s society (both at work and on a day-to-day basis) be given serious

Submission 16

consideration. I add value, was attracted for my talent and the economic argument of this be weighed up against my imminent departure otherwise.

Best regards

Christine Hutton