

Dear John,

I am writing to you about the proposed changes to the Tax Law Section 23AG. Please find below, my submission to the senate enquiry regarding this:

I am a resident of Tasmania, and I am writing to you in response to the Federal Government's proposal to amend the tax law exempting Australian's working overseas from paying income tax. In particular, I writing with regards to offshore workers employed in the oil and gas industry. The proposal to make Australian's working overseas in this industry pay tax is highly objectionable. These people work hard for the right to be employed in these specialist positions within their companies. The sacrifices they make and the dangers they face are done so because of the financial benefits brought to them and their families, and ultimately the economy. Taxing these workers will mean there is absolutely no incentive whatsoever to work overseas. No-one will work in places such as Angola, Nigeria, Sakhalin Island (Russian Federation) and spend only 4 or 5 months a year at home with their families when they can take home the same money working in Australia. Therefore the consequences of this move will not benefit Australia but actually harm the economy.

I work in Australia in this industry, and my partner works overseas in this industry. We have many friends who work overseas in our industry, so what I am about to put down is based on fact and not hypothesis. The following will be the immediate outcomes of the change:

1. Australian's working overseas will come back to work in Australia. The people who make it overseas are the more experienced workers who have earned the right for the position. These are not people their employers will want to lose. The employers will make space in the Australian industry for these people and to do that they will hold back on promoting a junior employee, which in turn keeps them in their trainee position, which in turn prevents that position from becoming available to another Australian looking for work. Demotions will also be highly likely as higher positions return to their old jobs. There is going to be a huge influx of Australian's returning to Australian jobs and taking them away from other Australian's who otherwise would have found employment. The employment market in one of our most productive sectors will suffer greatly.
2. Many workers, especially singles, will simply move to other countries such as Thailand, Spain etc and take their money with them. And in fact, my partner and I are considering this very thing. Some people might even relocate their entire families. Some workers with families are discussing this as a very real prospect. This is not good for Australia.
3. Many workers are citizens who have migrated here, or Permanent Residents. These people will probably give up on Australia as somewhere where it is impossible to get ahead in life and move back home. Australia is already one of the highest taxed countries in the world. It can't be beneficial to the economy if there is a "brain-drain" of these workers. They are not taking a job in Australia away from an Australian, but are bringing in a good deal of foreign-sourced revenue back to Australia. Does the government really want to lose these people from their economy?

Outcomes that may take a little more time are:

1. These employees will no longer have money to spend. The economy will suffer. Small businesses will suffer. An example of this is that myself and my partner were going to extend our house with a dedicated dining room. We were going to employ the out-of-work architect who lives near us to do the plans, and contract a local business to do the work. This is no longer going to happen. We need a new fence, this is no longer going to happen. Instead of pumping \$50,000 into the local community over the next few years, we may well be living in Thailand. Money from taxed luxuries such as alcohol, cigarettes will be lost. My partner and I enjoy going out for a restaurant meal every couple of weeks. We work hard and make sacrifices in order to be able to do that. Not any more, Mr. Family-Run-Restaurant will no longer have our custom. And we are by no means the only ones who this will affect in such a way.

2. Families will no longer be able to afford private education for their children, the state education system will be burdened. The wives will need to pitch in, find jobs. This puts pressure on the employment market, child care etc.

3. Almost all offshore workers have a trade. Some will quit offshore and go back to that. Some may do cash jobs and not pay tax. They may do cash jobs, not pay tax and claim benefits. They will undercut Mr Joe Bloggs and put him out of business. Or they may try to get jobs with established businesses or set up their own businesses; either way, it puts pressure on other Australians for work at this time of limited opportunity.

I found the headline in The Australian "Income tricks of the Rich targeted" quite insulting. I do not believe the government actually understands our industry at all. We are not rich, my partner is not on huge money. He is on no more salary/bonuses than if he was working in Australia. It is simply the tax benefit that makes it worthwhile. He is on \$125,000. While it is not to be sniffed at, it does not make us "rich".

All we were trying to do, all anyone is trying to do, when they work overseas is build a solid future for their family. PM Rudd is undermining that for everyone. Not only us but also the small businesses who rely on the custom from people such as us; the ones with some spare cash to spend. Buy Australian to help the economy? Would love to, but imported is cheaper, and now we are forced to opt for "cheaper". Again, this decision is affecting the nation's economy. No-one lives so far beneath their available income that they can suddenly absorb income tax with no notice. This move is going to do a lot of damage. I would not be surprised if houses were lost, or at least forced to be sold, because of this.

These people, who have worked so hard and sacrificed so much to try to get ahead just to have it taken away. I can understand that there are individuals and businesses who are on vast amounts of money, who are avoiding tax via Section 23AG. At the very least this new change should have a threshold applied to it, \$150- or \$200,000 for example.

Instead of having Fred working in Australia and paying tax, and Joe working overseas and bringing \$120,000 of foreign-sourced revenue to the country, this change will see Joe paying tax and working in Australia and Fred on the dole. This can't be the best option for the country.

Also, with no overseas opportunities for the workers, this industry will simply stagnate. Promotions will only happen when someone retires / quits. It will keep the wages low, as there are no "better opportunities" for employees to move to. In short, no incentive for employers to raise wages. Is stagnating one of the most productive sectors of this country a wise idea? And let's not forget that many of these arguments will run true for the mining industry as well.

Thank you for your time,

Sincerely,

Sarah Leibbrandt