

June 5th '09

Mr. John Hawkins  
Committee Secretary  
Senate Standing Committee on Economics

Dear Mr. Hawkins

The Australian Government are proposing changes to section 23AG of the Income Tax Assessment Act 1936 which currently provides an income tax exemption for Australian residents' foreign earnings derived from foreign service employment. The Government believes these changes will recoup additional funds by increasing the personal income tax (PIT) payable by Australian workers employed overseas.

I believe the Government is missing the bigger picture, and that these proposed changes will overall have a negative effect on the Australian economy, with the resultant loss of incoming earnings and jobs, outweighing any return from the collection of PIT from those workers who may choose to continue in their overseas employment once their income is subject to full Australian PIT.

With full PIT for Australians working overseas, there is no incentive to remain working overseas, – or, some workers may choose to become non resident. Either way, the Australian economy misses out on these overseas earnings returning to Australia and being circulated into the economy. The recent cash handouts from the Government were intended to inject funds into the Australian economy, hence it seems odd to now be considering policy that will cause a reduction in funds entering the Australian economy.

With rising unemployment, it is nonsensical to create a disincentive for Australians to seek work overseas. On the contrary, the Government should encourage overseas employment. What better panacea for an ailing economy than to have Australians gaining employment overseas instead of taking jobs in Australia, and their subsequently returning home to invest their foreign income into the Australian economy ?

I work in the oil drilling industry and I am currently working offshore Israel. With the news of this development. One of the four Australians on board has quit to return to Australia and look for work, and another has submitted a request for a transfer back to Australia within the company. While I am considering my position, it seems that either one of these alternatives is my only choice. Therefore 75% of our Australian crew will be returning home and their foreign income will be lost to the Australian economy.

Encouraging Australians to work overseas is a simple and very cost effective means of boosting the Australian economy. It provides a net gain in available Australian jobs and injects foreign sourced funds, thus providing a positive contribution to Australia's economic recovery. The Australian government should take note of economies that encourage overseas employment, such as the Philippines, Thailand, Korea, etc. While these countries, like the rest of the world, are having a tough time of it. They are underpinned by a huge influx of overseas dollars remitted each year by expatriate workers. It seems only logical to me that foreign earnings earned by expatriate Australian workers should be viewed and classed the same as Australian exports. i.e. they are to be encouraged and supported for the greater good of the community.

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If the ATO figures of revenue return from this bill are correct (approx. \$675 million) then the gross income from expatriate Australians remitted each year must be in the vicinity of \$2 billion. The alternatives now facing these workers include relocating overseas or returning home. All of this foreign earned income that now flows back into Australia will be lost to other economies. Another negative result of the passing of this bill will be the return of many Australians who will be looking for work in Australia. Increasing the number of jobless and the complete loss of their overseas earnings to the economy. Surely the benefits of such a huge influx of foreign capital outweigh the projected financial returns? One big question remains. And that is how is to be regulated and at what cost ? I cannot help but think that of the potential \$675 million, a significant portion will be used up in its collection. Again at a cost to the Australian tax payer. I see no good and only negatives from the successful passage of this bill.

I ask that you reconsider any changes to section 23AG of the Income Tax Assessment Act 1936, and instead, consider various means to encourage Australians to seek employment overseas, whilst remaining resident in Australia.

Thanks & regards,

Philip Jones