From: McCafferty, Robert
Sent: Wednesday, 4 July 2012 1:37 PM
To: Committee, Economics (REPS)
Subject: Change to LAFHA Rules

Dear Sir/Madam,

16 months ago I made the decision to move my wife and 2 daughters halfway around the world from their home in Scotland to try a new life in Australia for a few years. This decision was agonised over and every detail of the move carefully researched, as you can imagine tearing grandchildren away from grandparents, leaving family, friends, our home and secure jobs was a massive decision. However we did eventually agree that as a family it would be a great opportunity and experience for us to try living in another country for 4 years, and primarily a great career opportunity for me which would financially benefit us.

So we set off with our 457 Visas approved for 4 years in Australia, salary agreed, expected budgets planned to the dollar. All of course including LAFHA.

Things were going well, we made new friends, found a decent house to rent, got kids in school/daycare and our jobs were going reasonably well. Things were more expensive than we thought, but with 2 working parents and one receiving LAFHA we could get by and still manage to save a little for our return to Scotland.

Then in November the Govt. announced their intention to remove LAFHA for temporary residents with no transition period. As you can imagine this came as an enormous shock to us and would mean a reduction of $1300 in take home pay per month.

I work in the civil engineering industry and am currently involved in the design work for the new and upgraded coal networks in Central Queensland. Within my company and across the industry there is a shortage of skilled engineers able to work on these type of projects, projects that when built will bring in billions of dollars to the state and federal governments. Removing LAFHA will only exacerbate the problem.

People within the civil engineering industry are currently in demand around the world. USA, Canada, Brazil and The Middle East all currently offer opportunities equally as good as Australia, yet in each of these countries people are taxed and treated comparably to citizens of the country. A family in NSW or ACT with 2 working parents and 2 kids in school are likely to be at a disadvantage of up to $20,000 dollars a year compared to citizens due to having to pay school fees and receiving no childcare costs back, yet these 2 working parents are expected to pay the same amount of money in tax.

Please take it from me that sunshine and beaches aren’t enough to attract people here, the money has to be right. Anyone able to receive a 457 Visa works in an industry in demand, is likely to be an educated and qualified professional who can command decent salaries in many countries around the world, many are not going to stay here while the Australian Govt. sees them as a cash cow. I personally am now looking to leave 16 months before the end of my Visa for a role in The Middle East where the government at least seem to understand that in order to build new infrastructure it is important to retain and attract key staff.

By leaving 16 months early my wife and I will no longer contribute approximately $77,000 to the Australian Tax office as well as no longer contributing close to that again to the economy through holidays, shopping, daycare fees etc etc,.

If we did stay once LAFHA was removed we would pay an additional $19,000 in tax over that 16 months, however we won't.

Simple maths shows that \$77,000 x 2 minus \$19,000 = \$135,000. So in my case the removal of LAFHA equates to a net loss to Australia of \$135,000.

At \$19,000 tax per working couple that means for Australia to even break even when removing LAFHA 7 working families must stay for every 1 that leaves, and based on my discussions with fellow 457 Visa holders that is highly unlikely.

So to sum up, removing LAFHA

1. Is likely to deter people working within in demand occupations from moving to Australia
2. Is likely to stifle the boom industries within Australia, the ones keeping it out of recession
3. Provides inequality between temporary and permanent residents
4. Is unlikely to provide any financial benefit to Australia

Based on these facts I would ask that the plan to remove LAFHA is reviewed and withdrawn.

Robert McCafferty
Senior Civil Rail Engineer

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