

SUBMISSION 7

6th July 2012.

Secretary to the House Standing Committee on Economics,
House of Representatives,
PO Box 6021,
Parliament House,
CANBERRA,
ACT,
6200.

Reference: Review of the Tax Laws Amendment (2012 Measures No. 4) Bill 2012

This submission relates directly to the above review and in particular to the 'transitional rules' being proposed to the Living Away From Home Allowance (LAFHA).

I refer to the Committee media release – "The House Economics Committee will inquire into and report on the Tax Laws Amendment (2012 Measures No. 4) Bill 2012. Schedule 1 amends the tax arrangements for the living away from home allowance paid by employers to employees on food and accommodation. The concessional treatment of the allowance will be more tightly targeted by requiring employees to maintain a residence in Australia and to place a 12 month limit on how long an employee can receive the concession at a particular work location. Additional annual revenue is expected to be \$1.9 billion over the next four years."

My concern over the media release is that there is no mention of the 'transitional rules' being reviewed. I maintain that the biggest issue surrounding the Amendment is the discriminatory nature of the proposed 'transition rules' (i.e. none for temporary residents and 2 years for permanent residents). In addition to examining the adequacy of the bill to deliver the annual revenue of \$1.9 billion, I urge the Committee to examine in detail the proposed 'transition rules'.

The Chair of the Committee, Julie Owens, has stated that the Committee will examine the adequacy of the Bill in achieving the policy objective and where possible identify any unintended consequences. I suggest that a significant unintended consequence is that the Government could risk large sums of money, time and embarrassment in court as successful claims are made for breaking Section 25.1 of the UK reciprocal tax treaty which will have far reaching consequences.

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Turning to the adequacy of the Bill to deliver the annual revenue of \$1.9 billion, I am a member of the 'Understanding Proposed LAFHA Legislation Changes' group on LinkedIn.com and I have been following with interest the work being done by Consult Australia and its CEO Megan Motto. I am a temporary resident on a 457 visa and have moved myself and my family to Australia to take up work using my skills which are in demand. The proposed reforms will have a significant personal impact that may drive me offshore. I would argue that the proposed reforms are in fact counter productive and will cause a net loss in revenue for the Government. Let me use my family as an example:

- My 457 visa expires in Sept 2015. Assuming I leave Australia in October 2012 as a result of the discriminatory LAFHA changes, the Government will lose 3 years of my tax revenue. My monthly tax contribution is \$6028. As a family, I estimate we spend approximately \$3000/month in the Australian economy on food, daycare fees, travel, etc. The total over 3 years would be negative \$325000 to the Australian economy. If we stayed and the discriminatory LAFHA changes were approved, we would pay an extra \$72000 in tax over that 3 year period. Summary – approving the discriminatory LAFHA changes in my case will cost Australia \$253000, not benefit it.

If one family in seven on 457 visas leaves Australia as a result of the discriminatory LAFHA changes then the Bill Amendment results in no additional revenue to the Government. Not only that, industries will struggle to retain or attract staff and the situation will worsen.

In conclusion, expanding the transitional arrangements to include temporary residents and foreign residents will provide enough time for readjustment of financial commitments enabling families to stay in Australia. The proposed reforms as they stand are discriminatory and will not yield the financial benefits projected.

Yours sincerely,

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