

John Payne

Submission with Respect to the Schedule 1 of the Tax Laws Amendment (2009 Budget Measures No.1) Bill 2009

Policy objective

1.39 The objective of the proposed amendment to section 23AG is to minimise the potential for inequity between individuals working in different countries, with different tax rates, and between individuals working overseas and individuals working in Australia.

The policy objective is flawed in that it does not take into account the vast inequities between people who work overseas and Australia or the inequities between those working in different countries as further outlined below.

1.40 This is consistent with the general principle that individuals who are Australian residents for tax purposes should pay tax on their worldwide income.

Whilst the general principle is sound it is however deeply flawed. It does not take into account that those who work overseas do not receive the same advantages and amenities of Australians who work at home

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This bill for proposed tax changes does not take into account the vast differences or large disparities in services and advantages that Australians who work within Australia and those Australians who work overseas receive. It is grossly inequitable.

Those who work in Singapore, USA and other such places are considerably better off than many of us who work in Africa, the Middle East and South America. Whilst many of those working in what can be termed First World countries have very different realities to those of us who choose to work in emerging and Third World countries. Those working in Australia and within some overseas employment countries have adequate services that cover transport, health, communications, public safety and so on.

Good proportions of us, however, do not get any or at best receive almost negligible of these services, which are what we pay taxes for. To highlight some of the factors we face when working overseas that our Australian based workers do not experience are:

1. We are often discriminated against, often based on our racial background and probable religious affiliations, or simply because we are foreigners.

2. We have limited access to emergency healthcare and in serious cases have a probable chance of dying as a result.
3. We get minimal public safety and security, and are targets of extremists and other related political instability issues, often face abduction and sometimes death. In fact in many cases we are guarded by armed security to even exit international airports so as to avoid these actions.
4. We are often subject to harsh and discriminatory laws along with a lack of basic justice and legal representation and regular abuse of basic human rights, the media is full of such cases on Australians and other nationalities.
5. We often work in extremely adverse environmental conditions without recompense.
6. We do not receive sick leave, no work no pay!
7. We have strained and severely disrupted family lives while we work away to better our futures for our families and ourselves.
8. We often only get one or two short home leaves per year with our families, in many cases 10 months away in any one year is typical.
9. We do not get holiday pay and when we go home for our short and well earned vacations with our families we do not get paid for this.
10. We do not get superannuation or any other long term benefits.
11. We do not get redundancy packages when we are terminated, often without notice or according to contract provisions.
12. We are unable to get union representation.
13. We are generally at the mercy of many unscrupulous employment agencies
14. We are generally unable to participate in the normal Australian political system which will govern these changes and in most cases are either unable to or are deprived of voting rights.
15. We don't receive government incentive payments.
16. We generally don't receive any benefits or services for the taxes we do pay as we are simply not at home to do so.
17. We have poor communications, it is a fact that most expatriate workers were not even aware, due to the communications issues that most face, of hearing or obtaining news and information about the very law changes that will so dramatically affect our lives. Many places we work have poor communications infrastructures, including the internet.
18. We have poor access to basic food items and frequently have to make do with what is available often at hugely inflated costs.

It is understood the bill targets certain individuals however it also captures many people who should not be targeted. It also values those who work in certain approved occupations or endeavours as being more worthy of tax concessions than those of us who are working for our families, this is also grossly inequitable.

This bill will have a deeply adverse effect on the hundreds of thousands of Australian workers, who at present return home to Australia bringing with them much needed foreign capital that is now spent on buying or building homes, motor vehicles and other

consumer items, for which we also pay the GST. Most of us pay for private health care even though we don't use it.

We contribute a substantial net benefit to the Australian economy, and any serious research will show the enormous value of remittances that come from foreign based Australian workers. We do so while taking little in return.

The changes also indicate possible Fringe Benefits Tax liabilities. In fact most Australian overseas workers receive accommodation, food allowances, motor vehicles, air fares to and from the country where they work and more. In many cases these basic services along with food are exorbitant and would in many cases be as much as 50% of the salaries being paid, and now they might also be subject to FBT as well. The math is easy to compute on what the impact will be too many workers.

Such is the serious change being proposed before the parliament that a significant number of my co-workers, and myself, are already now actively engaged at looking at residence change options and permanent relocation overseas. This migration has already started as many Australians are not willing to take a chance on the taxation changes not impacting them. This in itself is a national tragedy.

This is a serious situation indeed for the country, to lose a significant number of Australia's hardest working and best educated engineers and many other highly qualified disciplines when we need them most. Why do we educate only to the reject Australians? The Prime Minister was well reported in the media while he was in London as encouraging Australians to return home, " We need you !" he proclaimed, and now proposes a change that will alienate and lose these very same people, many permanently. We are not talking about a few thousand workers, we are talking hundreds of thousands of affected people out of the 1 million Australians who live and work abroad with this change. The government should encourage Australians to go and work overseas, and lower unemployment within the country and be rewarded for their enterprise and initiative and instead of being penalized. Australians are renowned and even sought after as their capacity for hard work, productivity and commitment is unequalled anywhere.

The ramifications of this are clear to Australia. This means significant numbers of Australian overseas workers will no longer send salaries home and will transport their salary money and spending power with them. This will have a consequential impact on local businesses where we and our families live as the money will not be spent where it should be, which is in Australia and helping Australian business and the Australian economy. This can be quantified in the billions of dollars lost to Australia and not simply as a saving in taxation administration and capture of a relatively small amount of taxes of those who are unable to move overseas. I ask you to consider the effects of 100,000 Australians no longer repatriating an average \$150,000 each home and spending it in Australia, and this is at best a very conservative estimate. In fact it is much higher both in numbers and value. The government should also look at the prospect of large numbers of workers coming home to join the ranks of the unemployed as working overseas loses all of the benefits that making working away worth all the privations and hardships that had

to be endured. This is not a time to be voluntarily adding to these queues when they are at present working and sending money home, this makes no sense.

In summary I would submit that the Government re-examine these proposed changes and the major impacts it will have on significant numbers of hard working Australians, Australian businesses, Australian communities and to examine the net negative impact it will have on the Australian economy. While such changes are politically expedient in the short term they will in the long term work against the logic and objectives behind the Government measures being introduced to raise additional revenue.

I thank you for the opportunity to make this submission

Yours sincerely

John Payne
(In the UAE)