

Colin Fulton

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 as described 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. Australians are renowned and even sought after as their capacity for hard work, productivity and commitment is unequalled anywhere.

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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 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.

A good proportion 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 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 get often only 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 leaves 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 or 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 about and 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 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. We 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 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 would 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 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 disciplines when we need them most. The Prime Minister was well reported in the media when 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 ramifications of this are clear to Australia. This means significant numbers of Australian overseas workers will no longer 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 will work against the logic behind the measures being introduced to raise additional revenue.

I thank you for the opportunity to make this submission.

Yours sincerely,

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Dear Members of the Submission Enquiry,

This second submission I am sending is to allow further additional personal information to the effects that the changes in the Tax Laws and how they will affect myself and my family. I agree and support the comments made in the first submission although some aspects of it do not apply to myself personally, as I am sure each individuals circumstances vary slightly, this is why I would like to submit this secondary submission to further arguments against the proposed changes in the Tax Laws.

One of the main reasons for me pursuing work overseas was that it enabled me to gain somewhat of an advantage of earning more money by taking on certain higher risks and dealing with adverse conditions that would not normally be encountered working in Australia. The main advantage of the overseas work was not because it paid so much more than was available in Australia, but because I did not have to pay income tax in Australia, over and above what tax is already paid working in the overseas country of employment. This fact is what made it worthwhile to endure the extra hardship encountered working in foreign developing nations where I have been employed. This, combined with other factors such as being far away from family, are some of the sacrifices that myself and other o/seas workers that I am familiar with, have been prepared to accept in order to reap a financial reward for doing such. If the government removes this advantage by taxing us further on the income we bring into Australia then it will remove every incentive for which we deal with the added risks/hardships that are endured by myself and others to reap this reward.

As I choose to work o/seas, so do Australians choose to work in Australia. I have personally offered friends of mine support in getting a job with the company I work for, but for reasons that are mentioned they do not consider the extra risk/trouble worth while pursuing just for monetary gain. For the government to say that we should pay tax "to minimise inequity" between individuals working overseas and those working in Australia is to say the least naïve, ignorant and very simplistic.

I have always maintained Australian bank accounts even when I was resident for 2-years in Indonesia. My full salary package has always come directly into the Australian economy and I have never tried to hide or escape from monetary responsibilities that are required of an Australian Citizen. I have not tried to take advantage of government subsidies and am quite happy to be independent of government support for either myself or my family. One of the only benefits we do get from my current employer is a very comprehensive Health Insurance Benefit. Any health care above a regular doctors visit is covered by this benefit so there is next to no draw on the Australian taxpayer for any of my family as far as health cover is concerned. Currently I inject quite a large percentage

of my salary each month I spend at home into the local economy. My estimated average cash spent in our local area,(not counting general living expenses), while I am at home is around \$2,000-3,000/month, (I am prepared to show documentation to support this if required). If these new tax laws are passed this will most certainly not be happening, as the disposable cash flow will not be there to spend in the local economy. For myself and family I can only see two likely outcomes if this legislation is introduced;

- 1- We will organise moving back overseas to live, as we have done before, most likely taking with us our monetary assets that we currently own in Australia.
- 2- I will cease working overseas and find local employment where I do not have to endure the added complications of making a living in adverse conditions, where the incentives to do so have been removed.

The bottom line is I will not continue doing what I am doing and pay a large percentage of my current salary to the Australian government for no added benefit. The circumstances of my situation would not make it worthwhile for me to continue in this line of work, making the sacrifices that I do to make this job worthwhile. I am sure that any Australian worker (including elected officials) that were asked to take a pay cut in the order of what we are being asked to submit to, would be similarly outraged by the lack of understanding, thought and consultation that has happened with the sudden development of this bill. One can only hope that some common sense and foresight can prevail in this situation and the effects of this change of law can be fully understood before it is implemented.

I thank you for the opportunity to make this submission.
If there is any further information that you would like to obtain from me please feel free to contact me.

Yours sincerely,

Colin Fulton