

Manager
Philanthropy & Exemptions Unit
Personal and Retirement & Income Division
The Treasury
Langton Crescent
PARKES ACT 2600
Australia

Monday 30th January 2012

Sarah Husselmann
Owner \ author **Mum's gone 2 Aus**
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Dear Sir \ Madam,

Re. Fringe Benefits Tax (FBT) Reform – Living-Away-From-Home Benefits

I am the owner \ author of **Mum's gone 2 Aus**, a website that provides essential support, advice and information for families relocating to Australia. I am a British freelance writer and relocated to Sydney in January 2010 with my husband and two children.

I created **Mum's gone 2 Aus** six months after arriving in Australia and the site and Facebook page are followed by a growing community of families planning their move, or who have moved, to Australia.

In December 2011 I published an article announcing the proposed FBT reform and LAFHA changes for overseas temporary residents to Australia. In the article I summarise my understanding of the changes based on analysis of your consultation paper and invite comment from readers affected by the proposed changes. I would like to share these comments with you and hope they will be taken into consideration when the Treasury comes to a conclusion regarding the implementation of the FBT reform.

Feedback from overseas families living in Australia as temporary residents

In summary, our readers understand that the way LAFHA is currently being implemented for overseas temporary residents to Australia is not as intended. However, LAFHA has evolved to provide critical financial assistance to overseas temporary residents, particularly families, who get little else in the way of financial support from the Australian government, despite paying taxes.

If the Treasury and Australian parliament vote to implement the proposed changes, many families will be worse off and unable to stay in Australia.

Our readers highlight the fact that temporary residents do not get assistance with childcare payments and medical bills in Australia and, depending on the state \ territory they live in, they pay government school tuition fees. Typically their family expenses are higher in Australia than their country of origin; the financial assistance provided by LAFHA goes some way to compensating for this.

Here are the comments from **Mum's gone 2 Aus** readers:

1. Nique via website on 12th December 2011

"We heard about this change less than 1 month after my boyfriend had signed his contract to move to Australia. We are now looking at about \$1150 less per month in pay. This is extremely hard and we will have to reconsider coming."

2. Richard via website on 13th December 2011

"I'm 2 years into a 457 visa, working for an international firm. I do not get LAFHA due to company policy and we have consequently struggled to make ends meet, living in a high rent area in Northern Beaches. We're wondering whether the experts feel there may be a down shift in rental costs in areas where many expats live? We need to sign up for a new lease in the new year and may cut this short due to potential savings. Do you know of any expert commentary / analysis on the impact of rent / house prices?"

3. Melanie via website on 16th December 2011

"I am very worried about this. My husband earns a decent salary of \$90k, however, living in Sydney this does not go very far. We have 3 children. There will not be enough money to send all 3 to school if we lose our LAFHA. I will have to home school our twins. This is not ideal as the whole point of school is for social interaction. I am infuriated that they think we are abusing the system. Australian residents get child benefit and don't have to pay for school. If they are going to take away our LAFHA then we should at least be entitled to free schooling. Coming from the UK every child is entitled to free schooling – even foreign children. Why should our kids be penalised over here? People on a 457 visa are skilled, educated people who contribute to society in many ways. I give blood every 3 months and I have just volunteered to be an ethics teacher at my local school. We are valued members of society that are here to help YOUR country grow. Don't force us to leave."

4. Kitty via website on 29th December 2011

"Whilst the LAFHA benefit has evolved from its intended purpose one can argue that the evolution of this benefit helps to alleviate the current Australian need for skilled labour. By virtue of there being a skill shortage list of occupations there is still a need for skilled migration. Skilled migrants often have families and are entitled to family related benefits and free schooling. They may also be incurring home based costs of upkeep on their home property. When agreeing to work in Australia these benefits are forfeited often in return for a decent salary to cover extra expenses. LAFHA helps redress the balance. Remove it and the benefits of the move are less positive, and the simple fact is skilled people may not come and those already here may be forced to leave. Surely the cost of the benefit is minimal in comparison value add on the Australian economy?"

By all means abuse of any allowance, as has been reported in the press, should be stopped however a broad sweep removal will cause more damage than good."

5. Daniel via website on 25th January 2012

"Kitty makes a great comment and I relate to what she is saying. I don't think LAFHA should be removed; however, I'm all in favour of penalising those who abuse it. I'm an experienced specialist working in the services industry for which there is a very high demand globally, especially in Australia. I found Australia to be too expensive for the kind of life I could easily be leading in other first world countries. LAFHA was a blessing to me and I decided to hang on for a couple of years until I could earn high enough wages to do without the LAFHA and apply for the PR. If the LAFHA is removed I'll be forced to leave Australia. I might be wrong, but I assume that that would be the

mindset of a lot of skilled migrants and Australia could potentially end up losing many of them. I have an affinity towards Australia and want to be a productive member of its society whilst living the kind of life I desire. I'm sure I'm not the only migrant feeling this way. Oh well, here's to hoping for the best."

6. Mariano via website on 28th January 2012

"I totally agree with Daniel and the other comments made. In my case the impact will not be too bad comparing with other as I am living on my own, so no costs with school for children etc but, I can confess the impact of the LAFHA changes will be negative for me as well. I am currently on a 457 for 2 years and the LAFHA changes will be effective 1 month before my contract expires. I perform a specialized service that is very hard to find professionals in Australia. Well, I still don't know if I should extend or not my contract. Sydney is a very expensive city and I am afraid I will have to move to another suburb far from the city to reduce the huge expenses with rental I am currently having or even look for another opportunity in another country.

Like was said, we are here to grow and "help the country to grow" as well. It would be a shame to see lots of good professionals leaving the country."

7. Sarah via website on 30th January 2012

"For us it's a point about being seen as 'the same' as Australians which is a point made by the government when looking to scrap the LAFHA. If they want us to be classed as the same then everything needs to be the same i.e. we pay the same tax and receive the same benefits.

We will be about \$500-700 worse off a month but will also need to find \$9000 a year in school fees and to be honest we really can't afford both. If they remove it completely and we don't get an increase in salary (which would need to be about 15k increase) then we would seriously need to look at whether we stay here or not. Having only been here less than a year we would be looking at repaying some of the relocation package that brought us here so quite depressing really but although we did come here for the lifestyle we didn't come to be considerably poorer than we were in the UK.

It seems ok to class us as non residents when it comes to health, school, taxes but then class us as 'the same as everyone else' when it comes to LAFHA.

Not my favourite subject as you can tell! The same as many others LAFHA was part of the 'package' sold to encourage us to come here and the company are waiting to see the outcome but are making no promises."

8. Michelle via Facebook on 11th December 2011

"If they take the LAFHA away from us we will not be able to afford the house we are renting in Sydney, but as we have only just signed on for another year it will put us in an awful position. We had to pay for everything for our move out here, except for our flights, we do get LAFHA, but we get no other help with rent, schooling or other things that some companies am help out with. I can't see us being able to stay in Australia if they take our LAFHA away from us , which will mean more upheaval for us and our children, and to return back to a country where there is so much uncertain at the moment."

9. Paula via Facebook on 11th December 2011

"If this is implemented then the inevitable result is an out flux of skilled and professional workers. This benefit makes it possible to move to and live in the country given all the other massive expenses that need to be covered, in our case schooling and health. People will leave and others will be deterred from coming and will take their skills elsewhere."

10. Rob via Facebook on 30th January 2012

"Expats considering a move to Australia are definitely rethinking it. Australia's quality of life is only higher if people come into the country with a salary that can give them an equitable standard of living, which means that employers would have to spend a lot more covering the higher costs of goods and services (e.g., medical, housing, utilities, food, school, child care). For AUS citizens, Most of these expenses are covered or subsidized by the AUS government. This puts high-skilled expats and domestic employers at a significant disadvantage. Other Asia-Pacific countries have no surpassed Australia in the quality of life when taking cost of living into the equation. Don't let Australia fall behind, especially when the global economy continues to struggle and Australia's economy--which is heavily dependent on the mining industry, and is in of itself a deep concern--begins to slow."

11. Suzy via Facebook on 30th January 2012

"The LAFHA components of rent and food compensate families for having no rebates on Childcare and for the high cost of schooling in NSW. We have signed a long lease on a property based in our LAFHA allowance so we are in a situation where our expenditure will exceed our income. We can't get an overdraft on a 457 visa either. I'm sure this will damage the rental market in many suburbs in Sydney."

12. Michelle via Facebook on 30th January 2012

"We sold our lovely UK house, pulled out daughters out of 2 wonderful schools so we could come to Sydney when my husband's company asked him to open an office in Australia. So we made the move. We have to pay for our 2 children to attend a school, \$4500 each in NSW and then we pay another \$500-600 a year each for books, P&C contributions, building upkeep etc and then trips and swim, athletic, sport meets on top. We then had to buy a car, which means stamp duty, Rego, pink slip, car insurance, green slip insurance and permit parking, we pay 2 1/2 times more on our rent than we paid on our UK mortgage, clothes and especially children's shoes are more expensive, our life insurance is treble here, grocery shopping is more expensive and so are prescriptions, which in our case is important as one of our daughters has a serious lifelong condition. Due to the economic climate in the US my husband's company is now cutting down on what they offer on our private medical insurance, and dental has been taken out expect for check-ups. If they get rid of the LAFHA I fear we will have no choice but to return to the UK, which could mean his Sydney office closing down and his 4 Australian employees out of work. We are caught in a difficult position as we have just signed a new lease, and we need this LAFHA to support our family."

13. Emily via Facebook on 30th January 2012

"Well this means I have to go back to work but paying for full time nursery for my 1 year old and after school club for my daughter (on top of the fees) means I am just earning the shortfall that my husband's salary will lose when this goes! Not the reason I moved here really and will soon be back to the stressed person I was back in the UK!!! I am just hoping the weather picks up to make the weekends worth all this!"

It breaks my heart seeing oz residents paying half that of my \$500.00 per week in nursery fees!"

14. Lesley via Facebook on 30th January 2012

"This is a real problem especially for families moving into high rental areas such as the Northern Beaches (Sydney). I think we will definitely see a downturn in people moving or at least thinking twice about it. In rentals I think prices will come down and there will be a knock on effect in families choosing to move slightly further out into outer suburbs."

15. Jean via website on 1st February 2012

"I post a message here in aiming to letting know that LAFHA is crucial for me and my family. I am French scientist, working for Sydney UNI. I try to find cure against neurodegenerative disease and I have some numerous scientific success. My son cost me more than 20.000 in child care, and I am not entitled to any benefit for this. My Unit cost me approximately the same price. Then, at the end I have not so much to live. Without LAFHA, I will not be able to live here anymore. I have a proposal for Boston at Harvard University, but I really would like to stay here and work for Australians. Without LAFHA, I will need to reconsider the American offer and go there. I hope that it will not be the case."

For information, my own family are permanent residents in Australia and we feel fortunate that the proposed changes do not impact us.

If you would like to contact any of the individuals who have left comments via the **Mum's gone 2 Aus** website or Facebook page I would be happy to facilitate this following their approval.

We await further announcements regarding the proposed changes and hope you will fully consider the impact the reform will have on overseas families living temporarily in Australia.

Yours faithfully,

Sarah Husselmann

Owner \ author Mum's gone 2 Aus

Essential support, advice and information for families relocating to Australia

Useful links:

- **Mum's gone 2 Aus** homepage: www.mumsgone2aus.com
- **Mum's gone 2 Aus** article on LAFHA changes: <http://www.mumsgone2aus.com/2011/12/11/lafha-changes-for-australian-temporary-residents/>
- **Mum's gone 2 Aus** Facebook Page: <http://www.facebook.com/pages/Mums-gone-2-Aus/146660408682742>