

5 Keston Avenue
Mosman
Sydney
NSW 2088

02/02/12

Dear Sir

Comments Regarding Proposals for LAFHA Reforms Contained in Consultation Paper of November 2011

I write to comment on the proposals to reform the LAFHA from July 2012. My circumstances are that I moved from the UK to Sydney in April 2011 with my wife and two children. I am a highly experienced structural engineer sponsored by my company under a 457 visa as my skills are required here and could not be filled by local labour.

My understanding is the LAFHA was set up to ease the financial burden of setting up home in Australia over a 3 year period. In this respect, we have had a high initial outlay to provide essentials such as a car and white goods etc. Added to that is the ongoing cost of rental accommodation in what is widely acknowledged to be one of the most expensive cities in the world. Here in Sydney, I rent the equivalent of the home I left in the UK, however the rental is 60% of my salary without LAFHA benefit, which is very high. This is eased by the tax relief to about 50%, which makes a big difference.

Also, in New South Wales we are required to pay school fees for our children to attend public school. This means that the cost of living is significantly more expensive than it is in the UK. Therefore I would argue that LAFHA is an appropriate benefit that provides some relief from the initial financial demands I have outlined.

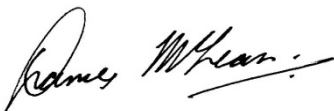
It could be argued that the high rents are inflated due to the existence of LAFHA and a significant migrant workforce; however the sudden withdrawal of the benefit will see us suffer as rental prices will not respond immediately.

I also note that there was an example of a very highly paid individual claiming relief on a large element of rent. This seems inappropriate and I would have thought there should be a cap on the entitlement based on earnings. In addition there should be some indexing based on the location in Australia as rental prices vary considerably.

Perhaps you should trial a withdrawal for new visa applicants in order to get some direct feedback on the willingness of people to choose to bring their skills to live and work in an otherwise prohibitively expensive country, following withdrawal of the tax incentive.

To conclude I would argue that the LAFHA is appropriate to assist the transition to Australia due to the high cost of living and should not be withdrawn.

Yours faithfully



James McLean