

Dr Irene Guiamatsia  
School of Civil Engineering  
The University of Sydney

Nationality: Canadian  
Visa status: 457 visa holder, 4 years.

Sydney, Friday, the 27 January 2012

Dear Madam, Sir,

This contribution is in response to the consultation paper (consultation question number 6) released last year by the department of Financial Services and Superannuation on intended changes to the Fringe Benefits Tax (FBT) reform and Living-away-from-home (LAFHA) benefits.

While I am appalled at the abuses of the system mentioned in the paper, such as two members of a couple claiming LAFHA while living in the same property, I believe that this sort of irregularities is of the same kind as people claiming social benefits from several fictive addresses (which are not unheard of in other countries, such as Canada and the UK). I am rather confident that this is a very small minority of cases and that adequate checks in the system should suffice to deter and even eradicate such practices.

As a 457 visa holder, I believe that the proposed changes to the LAFHA eligibility would create an utter unfairness in the workforce and in the society as a whole, ***if there are no accompanying adjustments on social benefits***. I will attempt to demonstrate this with my personal immigration story.

We moved to Australia 18 months ago as a family of five (two adults and three children aged 9, 4 and 2) and I was then 6 months pregnant.

- (1) Despite paying a high premium (\$550/month, no employer contribution) for medical insurance, my pregnancy could not be covered because of the uniform waiting periods in the Australian insurance system (one year for pregnancy and childbirth). This meant that I had to pay for the doctor visits, labour and delivery. 'Luckily', we had come from the United Kingdom and hence had reciprocal Medicare agreement which covered my public hospital stay ( It is important to keep in mind, however, that this reciprocal agreement only extend to a handful of countries). In total, our out-of-pocket fees amounted to approximately \$4000 (paid in addition of the monthly medical insurance fees).
- (2) We were not allowed a 'baby bonus' and other perks that Australian permanent residents enjoy. We are not allowed any family assistance benefits, for child care expenses for example, and this cannot be claimed through LAFHA either as child care centers are not considered to be 'educational institutions'.
- (3) The particular case of a 457 visa holder coming from a country with Medicare reciprocity agreement is rather puzzling and deserves particular attention: we cannot elect to have the coverage, hence we have to pay the corresponding Medicare tax levy (as well as Medicare levy surcharge when applicable), at the exact same rate as other Australian permanent residents. Yet, we are only 'partially' covered. This becomes interesting when attempting to take private hospital insurance cover. Because of the limited Medicare coverage, we are

- required to pay insurance premiums that are identical to other visitors who do not 'enjoy' the benefit of reciprocal coverage and do not pay any Medicare Levy tax.
- (4) Finally, our two school-age children attend separate schools, a NSW public school and a private catholic school. We have to pay more for the Authority to Enrol in the public school (\$4500) than what we pay for the private school.

What I hope to have shown with these four points is the following:

Temporary visa holders who currently enjoy the LAFHA tax break do not have the same social (medical, education) benefits as permanent residents. It is arguable whether this is fair or not. ***Eliminating LAFHA without allowing full Medicare coverage, full social benefits and free public school to temporary residents is, however, clearly unfair.***

I understand that education is a provincial, not a federal, jurisdiction in Australia. If such changes as free public school for full tax-paying temporary resident workers are too cumbersome to implement, one suggestion would be that temporary workers visas, such as the 457 visa, be made non renewable, albeit under the current tax conditions. At the expiration of this visa (current maximum is four years and could be reduced), a migrant worker (and the employer) should normally be in a position to assess whether or not he/she wants to remain in Australia for a longer duration and, if so, should apply for permanent residency.

I hope to have provided a different perspective for your consideration.

With many thanks for your time,

Yours sincerely,

Irene Guiamatsia