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Dear Treasury Department,

I have recently discovered that you are going to implement some changes to the current LAFHA component taxation. As of this change the LAFHA component will be fully taxable for temporary resident visa holders if the one does not have an Australian based home to maintain.

As many overseas workers who are currently on the temporary visa and their usual place of residence is overseas they will lose the LAFHA benefit.

In my opinion removal of LAFHA benefit for those workers would not be fair because:

- Temporary residents have to pay the same amount of taxes as permanent residents but they don't have an access to all the benefits permanent residents have;
- Temporary residents have to pay school fees;
- Temporary residents have to pay significantly higher private insurance costs;
- Temporary residents have to pay educational costs for those courses which usually free for permanent residents;
- Temporary residents even have to pay for Medicare services although they are not entitled to them;
- Temporary residents are not entitled to tax benefits/offsets related to keeping their kids in the child care centres. Permanent residents can claim up to 50% of the child care costs back from tax;
- Temporary residents do not receive any government allowance (like Family tax benefits 1 and 2, rent allowance etc).

Personal opinion:

I do understand the Government's needs to implement some changes due to the some incorrect LAFHA usage as described in the consultation papers. Due to the current skills shortage in Australia I'm personally do think that the proposed change will definitely not attract new professionals to come to the country. Some of the current temporary residents who heavily rely on LAFHA component will:

- In good case scenario: significantly cut the living costs in accordance with the new situation;

- In worst case scenario: be looking for a new opportunities outside Australia or even go back home;

Moreover the LAFHA allowance being mostly spent locally to pay for the quite expensive rent/medicals/living costs so the funds are staying within the country and not going out which pumps up the economy.

Possible options:

1. To make LAFHA policies more strict. In the meantime identify incorrect LAFHA applications/usage.
2. If the LAFHA component to be removed for the temporary residents with overseas based home, then all un-accessible benefits should become accessible so the temporary residents would get the same benefits as permanent as they all paying the same amount of taxes.
3. If the LAFHA component to be removed for the temporary residents with overseas based home, then this should apply only to new/renewed visas to allow current visa holders to have this LAFHA component until the visa is expired.

I would personally prefer option 1 to be applied.

I look forward to positive outcome in relation to the proposed change.

Thanks for your attention to this matter,

Best regards, Vitalii Tyshchenko