

Tax bite to hurt executive rents

Ben Hurley

Federal government changes to a tax break for foreign workers could knock the life out of the executive rental market, say accountants and industry figures.

Starting in July, foreign workers will no longer be able to deduct rental costs from their taxable income under changes to the living away from home allowance, which Treasurer Wayne Swan said was being misused by a narrow range of highly paid executives to rort the tax system.

Accountants say the tax breaks allowed foreign workers, particularly those on skilled migrant visas, to rent sumptuous properties they would not be able to afford otherwise.

KEY POINTS

- From July, foreign workers will no longer be able to deduct rental costs from their taxable income.
- Treasurer Wayne Swan said the deduction was being misused.

Nexia Court & Co partner Sean Urganhart said rents for those getting the benefit could double. People paying \$800 to \$1200 a week would have to downgrade their lifestyle to homes priced at \$500 to \$700 a week.

"The rents I've seen have generally been around the \$1000 mark for a two-bedroom apartment or a three-bedroom house around the city fringes," Mr Urganhart said.

"If people have extended themselves and taken on a luxury place, you will find at the end of lease they will . . . be vacating those premises," he said.

A foreign worker named Mark, who earns \$65,000 a year but did not want his full name published, said he had planned to move out of his share house in Surry Hills, which costs a total of \$1100 a week between three people, to his own one-bedroom apartment nearby at a cost of \$450 to \$500 a week. But the tax changes would force him to stay put, and he might have to sell his car.

He works as a property buyer for a leasing agency.

"I don't think I'll be able to [move] now unless I get a significant pay

rise," he said. "It's probably going to be in the region of \$200 to \$250 a week [extra to stay in my current place]."

Kathy Nunn is the director of Elite Executive Services, a relocation agency for executives. She said the changes had "a lot of people in a panic, because they may not be able to afford houses they are renting".

Some companies were calling her to help their employees find cheaper rental homes and the sudden re-shuffle would reduce demand for more expensive rental homes.

"I think it will hurt at the top end certainly, it will be a little easier to get a good property at the top end but extremely difficult to get a property in those middle ranges," she said.