

# GMS Flash Alert



2017-089 | May 12, 2017

## Australia – 2017-18 Budget’s Visa-Related Measures, New Costs for Employers

The 2017-18 Budget<sup>1</sup> handed down by Australia’s federal government on 9 May 2017 included the introduction of a new training levy framework, which will underpin the new Temporary Skill Shortage (TSS) visa and replace the existing training benchmarks that currently have to be met by employers accessing the Temporary Work (Skilled) Subclass 457 visa program. (For prior coverage of the Budget, see GMS [Flash Alert 2017-088](#), 11 May 2017; for prior coverage of the visa changes, see GMS [Flash Alert 2017-079](#), 27 April 2017.)

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### WHY THIS MATTERS

Employers that nominate foreign employees for the TSS visa and certain permanent skilled visas will have to pay the new training levy.

The introduction of the new levy will result in an increase in costs for employers that sponsor employees for temporary or permanent residence, more than offsetting any potential cost savings from the removal of the current training expenditure obligations. They should therefore take these changes into account when planning to move employees to Australia for work purposes – given the timeframe around the changes and the costs, there could be planning opportunities for employers bringing/sending employees to Australia.

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### Who Has to Pay the New Levies and How Much?

From March 2018, businesses with annual turnover of AUD 10 million or more will be **required to make an up-front payment of AUD 1,800 per visa year for each foreign employee sponsored on a TSS visa**. In addition, they will also pay a one-off levy of AUD 5,000 for each foreign employee sponsored for Australian permanent residence.

The levies apply at a lower rate of AUD 1,200 per visa year and AUD 3,000 respectively, for businesses with annual turnover below AUD 10 million.

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## KPMG NOTE

The new training levy will be contributed into a new “Skilling Australians Fund.” The revenue generated from this fund, which is estimated at AUD 1.2 billion in the Budget’s forward estimates, will be used to support Australian skills development and the take-up of apprenticeships and traineeships.

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### Potential Costs for Businesses

The table below illustrates the potential cost impact of the training levy on a business (based on annual turnover thresholds) that sponsors a foreign employee on a four-year visa and subsequently for permanent residence.

| Annual Turnover (AUD) | Calculation of Costs (AUD) |        |        |        | Up-front payment of levy (AUD) | Additional levy for PR (AUD) | Total Cost Impact* (AUD) |
|-----------------------|----------------------------|--------|--------|--------|--------------------------------|------------------------------|--------------------------|
|                       | Year 1                     | Year 2 | Year 3 | Year 4 |                                |                              |                          |
| 10 million or more    | 1,800                      | 1,800  | 1,800  | 1,800  | 7,200                          | 5,000                        | <b>12,200</b>            |
| Below 10 million      | 1,200                      | 1,200  | 1,200  | 1,200  | 4,800                          | 3,000                        | <b>7,800</b>             |

*Note: All figures are in AUD*

As noted earlier, the introduction of the new levy will result in an increase in costs for employers that sponsor employees for temporary or permanent residence.

*\* The additional costs highlighted should be considered from a broader context including other announced changes. As an example, there are reduced tax costs for employers for tax equalised high-income expatriates as a result of the removal of the 2% Temporary Budget Repair Levy from 1 July 2017.*

### Other Immigration-Related Budget Measures

Other measures in the Budget include an increase in visa fees and a restatement of visa reform measures previously announced by the government on 18 April 2017. (For prior coverage of the visa changes, see GMS [Flash Alert 2017-079](#), 27 April 2017.) These are summarised as follows:

- Increase in visa application charges from the current AUD 1,060 per primary 457 visa to AUD 1,150 per primary visa for the Short-term stream and AUD 2,400 per primary visa for the Medium-term stream.
- Short-term (two-year) TSS visa holders will be able to renew their visas once only while “onshore” with no eligibility to apply for employer-sponsored permanent residency.
- Medium-term (four-year) TSS visa holders will require a higher level of English language proficiency than under the current 457 visa regime and will be eligible to apply for employer-sponsored permanent residency after three years.
- Imposition of additional criteria for both Short-term and Medium-term visa applicants, including at least two years of relevant work experience (from March 2018), labour market testing (from March 2018), mandatory criminal history checks (from 1 July 2017), and removal of the English language salary exemption threshold (from 1 July 2017).

- Changes to the Employer Nomination Scheme (subclass 186) and Regional Sponsored Migration Scheme (subclass 187) visa which include restoration of the upper age limit for applicants to under 45 years and increased English language requirements.

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## KPMG NOTE

### Key Considerations, Next Steps for Employers

Employers should consider factoring in the additional costs (arising from the training levy and labour market testing (including external job advertising)) when considering their future resourcing options, ahead of the implementation of the new TSS visa in March 2018. Also, while in the past employers may have applied for the maximum period of the visa, they may wish to consider applying for a shorter term, noting the training levy is imposed on a “per year” basis of the visa.

Where possible, employers may consider bringing forward their recruitment and sponsorship plans or their plans to convert current 457 visa holders to permanent residence prior to March 2018 to avoid the training levy for this population.

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## FOOTNOTE:

1 For the Budget speech and related documents, see: <http://www.budget.gov.au/> .

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AUD 1 = EUR 0.678  
AUD 1 = USD 0.736  
AUD 1 = GBP 0.572  
AUD 1 = JPY 83.72

## RELATED ARTICLE

This article is excerpted, with permission, from “Budget 2017-18 – New Training Levy to Underpin Temporary Skill Shortage (TSS) Visa,” in *Migration Newsflash* (10 May 2017), a publication of the KPMG International member firm in Australia.

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