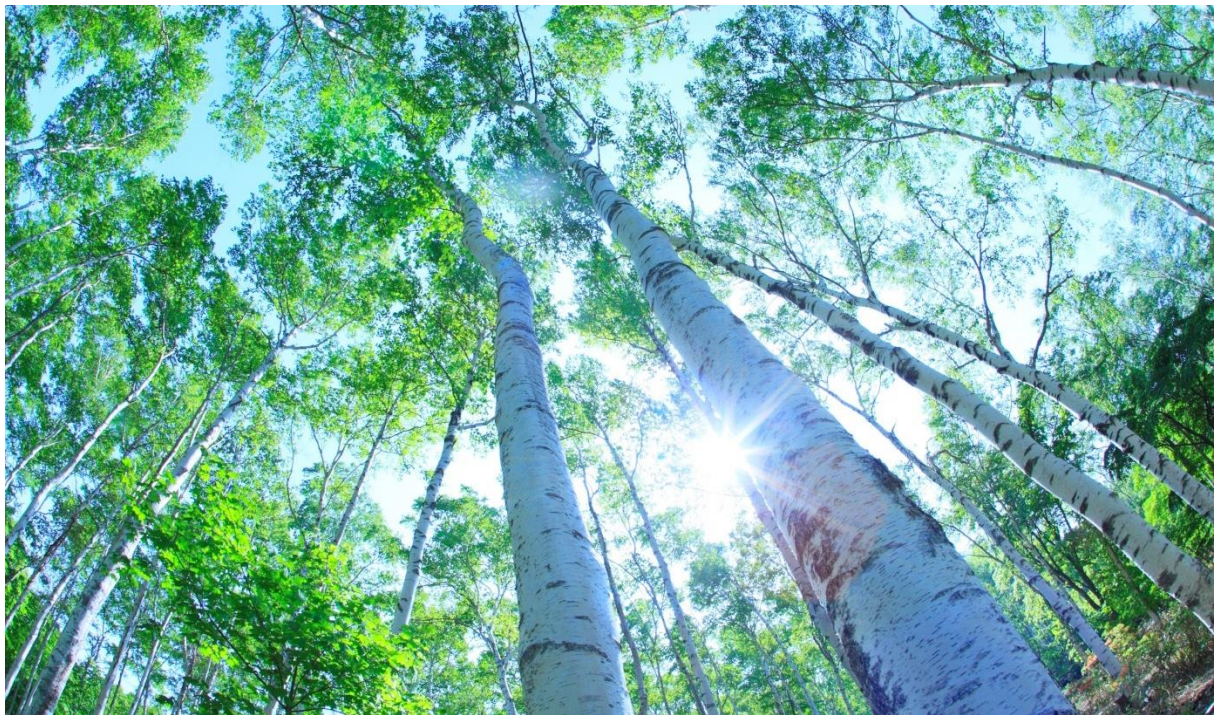


Tax insights

Federal Budget 2015-16: Immigration issues



Snapshot

The Federal Treasurer, Joe Hockey, handed down his second budget on 12 May 2015. In general, the budget is aimed at supporting small business and growing jobs, supporting families, ensuring fairness of tax and benefits, national security and progressing budget repair in a measured way.

There were no significant immigration related announcements, but rather some measures which are a continuation of some of the government reviews initiated during the previous 12 months

Changes made to Immigration

Response to the Integrity Review of the 457 Programme

The Government will provide additional funding over four years to implement recommendations from the Independent Review into the Integrity of the Temporary Work (skilled) visa (subclass 457) programme. This measure will provide funding for the simplification and streamlining of visa processing for low risk 457 sponsors, and the investigation of 457 sponsors to determine whether they are complying with their sponsorship obligations.

Migration Agents Registration Authority — deregulation

The Government will remove the requirement for lawyer migration agents to be registered under the migration agents' regulatory scheme following consideration of the Independent Review of the Office of the Migration Agents Registration Authority (OMARA).

This measure removes an unnecessary regulatory burden, clarifies OMARA's regulatory jurisdiction and ensures lawyers working as migration agents are not accountable to two authorities. It is part of the Government's overall effort to remove red tape on business.

National Security — strengthen and enhance Australia's border protection services

The Government will implement capability enhancements to further strengthen Australia's border protection services. Funding will be provided for:

- Design and scoping work for new information and communications technology (ICT) platforms to manage travellers' biometric data and visa information
- The trial and full scale rollout of next generation eGates at major international airports and three seaports
- Additional equipment and training for the Australian Border Force to undertake operational activities.

Additional funding will be provided for the expanded workload of the Australian Commission for Law Enforcement Integrity. From 1 July 2015 the whole of the Department of Immigration and

Border Protection's activities comes under the Integrity Commissioner's jurisdiction.

This extends the 2014/15 Budget measure: Smaller Government — strengthen and enhance Australia's border protection services. This national security measure underlines the Government's commitment to a safe and secure Australia.

Smaller Government — immigration and border protection efficiencies

The Government will achieve savings over the next four years from efficiencies in visa, refugee and humanitarian processing, and by simplifying the skilled migration and temporary activity visa programme.

Efficiencies have been identified following a review of departmental operations relating to the Refugee and Humanitarian Assistance Programme and visa processing systems. In addition, through simplification of the skilled migration and temporary activity visa programme, the number of visa subclasses will be consolidated whilst ensuring programme integrity is maintained, with the related system changes across three portfolios delivering operational savings.

This measure forms part of the fourth phase of the Smaller Government reforms, which reduce the size and complexity of government. The reforms are eliminating duplication and waste, streamlining services and reducing the cost of government administration.

Changes to Visa Application Charges from 1 July 2015

Visa Application Charges (VACs) will change from 1 July 2015. These adjustments include:

- A price increase in line with inflation (2.3 per cent) on visas which face strong international competition or have been impacted by recent price increases
 - These include specific visas within the Permanent Migration Skill Stream, Skilled Graduate, Temporary Long Stay Business (Subclass 457), Visitor and Student visa streams
- A 5 per cent price increase on visas which continue to see strong demand despite previous increases, or are likely

to see a sustained volume increase through policy changes under consideration

- These include specific visas within the Temporary Resident Short Term Business and Entertainment visas, Working Holiday visas, Resident Return and Retirement Investor visas, and Contributory Parent visa streams
- A 10 per cent price increase on specific visas within the Other Family (Remaining Relative, Carer and Aged Dependent Relative) visas, and (non-contributory) Parent visa streams where the underlying demand is not expected to be impacted by the price increase
- A 50 per cent increase to the Significant Investor Visa (SIV) stream in the permanent migration Skill stream category where the VAC is a very small component of the minimum \$5 million of investments required under the visa regulation
- An alignment of VAC prices where a differential currently exists for lodging an onshore and offshore application for specific visa subclasses.

To view the VAC fact sheet, please see [here](#).

Foreign Investment Review Board (FIRB) Targets Real Estate

The Federal Government recently announced a tightening of its foreign investment audit, compliance and enforcement framework to identify acquisitions of residential real estate by individual and company foreign investors in contravention of FIRB requirements.

The changes are a key measure in the Government's Budget promise around fair and sustainable investment in Australia. Broadly:

- The Government's enforcement powers relating to residential real estate have been transferred to the Australian Taxation Office (ATO), which is better resourced to investigate potential breaches
- The ATO will use data-matching to identify and prosecute foreign investors in breach of their foreign investment

requirements. This may also lead to an audit of the foreign investor's taxation affairs

- A reduced penalty period is in effect from 2 May to 30 November 2015 for certain foreign investors that voluntarily disclose past acquisitions of residential real estate which may have been in breach of Australia's foreign investment rules.

FIRB strictly applies the approval requirements to foreign investors' past and future acquisition of property, so that:

- Foreign investors' acquisitions of certain residential real estate will be prohibited by FIRB
- Certain acquisitions will be permissible if they are not contrary to the national interest and approval is obtained
- Other acquisitions of residential real estate will be allowed without requiring approval or providing notice to FIRB.

Failure to obtain requisite approval may lead to criminal and civil penalties, including, three years jail time, forced divestment, fines of up to \$135,000 and \$675,000 for individuals and companies respectively, as well as the imposition of penalties referable to gains or property value.

Deloitte's view

Many of the immigration related changes announced in the budget were known beforehand, and many were subject to previous government reviews. In this regard, the budget contains no surprises from an immigration perspective.

The changes to the Foreign Investment Review Board guidelines flag an increased level of compliance by the Australian Government on the purchase of residential real estate by foreign investors. It can be expected increased enforcement measures will be introduced for non-complying investments.

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