Executive summary
The second stage of the significant reforms to Australia’s temporary and permanent work visa programs came into effect on 1 July 2017. Reforms now in effect include:

- Adjustments that take account of Australia’s international trade obligations in respect of visa stay periods and other restrictions
- Revised eligible occupations lists with an expanded Medium and Long-term Strategic Skills List (MLTSSL)
- Caveats (extra requirements) for additional occupations and raised thresholds such as salary for some occupations
- Caveats to apply to permanent residence
- More stringent English language testing for subclass 457 visas and permanent residence
- Skills assessments to apply to permanent residence applications lodged but not yet decided
- Higher age and English language requirements for permanent residence
- New “genuine need” test for permanent residence
- Enhanced training benchmarks
- Expanded access to accredited sponsorship
- Indexation of visa application charges

Revised occupations lists - 1 July 2017
Access to Australia’s skilled temporary and permanent visa programs is managed through approved occupations lists. The revisions to the lists follow representations made by EY and Australian business:

- Expansion of the Medium and Long-term Strategic Skills List (MLTSSL), which provides access to a four year temporary visa and a pathway to permanent residence, to 207 occupations
- Restoration of certain occupations removed in April 2017
- Further occupations removed

Some caveats refined to take account of Australia’s international trade obligations
Caveats on additional occupations - 69 in total

Training benchmarks enhanced
Tighter requirements now apply to applications for sponsorship and nominations for permanent residence in the Direct Entry stream lodged on or after 1 July 2017 and until March 2018 when the Skilling Australians Fund (SAF) levy will be implemented:

Training Benchmark A - 2% payroll to industry training fund
- Limited to specified types of training funds
- Funds that offer commissions or refunds for failed visa applications excluded

Training Benchmark B - 1% payroll on training Australian employees
- Expenditure on certain activities not accepted including: scholarships for non-employees, portion of salary paid to staff who provide training as part of their role, induction training, on-the-job training and membership fees
- Evidence of expenditure restricted to receipts for the payment of training activities and contracts for employees whose sole role is to provide training to Australian employees.

The extent to which strict evidentiary requirements will be implemented is not yet known. In the meantime, business should ensure they have access to all receipts (with a high level of detail) for training expenditure.
### 1 July 2017 revisions to eligible occupations lists

<table>
<thead>
<tr>
<th>Revision</th>
<th>Occupations include:</th>
<th>Impact and action required</th>
</tr>
</thead>
</table>
| Moved to MLTSSL from STSOL or restored after removal in April 2017 | N Chief Executive Officer  
N Life sciences occupations  
N Corporate General Manager  
N ICT Security Specialist  
N Chief Information Officer  
N Petroleum Engineer  
N Metallurgist  
N Software Programmers  
N Faculty Head  
N University Lecturer  
N Conservator  
N Environmental Consultant  
N Food Technologist  
N Geophysicist  
N Hydrogeologist  
N Horse Trainer  | N if granted a two year visa since April 2017 a new nomination and visa application may be lodged to obtain a four year visa  
N occupational restriction on access to employer nominated permanent residence after March 2018 removed  
N occupations lists are dynamic and must be monitored |
| Moved to STSOL from MLTSSL or restored after removal in April 2017 | N Research and Development Manager  
N Production Manager Manufacturing  
N ICT Support & Test Engineers (nec)  
N ICT Support Technicians  
N Retail Buyer  
N Pilot, Helicopter Pilot  
N Aircraft Maintenance Engineer (Avionics)  
N Artistic Director  
N Dressmaker or Tailor  
N Flying Instructor  
N Anaesthetist  
N Production Manager Mining  
N Structural Engineer  
N Music occupations  | N holders of subclass 457 visas may remain for the duration of their visa and apply for limited further subclass 457 or TSS visas  
N permanent residence option under Temporary Residence Transition stream until March 2018 |
| Removed from lists | N Medical Administrator  
N Shipping professionals  
N Real Estate and Property occupations  
N Equipment Hire Manager  
N Fleet Manager  
N University Tutor  
N Picture Framer  
N Psychotherapist  | N holders of subclass 457 visas may remain for the duration of their visa  
N not eligible for further subclass 457 visa or, after March 2018, Temporary Skill Shortage (TSS) visa  
N permanent residence option under Temporary Residence Transition stream until March 2018  
N employers may lobby for restoration or consider Labour Agreement if they have an ongoing need for temporary workers in a removed occupation |

### 1 July 2017 caveat revisions

<table>
<thead>
<tr>
<th>Occupations impacted include:</th>
<th>Caveat revision</th>
<th>Impact</th>
</tr>
</thead>
</table>
| Chief Executive Officer and Corporate General Manager | N base salary of at least AUD180,001 unless intra-corporate transfer to which an international trade obligation applies | N adjustments take account of international trade obligations and will assist business  
N the concession to international trade obligations may be restricted to Executive or Senior Manager occupations  
N if revised caveats are not met, pending and new applications cannot be approved |
| Corporate Services Manager, Sales and Marketing Manager, Supply and Distribution Manager | N caveat retained but will not apply if intra-corporate transfer to which an international trade obligation applies | |
| Taxation Accountant | N excludes clerical, bookkeeper or accounting clerk positions | |
| Production manager (mining), most Engineering occupations previously subject to a caveat | N caveats removed | N adjustments will assist business |
## Subclass 457 visa reforms 1 July 2017

<table>
<thead>
<tr>
<th>Issue</th>
<th>Reform</th>
<th>Impact and action required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visa period</td>
<td>N visas for up to four years (instead of two years) for occupations on the STSOL may be requested where required to meet Australia’s international trade obligations</td>
<td>N sponsors should understand Australia’s international trade obligations and request a longer visa period when required. N the concession to international trade obligations may be restricted to Executive or Senior Manager occupations. N if granted a two year visa since April 2017 a new nomination and visa application may be lodged to obtain a four year visa.</td>
</tr>
<tr>
<td>English language</td>
<td>N for most visa applications lodged on or after 1 July 2017 salary based exemption to formal testing removed N salary exemption remains for intra-corporate transferees where base rate of pay is at least A$96,400 N other exemptions retained: N passport from United Kingdom, New Zealand, Canada, Ireland, United States N five years full-time education in English language</td>
<td>N candidates and assignees should promptly book an English language test unless an exemption applies. N test results may be provided after application lodgement however applicants may wish to wait for test results to confirm eligibility before lodging an application.</td>
</tr>
<tr>
<td>Police checks</td>
<td>N required for visa applications lodged on or after 1 July 2017</td>
<td>N candidates and assignees should promptly apply for police checks. N may be provided after application lodgement.</td>
</tr>
<tr>
<td>Formal skills assessment</td>
<td>N expanded to include passport holders from Bangladesh, Nepal and Pakistan in the occupations of Chef and Cook</td>
<td>N formal skills assessments for subclass 457 visas are generally only required for Specialist Managers (nec) and Program and Project Administrator, and trade occupations for certain passport holders – the details of which are available from Trades Recognition Australia.</td>
</tr>
</tbody>
</table>

## Subclass 186 permanent visa reforms 1 July 2017

<table>
<thead>
<tr>
<th>Issue</th>
<th>Reform</th>
<th>Impact and action required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caveats</td>
<td>N caveats now apply to the Direct Entry stream</td>
<td>N evidence that caveats are met should be lodged with nomination applications.</td>
</tr>
<tr>
<td>Genuine need</td>
<td>N new requirement that nomination applications lodged on or after 1 July 2017 must show the need for the nominated person to be engaged as a paid employee in the position under the nominator’s direct control</td>
<td>N minimal further documentation such as an organisation chart is likely to satisfy this new requirement. N impact of requirement that the position be under the nominator’s direct control is to be clarified.</td>
</tr>
<tr>
<td>High salary exemptions removed</td>
<td>N removal of the exemptions for applicants whose earnings are at least equivalent to the current Australian Taxation Office top individual income tax rate (A$180,001) in respect of: N meeting standard English language skill requirement and N for the Direct Entry stream providing a formal skills assessment and evidence of at least three years’ experience N applies to applications lodged on or after 1 July 2017 and to applications lodged before 1 July 2017 and not yet decided</td>
<td>N significant adverse impact on applicants who applied before 1 July 2017, as the regulations stipulate that evidence must be provided at the time of lodging the application. There are no apparent transitional arrangements currently in place. N EY is seeking clarification on transitional arrangements for lodged applications. N EY will lobby strenuously that this reform should not be applied retrospectively or for arrangements to enable submission of English language tests, skills assessments and evidence of experience within a reasonable period by applicants who applied before 1 July 2017. N skills assessments can take several months to process.</td>
</tr>
<tr>
<td>English language</td>
<td>N English language ability requirement for Temporary Residence Transition stream increased to Competent: IELTS score of at least 6 in each of the four test components (or equivalent testing) N exemption based on high salary removed as above N exemption for Temporary Residence Transition stream on basis of five years full-time secondary or tertiary study retained</td>
<td>N prospective applicants may not meet the new English language requirement and should arrange an English language test as soon as possible, unless exempt.</td>
</tr>
<tr>
<td>Age</td>
<td>N Direct Entry stream age threshold reduced to 45 years N Transition stream age threshold remains at 50 years - until March 2018 when it reduces to 45 years N exemption retained for Temporary Residence Transition stream applications who have worked for four years on their subclass 457 visa with the nominator and been paid at least the Fair Work High Income Threshold for each of the four years</td>
<td>N prospective applicants over or approaching 45 years of age should seek advice as soon as possible. N for visa holders with spouses, consider eligibility of spouse as primary applicant.</td>
</tr>
<tr>
<td>New Zealand citizens and family members</td>
<td>N pathway to permanent residence through employer nomination retained with exemptions for age, English language and skills assessment N new streamlined pathway - for New Zealand citizens only - when skilled independent subclass 189 visa comes into effect</td>
<td>N assess most favourable option for employee who is a New Zealand citizen or subclass 461 visa holder as family member of New Zealand citizen.</td>
</tr>
</tbody>
</table>
Accredited Sponsorship
Accredited status is now available to low volume business sponsors of good standing who sponsored at least one subclass 457 visa holder in the past two years and are a publicly-listed or private company with minimum turnover of at least AUD4 million in the last two years.

Priority streamlined processing is the most significant benefit of accredited status. Nomination and visa applications require less documentation and will be processed in approximately two weeks rather than six to eight weeks.

Continuing reform program
December 2017
- Immigration department will collect Tax File Numbers and data match with the Australian Taxation Office to monitor remuneration of subclass 457 visa holders
- Publication of sponsors sanctioned for breach of sponsorship obligations

March 2018 - temporary visas
- TSS visa to replace subclass 457 visa
- Vocational English for TSS visa Medium-Term stream
- Skilling Australians Fund levy
- Labour market testing unless an international trade obligation applies

March 2018 - permanent residence
- Eligibility limited to occupations on the MLTSSL
- Transition stream: age threshold reduced to 45 years from 50 years and minimum period of work in Australia on subclass 457 visa increased to three years from two years
- Temporary Skilled Migration Income Threshold (TSMIT) to apply
- Future of Direct Entry stream to be clarified

Next steps
EY will continue to represent the interests of Australian business. In particular we will seek to engage with the immigration department and portfolio ministers regarding:

- Transitional arrangements for lodged permanent visa applications where exemptions have been removed
- Grandfathering eligibility criteria for permanent residence for subclass 457 visa holders granted their visas on or before 18 April 2017
- Listing occupations on the MLTSSL where a skill shortage exists
- Flexible implementation of the Skilling Australians Fund levy to ensure that business is not subject to undue financial imposts.

Occupations lists will continue to be revised regularly in response to labour market analysis by various Commonwealth government departments. In addition to monitoring occupations and caveats on the lists, employers should consider engaging in the consultation process with quantitative as well as qualitative information on skills shortages.

By proactively engaging with business and government, EY can help our stakeholders provide their views to government. We will continue to monitor the implementation of the reform program closely and provide updates.

Contact your EY advisor for advice or assistance with any of the matters raised in this alert.

Wayne Parcell PSM
MARN: 9790656
+61 2 9248 5163
Wayne.Parcell@au.ey.com

Nicole Low
MARN: 0965195
+61 8 9429 2156
Nicole.Low@au.ey.com

Merryn Rider
MARN: 0214531
+61 3 9288 8208
Merryn.Rider@au.ey.com

Trina Diallo
MARN: 0324278
+61 7 3011 3138
Trina.Diallo@au.ey.com