



7 February 2012

Manager
Philanthropy and Exemptions Unit
Personal and Retirement Incomes Division
The Treasury
Langton Crescent
PARKES ACT 2600

To Whom It May Concern

VISA SUBMISSION

Visa welcomes the opportunity to make the attached submission to the *Fringe Benefits Tax (FBT) Reform Living-away-from-home benefits* consultation being run by Australian Federal Treasury following the Federal Government's FBT tax reform announcement of 29 November 2011.

Visa is committed to playing a prominent and constructive role in the Australian payments market, including through the deployment of significant and economic efficiency boosting innovations. As such we propose several moderate changes to the reform package.

Should you have any further questions about the submission, please feel free to contact either myself or Mr Adam Wand, Visa's Head of Public Affairs, Australia, New Zealand and South Pacific on 02 9253 8800 or awand@visa.com.

Yours sincerely

Lorraine Ermer
Director of Human Resources
Australia, New Zealand and Southeast Asia



Submission to the Australian
Federal Treasury

Visa Response to *Fringe Benefits Tax
(FBT) Reforms Living-away-from-
home benefits* consultation

February 2012



Living Away From Home Allowance Reforms Consultation

Submission

Visa welcomes the opportunity to make the attached submission to the *Fringe Benefits Tax (FBT) Reform Living-away-from-home benefits* consultation being run by Australian Treasury. This consultation follows the Federal Government's Living Away From Home Allowance (LAFHA)/Fringe Benefits Taxation (FBT) reform announcement of 29 November 2011.

Visa is committed to playing a prominent and constructive role in the Australian payments market, including through the deployment of significant and economic efficiency boosting payment innovations. As such we propose several moderate changes to the announced LAFHA/FBT reforms.

Visa

Visa is a global payments technology group that connects cardholders, merchants, financial institutions and governments in more than 200 countries and territories around the world. US\$5.2 trillion was transacted on Visa payment products over the calendar year ended 31 December 2010, and Visa has 15,700 financial institution clients who have issued 1.85 billion Visa cards as of 30 September 2010.

Underpinning this digital currency is one of the world's most advanced processing networks, known as VisaNet, that is capable of handling more than 20,000 transaction messages a second, with fraud protection for consumers and guaranteed payment for merchants. A full fact sheet on the Visa Inc. group is attached to this submission.

Human resource needs in the global payments sector

Visa's human resources approach

Visa global business, similar to our peer organisations, utilises on international transfers, both in and out of Australia, not only to fill critical vacancies but also to provide talent and career development and to support the introduction of new technologies and innovations into the Australian market for the overall benefit of the Australian economy.

We encourage, cross-functional and international assignments as well as permanent transfers to build on knowledge sharing, experience and exposure.

Application of LAFHA by Visa

Visa AP (Australia) Pty Ltd currently provides LAFHA benefits to its international employees where appropriate. We feel that the provision of LAFHA benefits to these employees is important in attracting staff with the appropriate

expertise, to work within the Australian business and support the introduction of new and efficient innovations into the Australian market. These steps are focused on delivering overall benefit to the Australian payments system.

The Federal Government has a stated aim of seeing Australia build and maintain a role as a regional financial services centre. Towards achieving this goal the Government has made numerous highly commendable taxation and policy changes and also established the Centre for International Finance and Regulation (Centre) at the University of New South Wales. We note that the Centre “will represent a strategic link between academia, financial regulators, Government and the financial industry. The focus of the Centre will be to put Australia at the forefront of regional and global examination of financial sector developments and the design of regulatory responses to these developments”¹.

As a firm supporter of the Federal Government’s stated aims of increased economic efficiency and establishing Australia as a regional financial services centre, Visa sees the proposed LAFHA/FBT reforms as potentially out of step with these important objectives.

Consideration of amendments

We submit that Treasury and the Government consider the below moderate changes to the reform package. We also submit that these proposed changes would be easily administered.

Accommodation cap

One of the LAFHA benefits provided by Visa relates to accommodation. Rental costs per month vary by employee but when compared to median rental levels in the relevant market would be considered reasonable expenditure.

Visa proposes that consideration be given to the introduction of a cap, applied either monthly or annually, on rental accommodation related costs which would qualify for concessional tax treatment. For example, accommodation could be capped at a per month rental amount in line with median monthly rental payable within certain states/suburbs thereby ensuring there is no misuse of the LAFHA concessions as they relate to accommodation.

Transitional arrangements

If the reforms proceed as has been suggested and employees who are temporary visa holders will no longer be eligible for LAFHA benefits, Visa submits that consideration should be given to introducing transitional rules for taxpayers who, as at the 29 November 2011 announcement date, were living away from home under the current accepted definition, were claiming accommodation benefits under the LAFHA provisions and who were in a fixed term lease.

¹ Press Release, 8 July 2011, The Hon Bill Shorten MP, Assistant Treasurer and Minister for Financial Services and Superannuation

Where the fixed term for this lease ends after the proposed implementation date of the reforms of 30 June 2012, transitional rules should permit these taxpayers to continue to claim accommodation benefits under the LAFHA provisions until at least the end of the fixed term lease.

Without such transitional rules there will be significant financial hardship for these taxpayers who made the decision to enter into the fixed term lease based on the taxation laws that existed at the time that the decision was made.

Alternatively, transitional rules could permit taxpayers who, as at the 29 November 2011 announcement date, were living away from home under the current accepted LAFHA definition and were claiming benefits under the LAFHA provisions through to the expiration date of that taxpayers current temporary visa.



Visa Inc. at a Glance

Visa Inc. is a global payments technology company that connects consumers, businesses, financial institutions and governments in more than 200 countries and territories, enabling them to use digital currency instead of cash and cheques.

Our business primarily consists of the following:

- We provide processing services to our financial institution clients through VisaNet, a centralised and modular payments network providing three essential functions in one complete, flexible package: transaction processing services, risk management services and information services.
- We continually look at how we can use our network breadth and payment expertise to extend the value of digital currency, so more people can use Visa in more ways and in more places around the world.
- We develop payment products, which our financial institution clients use to offer consumers greater choice in how they pay – pay before with prepaid, pay now with debit or pay later with credit.
- We own and manage the Visa brand, which provides the assurance of acceptance at tens of millions of merchant outlets and 1.9 million ATMs in more than 200 countries and territories worldwide.²

What Visa Is	What Visa Is Not
<ul style="list-style-type: none">• Visa is a global payments technology company.• Visa sits at the intersection of 15,300 financial institutions, 1.9 billion Visa cards and tens of millions of merchants bringing digital currency to consumers, businesses, banks and governments.• Visa's network, VisaNet, facilitates the transfer of value and information among consumers, businesses, banks and governments and is one of the world's most advanced processing platforms.	<ul style="list-style-type: none">• Visa does not issue cards, set cardholder fees or interest rates, or make loans to cardholders. These are exclusively the responsibility of the issuing financial institution. In the overwhelming majority of circumstances, Visa does not interact directly with consumers or merchants. Customer relationships are managed directly by the financial institution.• Visa is not just a "credit card company." In the last 50-plus years, Visa has rapidly evolved beyond its credit roots to process transactions

² Data as of June 30, 2011. As reported by client financial institutions and therefore may be subject to change; includes ATMs in the Visa Europe territory.

<ul style="list-style-type: none"> – VisaNet is capable of handling more than 20,000 transaction messages a second.³ 	<p>across a variety of products.</p> <ul style="list-style-type: none"> – For the twelve months ending September 30, 2011, the majority of global payments transactions on Visa’s network were on debit products.⁴
--	--

Statistical Overview

Visa Inc. operates the world’s largest retail electronic payments network, with US\$5.9 trillion transacted on our payment products over the four quarters ended September 30, 2011.

VISA INC. OPERATES THE WORLD’S LARGEST RETAIL ELECTRONIC PAYMENTS NETWORK*	
15,300	Financial institution customers
1.9 billion	Visa cards (As of June 30, 2011)
US\$5.9 trillion	Total volume**
US\$3.7 trillion	Payments volume
1.9 million	ATMs*** (As of June 30, 2011)
76 billion	Total transactions****

Figures are rounded, exclude Visa Europe and are as of September 30, 2011 unless otherwise noted. Figures from 4Q11 operational performance data except number of financial institutions and ATMs.

* Based on payments volume, total volume, number of transactions and number of cards in circulation.

** Includes payments and cash transactions.

*** As reported by client financial institutions and therefore may be subject to change; includes ATMs in the Visa Europe territory.

**** Includes payments and cash transactions.

³ Based on testing conducted in August 2010 with IBM.

⁴ Credit includes consumer and commercial. Debit includes consumer, commercial, prepaid and online. Based on Visa Operating Certificates.