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Attention Ms Raylee O'Neill
Manager
Philanthropy and Exemptions Unit
Personal and Retirement Income Division
The Treasury
Langton Crescent
PARKES ACT 2600

10th February, 2012

Dear Ms O'Neill,

Response to Living Away From Home Allowance FBT Reforms

We are writing to you in response to the Consultation Paper, Fringe Benefits Tax (FBT) Reform – Living-Away-From-Home Benefits, released by Treasury on the 29th November 2011. We would like to express our concerns in respect to how the reforms may impact on the provision of Radiologists to patients in Regional areas of Australia. We believe this to be an unintended consequence of the proposed changes.

I-MED Network Limited (I-MED) is Australia's largest private diagnostic imaging network, covering all major metropolitan areas. It is also Australia's largest rural and regional provider of diagnostic imaging services in Australia.

I-MED currently employs ten foreign national Radiologists who receive a tax free Living Away From Home Allowance (LAFHA). The Radiologists each receive approximately \$45,000 equivalent gross of LAFHA per year. The proposed reforms to the LAFHA would require the LAFHAs provided to our foreign national Radiologists to be included in their taxable income with no offsetting deduction.

The current I-MED LAFHA Radiologists work in the following areas:

- Bundaberg (Qld)
- Hervey Bay (Qld)
- Gladstone (Qld)
- Caboolture (Qld)
- Launceston (Tas)
- Traralgon (Vic)
- Bairnsdale (Vic)
- Sale (Vic)
- Gippsland (Vic)
- Wagga Wagga (NSW)

I-MED's company policy is to pay LAFHA's to foreign nationals up to the earlier of either 3 years or the time their intention to return to their foreign home changes (including applying for Permanent Residency in Australia).

Recruitment of Overseas Trained Doctors (OTD)

There is a shortage of Radiologists in Australia (RANZCR's 2010 Radiology Workforce Report – <http://www.ranzcr.edu.au/advocacy/workforce/workforce-surveys>). Further, it is extremely difficult to recruit Australian Radiologists to work in Regional Australia. I-MED advertises for Australian Radiologists for Regional Australia and once the process is exhausted, it applies for Area of Need (AON) and District Workforce Shortage (DWS) status in order to recruit an OTD. LAFHA has been a means for I-MED to attract the radiologists to come to Australia (rather than choose another country to work).

Further

- ❖ The undersupply of radiologists will worsen in rural areas as the rural radiologist workforce is ageing. The average age of radiologists across Australia has climbed to over 50 years, despite growth in graduate numbers. In regional and rural areas the average age has risen to over 53 years, indicating that those areas already most in need will come under increased pressure in years to come, as an older workforce seeks to reduce their hours or retire.
- ❖ The impending retirement of radiologists in rural practices and the failure to find replacements is one of the most common reasons for practices to seek permission to recruit from overseas.

Our current foreign national Radiologists (except Caboolture) are working in areas classified as RA2 or RA3 by the Australian Standard Geographical Classification - Remoteness Area (ASGC-RA).

<http://www.doctorconnect.gov.au/internet/otd/publishing.nsf/Content/locator>

The proposed reforms could result in two outcomes:

1. Foreign national Radiologists receiving the LAFHA would receive less cash in hand (estimated to be approximately \$20,000 net per year per Radiologist). This will impact on I-MED's ability to attract Radiologists to Regional Australia and compete with other countries for Radiology resources; and/or
2. I-MED will need to equalise the net position of foreign national Radiologists so they are no worse off by the reforms, which will increase I-MED's cost of doing business by approximately \$38,000 gross per year per Radiologist (\$380,000 per year based on I-MED's current ten Radiologists).

We thus respectfully propose that:

- A. the LAFHA reforms provide a carve out for current and future Radiologists providing services in regional areas of Australia (specifically classified as RA2-5 per the ASGC-RA.) This solves problems 1 and 2 above. Alternatively- we propose
- B. Transitional provisions apply such that there is a deferral of 3 years until 1 July 2015 for these new provisions to apply to Radiologists providing services in regional areas of Australia,(specifically classified as RA2-5 per the ASGC-RA.) . This will provide time for our current 3 year contractual obligations to expire. This solves problem 2 above, only.

Both options align with Government policy to support the community and patients in Regional Australia.



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Cost to Treasury

Option A

I-MED has over 30% share of DI services in regional Australia. It is thus anticipated there could be at most about 30 current LAFHA radiologists in RA(2) and above areas. Total maximum cost to Treasury for 30 radiologists x \$38,000 tax on LAFHA benefit = \$1,140,000 pa x 4 years over forward estimates = \$4,560,000

Cost to Treasury

Option B

30 radiologists x \$38,000 x 3 years = \$3,420,000 over 3 years

Should you have any questions please do not hesitate to ring Chris Drummer GM Corporate and Public Affairs, I-MED 02 82741004, or Kate Foster, Group Tax Manager, I-MED 02 82741083.
A letter in support from ADIA is also attached.

Yours sincerely

A handwritten signature in black ink, appearing to be "Chris Drummer", written over a horizontal line.

Chris Drummer
General Manager, Corporate and Public Affairs
I-MED Network

About the I-MED Network

The I-MED Network is Australia's largest private diagnostic imaging network, covering all major metropolitan areas. It is also Australia's largest rural and regional provider of diagnostic imaging services in Australia.

Across Australia, the I-MED Network operates over 200 diagnostic imaging clinics. Annually more than 4.2 million patient examinations are performed by our 350 specialist radiologists, 50 nuclear physicians and 3,900 staff, making us one of the largest providers of diagnostic imaging in the world.

I-MED is committed to providing the best quality of service to its referrers and patients by offering comprehensive imaging services in all modalities of this increasingly expanding branch of diagnostic medicine.