



## Policy costing

Clear the parent visa backlog within three years and then cap waiting times to twelve months	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>This proposal would clear the current backlog within three years and then cap wait times at 12 months for the following parent visas:</p> <ul style="list-style-type: none"><li>• parent (subclass 103)</li><li>• contributory parent (subclass 143)</li><li>• aged parent (subclass 804)</li><li>• contributory aged parent (subclass 864).</li></ul> <p>No applications for parent visas would be able to be lodged until the backlog is cleared.</p> <p>The additional visas granted would not be subject to the annual migration cap.</p> <p>The proposal would commence from 1 July 2019.</p>	

## Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by \$250 million over the 2019-20 Budget estimates period. This impact reflects an increase in revenue of \$1,100 million, an increase in administered expenses of \$1,300 million, and an increase in departmental expenses of \$50 million.

The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period. A breakdown of the financial implications of the proposal over the period to 2029-30 is provided at [Attachment A](#).

There is a small difference between the fiscal and underlying cash balance impacts due to a timing difference between when tax liabilities are recognised and when taxes are collected. This difference does not show in the estimates after rounding.

The proposal would be expected to increase departmental expenses for the Department of Home Affairs, the Department of Human Services, the Department of Social Services, and the Department of Education.

This costing is subject to considerable uncertainty around the projected number of applications for parent visas and any behavioural response by prospective visa applicants. The costing estimates are also sensitive to the use of relevant government services and welfare programs by parent visa holders, as well as their levels of taxable income and consumption. The cost of the proposal would increase significantly beyond the medium term as parent visa holders would become eligible for the age pension 10 years after their arrival in Australia.

**Table 1: Financial implications (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	<b>Total to 2022–23</b>
Fiscal balance	80	70	-40	-370	<b>-250</b>
Underlying cash balance	80	70	-40	-370	<b>-250</b>

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

## Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

### Visa processing and grants

- Visas would be processed evenly throughout each year.
- All prospective applicants for contributory parent visas (subclass 143 and subclass 864) would apply for the much cheaper parent (subclass 103) or aged parent (subclass 804) visas once applications for visas re-open after the backlog has been cleared.
  - In addition, around 28 per cent of the current stock of contributory parent visa applicants would withdraw their applications and re-apply for the cheaper parent visa once visa application re-opens after the backlog is cleared.
- The total number of applications for parent visas would increase to 20,000 per year under the proposal, based on historical data.
- As no visa applications would be accepted until the backlog is cleared, visa applications that would otherwise have been received would occur in the year following the end of the backlog clearance period.
  - This leads to a very large increase in the number of visa applications lodged in 2023-24.
- Around 12 per cent of applications for parent visas would not be granted based on historical data.
- The annual mortality rate of applicants and holders of parent visas by age group would be equal to that of the current Australian population.

### Expenditure

- Once holders of parent visas have served any relevant waiting period that applies to newly arrived residents, they would claim Commonwealth Government services and transfers to which permanent residents are entitled in the same proportion as current Australian residents with similar incomes, ages and backgrounds.
  - These services and transfers include the Medicare Benefits Schedule, Pharmaceutical Benefits Scheme, income support payments, translation services provided by the Department of Social Services, and English language programs funded by the Department of Education and Training.
  - The waiting period for most income support payments and the Commonwealth Seniors Health Card is currently four years for permanent residents arriving after 1 January 2019. There is a 10-year waiting period for the age pension, for which newly arrived parent visa holders will start to become eligible just beyond the time period costed.

- An increased number of Commonwealth Government funded aged care places would become available because the proposal would result in a higher number of Australian residents over age 70.
  - The number of available Commonwealth Government funded aged care places are calculated as a fixed ratio of the population aged over 70. These additional places may not be used by the additional parent visa holders themselves, but their presence in the population will cause additional places to be created.

## Revenue

- The profile of newly arrived holders of parent visas in regard to taxable incomes and consumption of products liable for indirect taxation (such as goods and services tax (GST) or fuel excise) would be similar to that of existing parent visa holders, once adjusted for inflation.

## Methodology

The financial impacts of the proposal were calculated based on estimated average expenses and revenue per eligible parent visa holder, and the estimated number of additional permanent residents.

The estimates of additional permanent residents for each year were calculated based on the costing specifications and the above assumptions.

The estimated impacts on direct and indirect revenue, GST payments to states and territories and all other administered expenses were based on the assumptions outlined above and the average costs of Commonwealth Government services and transfers to which permanent residents have access.

The estimated impact on revenue also includes the change in revenue from visa application charges that would arise as a result of the proposal.

Departmental expense estimates were calculated based on historical migration intake measure models provided by the respective departments.

Revenue and administered expense estimates have been rounded to the nearest \$100 million. Payments of GST to states and territories and departmental expense estimates have been rounded to the nearest \$10 million.

## Data sources

The Department of Home Affairs provided data on the current stock of on-hand visa applications, the cost of processing each parent visa, the age profile of parent category visa applicants, and the projections of lodgements and grants of each parent visa subclass.

The Treasury provided data on expected revenue from new residents by visa subclasses.

The Department of Health provided data on aged care and Pharmaceutical Benefits Scheme expenses.

The Department of Education and Training provided data on the English language education expenses of each new resident.

The Department of Social Services provided detailed data on average welfare benefits expenses for current Australian residents.

Australian Bureau of Statistics, 2019. *Deaths, Year of occurrence, Age at death, Age-specific death rates, Sex, States, Territories and Australia*. [Online] Available at [http://stat.data.abs.gov.au/Index.aspx?DatasetCode=DEATHS\\_AGESPECIFIC\\_OCCURENCEYEAR#](http://stat.data.abs.gov.au/Index.aspx?DatasetCode=DEATHS_AGESPECIFIC_OCCURENCEYEAR#) [Accessed April 2019].

Department of Health, 2017-18. *Annual Medicare Statistics*. [Online] Available at <http://www.health.gov.au/internet/main/publishing.nsf/Content/Annual-Medicare-Statistics> [Accessed April 2019].

Department of Home Affairs, 2019. *Fees and charges for visas*. [Online] Available at <https://immi.homeaffairs.gov.au/visas/getting-a-visa/fees-and-charges/current-visa-pricing/live> [Accessed April 2019].

Department of Social Services, 2018. *DSS Payment Demographic Data*. [Online] Available at <https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/details?q=DSS> [Accessed April 2019].

## Attachment A – Clear the parent visa backlog within three years and then cap waiting times to twelve months – financial implications

**Table A1: Clear the parent visa backlog within three years and then cap waiting times to twelve months – Fiscal and underlying cash balances (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
<b>Revenue</b>													
<b>Total – revenue</b>	<b>200</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>100</b>	<b>100</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>300</b>	<b>300</b>	<b>1,100</b>	<b>2,600</b>
<b>Expenses</b>													
<i>Administered</i>													
<i>GST payments to states</i>	-10	-20	-30	-50	-100	-100	-110	-130	-140	-150	-170	-100	-1,010
<i>Other administered expenses</i>	-100	-200	-300	-600	-900	-1,200	-1,400	-1,700	-2,200	-2,500	-2,800	-1,200	-14,000
<b>Total – administered</b>	<b>-110</b>	<b>-220</b>	<b>-330</b>	<b>-650</b>	<b>-1,000</b>	<b>-1,300</b>	<b>-1,510</b>	<b>-1,830</b>	<b>-2,340</b>	<b>-2,650</b>	<b>-2,970</b>	<b>-1,300</b>	<b>-15,010</b>
<i>Departmental expenses</i>	-10	-10	-10	-20	-30	-20	-20	-30	-30	-40	-40	-50	-270
<b>Total – expenses</b>	<b>-120</b>	<b>-230</b>	<b>-340</b>	<b>-670</b>	<b>-1,030</b>	<b>-1,320</b>	<b>-1,530</b>	<b>-1,860</b>	<b>-2,370</b>	<b>-2,690</b>	<b>-3,010</b>	<b>-1,350</b>	<b>-15,280</b>
<b>Total</b>	<b>80</b>	<b>70</b>	<b>-40</b>	<b>-370</b>	<b>-930</b>	<b>-1,220</b>	<b>-1,330</b>	<b>-1,660</b>	<b>-2,170</b>	<b>-2,390</b>	<b>-2,710</b>	<b>-250</b>	<b>-12,680</b>

- (a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- (b) Figures may not sum to totals due to rounding.