Parliamentary Budget Office

Policy costing

Labor's fairer Long Stay Parent visa	
Party:	Australian Labor Party

Summary of proposal:

This proposal would abolish the Temporary Sponsored Parent visa, which was announced in the 2017-18 Budget and legislated as part of the *Migration Amendment (Family Violence and Other Measures) Act 2018,* and replace it with a new Long Stay Parent visa that would charge a quarter of the application fees of the current Temporary Sponsored Parent visa, indexed by consumer price index and rounded to the nearest $5.

An uncapped number of the proposed Long Stay Parent visas would be made available each year to parents of Australian citizens, Australian permanent residents and eligible New Zealand citizens to stay in Australia for periods of up to three or five years, with the following conditions.

- The visa would operate under the family sponsorship framework outlined in the *Migration Amendment (Family Violence and Other Measures) Act 2018*. The Australian child of a visa applicant would need to be approved as a sponsor prior to the parent making a visa application.
- Two sets of parents per household (up to a maximum of four) can be sponsored for this visa.
- Visa applicants would be required to hold and maintain health insurance from an Australian provider for the duration of their stay in Australia, and would not be entitled to public health or aged care services in Australia. Any debts to the Commonwealth Government accrued by the visa holder through access to these services would need to be repaid by their sponsor.
- Visa applicants would be required to have an assurance of support from an Australian resident for the full duration of their visas.
- At the end of the visa's duration, visa holders will be required to leave Australia for at least four weeks prior to applying for another visa.

The proposal would commence from 1 July 2019.

Costing overview

This proposal would be expected to increase the fiscal and underlying cash balances by $120 million over the 2019-20 Budget forward estimates period. This impact reflects a net increase in revenue and a decrease in administered expenses.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

The proposal would not be expected to have an impact on departmental expenses as it would not significantly change the administrative complexity of the visa system and would rely on existing resources to process the proposed Long Stay Parent visa.

There is a small difference between the fiscal and underlying cash balance impacts due to a timing difference between when indirect tax revenue is recognised and when payments are received. However, fiscal and underlying cash balance impacts are identical after rounding.

This costing is subject to uncertainty around the projected number of applications for the Temporary Sponsored Parent visa and the proposed Long Stay Parent visa, particularly around the behavioural responses of prospective applicants to the lower visa application charges. As the Temporary Sponsored Parent visa has only recently been legislated, there are currently no data on its uptake. The costing estimates are sensitive to assumptions around the uptake of the proposed Long Stay Parent visa, the average income of visa holders, and indirect tax revenue per resident per year.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-	10	20	40	**120**
Underlying cash balance	-	10	20	40	**120**

(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.
- Indicates nil.

Key assumptions

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

- The primary consideration for potential applicants of the proposed Long Stay Parent visa is the financial costs associated with visa application and sponsorship.
- There would be an increase in applications for the proposed Long Stay Parent visa, based on the current expected uptake of the Temporary Sponsored Parent visa, with the increase in the number of applicants proportional to the difference between the costs of the current and proposed visas.
- 80 per cent of the applicants for the proposed visa would opt for a three-year visa and the other 20 per cent would apply for a five-year visa.
- Visa holders would stay in Australia for the full duration of their visas.
- 20 per cent of visa holders would be liable for personal income tax in Australia from income on assets.
- The amount of indirect tax, which includes excises, custom duties, and the goods and services tax (GST), paid by each visa holder would be constant over the 2019-20 Budget forward estimates period, based on the average of historical data.
- The number of visa grants as a ratio of visa applications is based on the historical rate of visa grants of similar visa types.

Methodology

The number of applications for the proposed Long Stay Parent visa was calculated by adjusting the estimated number of applications for the Temporary Sponsored Parent visa by the ratio of the costs of the Temporary Sponsored Parent visa to the proposed Long Stay Parent visa. The number of applications multiplied by the visa application charge for each year gives the estimates for visa application charge revenue.

The number of applications was then transformed into visa grants based on historical grant data for similar visa types. Combining the number of visa grants for each year with the assumed period of stay of visa holders gives estimates of the number of new residents for each year. Multiplying these estimates by the estimated personal income tax and indirect tax per resident for each year gives the personal income tax and indirect tax revenue estimates respectively.

The financial implications of the proposal were calculated by summing the visa application charge estimate, the personal income tax estimate and the indirect tax estimate, and then subtracting from the sum the projected loss of revenue from abolishing the Temporary Sponsored Parent visa.

Estimates have been rounded to the nearest $10 million.

Data sources

The Treasury provided the model used for the 2017-18 Budget measure *Temporary sponsored parent visa – establishment*.

The Department of Home Affairs provided the model for estimating the visa application revenue for the Temporary Sponsored Parent visa.

Commonwealth of Australia, 2019. *2019-20 Budget*, Canberra: Commonwealth of Australia.

Attachment A – Labor's fairer Long Stay Parent visa – financial implications

Table A1: Labor's fairer Long Stay Parent visa – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Revenue					
Visa application charge	..	..	..	..	***20***
Personal income tax	-	..	*10*	*20*	***40***
Indirect tax[(c)]	*10*	*40*	*60*	*70*	***190***
Total – revenue	**10**	**40**	**70**	**90**	**250**
Expenses					
GST to states and territories	*-10*	*-30*	*-50*	*-50*	***-130***
Total – expenses	**-10**	**-30**	**-50**	**-50**	**-130**
Total	**-**	**10**	**20**	**40**	**120**

(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.

(c) Indirect tax includes excises, custom duties and GST.

.. Not zero but rounded to zero.

\- Indicates nil.