

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

20-21 November 2013

Question: SBT 1-4

Topic: AGA Report – Commonwealth Expenditure Associated with Retirement (Subclass 410) Visa

Written: 26 November 2013

Senator BILYK asked:

1. The report estimates a cost to the taxpayer of roughly \$1 billion for providing a pathway to permanent residence for retirement visa holders. Given the visa is not available to new or first-time visa applicants other than partners of existing Retirement visa holders and the current holders are of retirement age, why did the AGA use a timeframe of 60 years for its estimate?
2. The organisation British Expatriate Retirees in Australia, or BERIA, has criticised the AGA's report for not accounting for additional income tax income that would accrue to the Commonwealth as a result of 410 visa holders obtaining permanent residence in Australia. Why did the AGA not include this income?
3. What is the AGA's response to BERIA's other criticisms of its report, such as the estimated take-up rate of the visas, the lack of accounting for mortality rates among the Retirement visa holder population and the other assumptions that BERIA has criticised?
4. Does the AGA accept any of BERIA's criticisms and if so will the AGA be updating its report to take them into account?

Answer:

1. The youngest visa holder at the time we commenced our analysis was aged 39 and there was a total of 35 people aged less than 50. The 60 year projection period was intended to cover the period until estimated expenditure had declined to close to zero in real terms.
2. AGA was commissioned by the then Department of Immigration and Citizenship to report on direct costs to the Commonwealth of granting permanent residence to holders of a Retirement (Subclass 410) visa. The report notes at paragraph 7.5 that:
"The changed tax status flowing from permanent residence would almost certainly lead to higher revenues from income tax and the Medicare levy. However, the quantum of any additional revenue is very uncertain. ... The important point to remember is that this report is estimating the gross cost and there are likely to be some offsets which have not been included in the analysis."
3. AGA operates on a fee for service basis; it has not been asked to consider BERIA's criticisms. However, it should be noted that mortality is not only accounted for, but explored under several scenarios around mortality itself and future mortality improvement. The issue of take-up was specifically addressed at paragraphs 3.36 to 3.38 of the report and again in the conclusion at paragraph 7.6. The assumption of 100 per cent take-up was intended to provide an indicative upper bound for expenditure.

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4. As noted in response to question 3, AGA has not been asked to consider BERIA's criticisms. AGA will not be updating its report unless it receives a request from the Department of Immigration and Border Protection to do so.