

## QUESTION TAKEN ON NOTICE

### ADDITIONAL BUDGET ESTIMATES HEARING: 21 FEBRUARY 2011

#### IMMIGRATION AND CITIZENSHIP PORTFOLIO

#### **(88) Program 1.1: Visa and Migration**

Senator Cash asked:

I refer to the answer provided to QON 190 at the October 2010 Senate Estimates Hearing for the Legal and Constitutional Affairs Committee in which the Department says:

The Department has not commissioned an estimation of the amount of additional tax revenue that may arise as a result of a change of residency status for Retirement (Subclass 410) visa holders. The Australian Government Actuary (AGA) and the Department acknowledge that under current Australian taxation legislation a change of residency status for this group would likely result in an increase in taxation revenue. The AGA and the Department have not, however, been able to source information that would enable the amount of any such increase to be quantified with an acceptable level of precision.

1) Does the Department accept that the calculations done by BERIA in this regard indicate that the level of additional income is likely to be significant? Does the Department accept the calculations done by BERIA? If not, why not?

2) How does the Department propose to give advice to Ministers on assessing that income level when considering additional costs?

*Answer:*

In order to inform Government discussions regarding providing a pathway to permanent residence for Retirement (Subclass 410) visa holders, the Department approached the Australian Government Actuary (AGA) to provide an estimate of the cost of such a proposal to the Commonwealth.

The resulting report '*Commonwealth Expenditure Associated with Retirement (Subclass 410) Visa*' was published on the AGA's website in February 2011 and can be accessed at: <http://www.aga.gov.au/publications/>

The Department did not specify the items to be included in the report but rather, left it to the professional opinion of the AGA.

In carrying out this work, both the AGA and the Department tried to obtain information to facilitate an estimation of the possible increase in revenues arising from this proposal. To date this has not been achieved, however, the Department is still looking at this issue.

1) In their report 'The Case for Permanent Residency for Holders of the 410 Retirement Visas' of January 2010, BERIA provided an estimate of additional taxation revenue payable in Australia based on a survey of their membership in November – December 2009 and cohort data current as at 30 June 2009. In their report BERIA state that at that time the organisation represented approximately 1600 members and that 602 people completed the survey. This represents some eight per cent of the total number of Subclass 410 visa holders (based on 7834 visa holders as at 30 June 2009).

The BERIA income survey indicated that the average gross household income of a Subclass 410 visa holder in 2008-09 was \$110 000 per year and that the majority of this income was sourced overseas. In their opinion this would result in additional revenues to Government in the order of \$700 million over 60 years.

Given the small size of the sample group and concerns that possible biases may have been inadvertently introduced through the sampling methodology the Department is not in a position to accept the BERIA estimates without further verification.

2) Advice to Ministers with regard to possible additional costs or revenues associated with the proposal to provide Subclass 410 visa holders with a pathway to permanent residence will be developed in conjunction with our colleagues from other Departments.

The Department is not in a position to provide an indication of the possible outcome of any such collaboration.