FOI 4388
Document 1

Australian Government
The Treasury

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Visa Application Charge Uplift

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FINANCIAL IMPLICATIONS (IMPACT ON UCB, $M)

	2023-24	2024-25	2025-26	2026-27	2027-28	Total over FE
s 22						
ATO - Receipts	0	-10	-40	-65	-80	-195
Home Affairs - Receipts	0	355	370	390	405	1,520
Treasury - Payments	0	5	15	25	30	75
Total	**0**	**350**	**345**	**350**	**355**	**1,400**

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s 22 [redacted]

s 22 [redacted]

s 22 [redacted]

Key Assumptions

- This costing incorporates a behavioural response for the proposed VAC uplift.
  - We have assumed the price elasticity of student visa lodgement demand to be highly inelastic. VAC is a small share of the cost of education and relocation, and Australia is a highly regarded study destination.
  - The elasticity assumptions differ by education sector, reflecting the length, substitutability, and cost structure of the various education options available to international students.
  - While there is limited evidence on how previous VAC uplifts have impacted demand, the chosen elasticities are broadly consistent with the available literature relating to the price sensitivity of students to visa charges. We have assumed the following elasticities in Table 1.

Table 1: elasticity assumption by education sector

Student type	Elasticity assumption*	Share of students
Higher Education	-0.01	58%
Vocational Education and Training	-0.05	9%
English-Language Courses	-0.10	29%
Other	-0.05	3%

** A price elasticity of visa lodgement demand of -0.1 means that a 1% increase in price leads to a 0.1% drop in demand for lodgements.*

s 22 [redacted]

s 22 [redacted]

- We have assumed nil cross price elasticity of visa demand across similar visa products (within student types and temporary visa programs). We do not expect an uplift to student visa prices to lead to substitutions of prospective students to working holiday or other similar visas.

  s 22 [redacted]

- We have assumed there is no bring forward of applications as there is not expected to be a gap between announcement and implementation. s 22 [redacted]

- s 22 [redacted]

- We assume that students pay, on average, approximately $5,000 in income and consumption taxes in each year that they are onshore. Additionally, our costing accounts for differences in incomes and consumption by student sector as well as increases to average nominal income and consumption over time.

- It is assumed that Higher Education (including Post-Graduate) students stay in Australia for four years, reflecting the typical length of study as well as any study gaps. Non-tertiary students are assumed to stay for two years, given the shorter length of non-tertiary courses and the available options for transitioning to additional study.

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Visa Application Charge Uplift

s 22 [redacted]

FINANCIAL IMPLICATIONS (Impact on UCB, $M)

	2024-25	2025-26	2026-27	2027-28	2028-29	Total over FE
ATO - Receipts	0.0	-5.0	-10.0	-15.0	-20.0	-50.0
Home Affairs - Receipts	0.0	185.0	195.0	200.0	210.0	790.0
Treasury - Payments	0.0	..	5.0	5.0	10.0	20.0
Total	**0.0**	**180.0**	**190.0**	**190.0**	**200.0**	**760.0**

s 22 [redacted]

s 22 [redacted]

s 22 [redacted]

s 22 [redacted]

s 22 [redacted]

Key Assumptions

- This costing incorporates a behavioural response for the proposed VAC uplift.
  - We have assumed the price elasticity of student visa lodgement demand to be highly inelastic. VAC is a small share of the cost of education and relocation, and Australia is a highly regarded study destination.
  - The elasticity assumptions differ by education sector, reflecting the length, substitutability, and cost structure of the various education options available to international students.
  - While there is limited evidence on how previous VAC uplifts have impacted demand, the chosen elasticities are broadly consistent with the available literature relating to the price sensitivity of students to visa charges. We have assumed the following elasticities in Table 1.

Table 1: Elasticity assumption by sector

	Elasticity assumption*	Share of students
Higher Education	-0.01	56%
Vocational Education and Training	-0.05	28%
English-Language Courses	-0.10	10%
Other students	-0.05	6%

** A price elasticity of visa lodgement demand of -0.1 means that a 1% increase in price leads to a 0.1% drop in demand for lodgements.*

- We have assumed nil cross price elasticity of visa demand across similar visa products (within student types and temporary visa programs). We do not expect an uplift to student visa prices to lead to substitutions of prospective students to working holiday or other similar visas.
- We have assumed there will not be a bring forward of applications.

s 22 [redacted]

- The costing assumes that students arrive at a consistent rate throughout the year.
- s 22 [redacted] we have assumed that students stay in Australia for an average of two years, reflecting the typical length of study as well as any study gaps.

s 22 [redacted]

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The Treasury

s 22 [redacted]

s 22 [redacted]

Temporary Graduate Visa Application Charge Uplift

s 22 [redacted]

FINANCIAL IMPLICATIONS (Impact on UCB, $M)

	2025-26	2026-27	2027-28	2028-29	Total over FE
s 22 [redacted]					
s 22 [redacted] 100 per cent uplift					
ATO - Receipts	-5	-15	-40	-60	-120
Home Affairs - Receipts	105	305	325	340	1075
Treasury - Payments	..	5	10	10	25
Total	**100**	**295**	**295**	**290**	**980**
s 22 [redacted]					

s 22 [redacted]

s 22 [redacted]

<table>
<tr><td colspan="2">s 22 [redacted]</td></tr>
<tr><td>Key Assumptions</td><td>This costing incorporates a behavioural response for the proposed VAC uplift.
We have assumed the price elasticity of TGV lodgement demand to be highly inelastic (-0.01)*.
Temporary Graduate Visas allows international students who have recently graduated with a degree from an Australian institution to live, work and study in Australia temporarily. Visa costs for this cohort are small relative to costs of living and studying in Australia.
The elasticity assumption reflects the small absolute value of the increase ($2300 rise to $4600) compared to the expected future income international students are expecting to earn by moving onto the TGV.
While there is limited evidence on how previous VAC uplifts have impacted demand, the chosen elasticity is broadly consistent with previous analysis of the literature relating to the price sensitivity of students to visa charges.
We have assumed nil cross price elasticity of visa demand across similar visa products (within other visa programs). We do not expect an uplift to TGV prices to lead to substitutions of prospective graduates to Working Holiday or other similar visas.

We have assumed that there will be an announcement that does not result in a bring forward of applications s 22 [redacted]

* A price elasticity of visa lodgement demand of -0.01 means that a 1% increase in price leads to a 0.01% drop in demand for lodgements.</td></tr>
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