



COVERSHEET

Minister	Hon Michael Wood	Portfolio	Immigration
Title of Cabinet paper	2022 Immigration Fee and Levy Review	Date to be published	18 August 2022

List of documents that have been proactively released		
Date	Title	Author
6 April 2022	2022 Immigration Fee and Levy Review	Office of the Minister of Immigration
11 April 2022	2022 Immigration Fee and Levy Review CAB-22-MIN-0121 Minute	Cabinet Office

Information redacted

YES / NO

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Some information has been withheld for the reasons of confidential advice to Government.



Cabinet

Minute of Decision

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2022 Immigration Fee and Levy Review

Portfolio **Immigration**

On 11 April 2022, following reference from the Cabinet Economic Development Committee (DEV), Cabinet:

Background

- 1 **noted** that on 10 November 2022, DEV agreed to a comprehensive review of the immigration system funding model, commencing with options for an interim adjustment to fees and levies [DEV-21-MIN-0221];
- 2 **noted** that this interim review has been guided by the following objectives:
 - 2.1 bringing revenue from immigration fees and levies closer to cost recovery (while remaining within the range of what comparable jurisdictions charge);
 - 2.2 ensuring the mix and level of charges support an efficient and effective immigration system;
 - 2.3 more efficiently allocate government resources;
 - 2.4 improving transparency, accountability, and equity of the immigration charging regime;

Adjusting the mix of Crown, fee and levy funding

- 3 **noted** that the current fee and levy structure relies too heavily on fee funding (61 percent), and that funding a larger share of costs associated with maintaining the immigration system (such as ICT costs) from levies would better align with cost recovery principles and provide scope to broaden the future payer base;

4 **agreed** to shift the mix of funding sources to partially reallocate costs from fees to levies, alongside other minor changes that result in the following allocation of costs (shown for 2022/23 below, but applied similarly for out-years):

Intended cost allocation (2022/23) by revenue source					
	eTA fee	Visa fees	Immigration Levy	Total 3 rd party	Crown
Nominal allocation	\$22m / 5%	\$257m / 56%	\$29m / 6%	\$308m / 67%	\$148m / 33%
Proposed allocation	\$16m / 4%	\$200m / 44%	\$116m / 25%	\$332m / 73%	\$124m / 27%

Bringing revenue from fees and levies closer to cost recovery

5 **noted** that the decisions in paragraphs 6 and 7 below are intended to close the projected revenue shortfall by June 2024 by 50 percent, to mitigate the risk of over-recovery of costs should visa volumes recover more quickly than currently expected;

6 **agreed** to increase fee and levy rates across-the-board (subject to the exceptions in paragraph 7 below), as follows:

- 6.1 Electronic Travel Authority (eTA) fees will increase by 90 percent;
- 6.2 Visa fees will increase by 12 percent;
- 6.3 Immigration Levy rates will increase by 279 percent;

7 **agreed** to the following exceptions to these across-the-board adjustments:

- 7.1 Accredited Employer Work Visa fees will remain at the level agreed by Cabinet on 16 February 2022 [DEV-22-MIN-0009], although the associated levy will increase;
- 7.2 visitor visas will be capped at the current price (fee plus levy) of \$210;
- 7.3 the Skilled Migrant – Resident visa will be capped at a total price (fee plus levy) of \$5000, to stay within the range of New Zealand’s international counterparts;
- 7.4 the price of key Pacific visas (Recognised Seasonal Employer (limited work), Pacific Access Category (Registration and Permanent Resident visa), and Samoan Quota) will remain unchanged;

8 **agreed** that the adjustments in paragraphs 6 and 7 above will take effect from 1 August 2022;

9 **noted** that this means that the price (fee plus levy) of key visa products, when applied for in New Zealand, will change as follows:

- 9.1 eTA will increase from \$12 to \$23;
- 9.2 Working Holiday Scheme visas will increase from \$245 to \$420;
- 9.3 student visas will increase from \$275 to \$375;

- 9.4 post-study work visas will increase from \$495 to \$700;
- 9.5 Accredited Employer Work Visas (migrant check) will increase from \$595 to \$750 (noting the only increase is to the levy component);
- 9.6 Partnership – Work visas will increase from \$635 to \$860;
- 9.7 Partnership – Resident visas will increase from \$1,480 to \$2,750;
- 9.8 Skilled Migrant – Resident visas will increase from \$3,240 to \$5,000 (capped);
- 9.9 entrepreneur visas will increase from \$4,140 to \$6,855;
- 9.10 Investor Migrant visas will increase from \$5,070 to \$7,895;

Addressing the deficits that accrued to the end of 30 June 2022

- 10 **noted** that Cabinet has previously taken decisions to fully write-off COVID-related deficits in the immigration fee memorandum accounts, covering the period 1 March 2020 to 30 June 2021 [DEV-21-MIN-0221];
- 11 **noted** that this immigration interim review seeks decisions on the treatment of deficits in the immigration fee memorandum accounts that:
 - 11.1 accrued prior to the COVID-related closure of the border (the pre- COVID deficits);
 - 11.2 will accrue over the 2021/22 fiscal year (COVID-related deficits);
- 12 **noted** that the pre-COVID deficits (approximately \$58 million) will be reduced by approximately \$14 million due to the setting of fees for the Accredited Employer Work Visa (migrant check) and 2021 Resident Visa that include an amount for deficit recovery [CBC-21-MIN-0114 and DEV-22-MIN-0009];
- 13 **agreed** that the adjustment to fees and levies will not include an amount intended to partially recover any remaining pre-COVID deficits, but rather that the remaining pre-COVID deficits (approximately \$44 million) would be written off, reducing the accumulated deficits by 30 June 2022;
- 14 **agreed** that the adjustment to fees and levies will not include an amount intended to partially recover any COVID-related deficits that will have accrued in the immigration fee memorandum accounts by 30 June 2022, but rather that the remaining COVID-related deficits (approximately \$120 million) would be written off, reducing the accumulated deficits by 30 June 2022;

Expected impacts of these decisions

- 15 **noted** that, taken together, these proposals will:
 - 15.1 ensure that users of the immigration system are meeting an appropriate share of costs, and are therefore contributing to maintaining the capability of the immigration system;
 - 15.2 create the foundation for a more sustainable funding model, by shifting a greater proportion of costs from fees to levies, which gives more choices about sharing the burden of future increases;

- 15.3 ensure the price of key Pacific visas remains the same for Pacific migrants, reflecting New Zealand’s commitments to resilience and economic development in the Pacific;
 - 15.4 keep visa prices broadly in the range of comparable countries;
 - 15.5 improve affordability to the Crown, by reducing the size of the third-party revenue shortfall by \$78 million and reducing operating costs for the Crown by \$18 million over two years (reflecting the net impact of reducing the share of Crown funding in the immigration revenue mix, offset by the estimated cost to the Crown of the proposed caps and subsidies);
- 16 **noted** that the Ministry of Business, Innovation and Employment consulted with a targeted group of stakeholders on an earlier iteration of the above proposals, and that the final price changes outlined in paragraph 6 above are considerably lower than those that were consulted on;

Financial implications – adjusting the revenue mix

- 17 **agreed** to decreases in both revenue Crown and third-party revenue (eTA and visa fees), and a corresponding increase in third-party revenue (immigration levy) to provide for the revenue mix adjustments outlined in paragraphs 3 and 4 above, with the following impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance and Net Core Crown Debt Impact	-	(23.667)	(22.826)	(22.768)	(22.768)
Operating Balance Only Impact	-	-	-	-	-
Net Core Crown Debt Only Impact	-	-	-	-	-
No Impact	-	23.667	22.826	22.768	22.768
Total	-	-	-	-	-

- 18 **approved** the following changes to baselines to reflect the revenue changes in paragraph 17 above:

- 19 **noted** that the appropriation changes in paragraph 18 above reflect the aggregate change in

Vote Labour Market Minister of Immigration	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Multi-Category Expenses and Capital Expenditure: Immigration Services MCA Departmental Output expenses:					
Assessment and Processing Services (funded by revenue other)		(62.712)	(63.600)	(63.600)	(63.600)
Assessment and Processing Services (funded by revenue Crown)	-	62.712	63.600	63.600	63.600
Total Operating		-	-	-	-

funding sources across each category of the MCA, which comprise the following changes:

	\$m - increase/(decrease)			
	2022/23	2023/24	2024/25	2025/26 & Outyears
Assessment and Processing Services				
Revenue from fees	(62.712)	(63.600)	(63.600)	(63.600)
Revenue from Levy	66.532	66.957	66.957	66.957
Revenue from the Crown	(3.820)	(3.356)	(3.356)	(3.356)
	-	-	-	-
Integrity and Security of the New Zealand Immigration System				
Revenue from fees	-	-	-	-
Revenue from Levy	18.985	17.525	17.525	17.525
Revenue from the Crown	(18.985)	(17.525)	(17.525)	(17.525)
	-	-	-	-
Services for the Attraction of Migrants				
Revenue from fees	-	-	-	-
Revenue from Levy	0.830	0.830	0.830	0.830
Revenue from the Crown	(0.830)	(0.830)	(0.830)	(0.830)
	-	-	-	-
Settlement and Integration of Refugees and Other Migrants				
Revenue from fees	-	-	-	-
Revenue from Levy	0.031	1.115	1.056	1.056
Revenue from the Crown	(0.031)	(1.115)	(1.056)	(1.056)
	-	-	-	-

Financial implications – subsidising the price increases of selected visas

20 **agreed** to an increase in revenue Crown and corresponding decreases in third- party revenue (visa fees and immigration levy) to provide for explicit price subsidies for selected visas outlined in paragraphs 7.2, 7.3 and 7.4 above, with the following impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance and Net Core Crown Debt Impact	-	9.509	18.828	18.828	18.828
Operating Balance Only Impact					
Net Core Crown Debt Only Impact					
No Impact	-	(9.509)	(18.828)	(18.828)	(18.828)
Total	-	-	-	-	-

21 **approved** the following changes to baselines to reflect the revenue changes in paragraph 20 above:

Vote Labour Market Minister of Immigration	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Multi-Category Expenses and Capital Expenditure: Immigration Services MCA Departmental Output expenses:					
Assessment and Processing Services (funded by revenue other)	-	(2.788)	(5.300)	(5.300)	(5.300)
Assessment and Processing Services (funded by revenue Crown)	-	2.788	5.300	5.300	5.300
Total Operating	-	-	-	-	-

22 **noted** that the financial implications for subsidising the price increases of selected visas assumes visa volumes in 2024/25 and out-years are the same as in 2023/24, and that if those volumes were higher or lower, the fiscal costs would be higher or lower accordingly;

23 **noted** that the appropriation changes in paragraph 21 above reflect the aggregate change in funding sources across the *Assessment and Processing Services* category of the MCA, which comprises the following changes:

	\$m - increase/(decrease)			
	2022/23	2023/24	2024/25	2025/26 & Outyears
Assessment and Processing Services				
Revenue from fees	(2.788)	(5.300)	(5.300)	(5.300)
Revenue from Levy	(7.091)	(14.249)	(14.249)	(14.249)
Revenue from the Crown	9.880	19.549	19.549	19.549
	-	-	-	-

24 **noted** that the combined impacts of *adjusting the revenue mix* (paragraph 17 above) and *subsidising the price increases of selected visas* (paragraph 20 above) are as follows:

25 **agreed** that the combined operating balance impacts of the revenue changes in paragraph 24

	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance and Net Core Crown Debt Impact	-	(14.158)	(3.998)	(3.940)	(3.940)
Operating Balance Only Impact					
Net Core Crown Debt Only Impact					
No Impact	-	14.158	3.998	3.940	3.940
Total	-	-	-	-	-

above are not managed against allowances as there is a positive impact to the Crown at an aggregate level;

Financial implications – addressing the remaining pre-COVID deficits

26 **approved** the following capital injection to the Ministry of Business, Innovation and Employment to give effect to the policy decision in paragraph 13 above, with a corresponding impact on net core Crown debt:

	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Vote Business, Science and Innovation Minister for Regional and Economic Development					
Ministry of Business, Innovation and Employment	43.900	-	-	-	-
Capital injection					

27 **agreed** that the departmental capital injection for 2021/22 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the capital injection be met from Imprest Supply;

28 **noted** that Cabinet approved \$173 million capital funding through Budget 2021 for *Financial Sustainability Funding to Address the Third-Party Revenue Shortfall in the Immigration System* [CAB-21-MIN-0116.04], including \$86.5 million that was held in contingency and has not yet been required by the Ministry of Business, Innovation and Employment;

29 **agreed** that, although the primary purpose for the funding was to cover the anticipated revenue shortfall in the 2021/22 year primarily arising from border closure in response to COVID-19, the purpose of these funds be widened to include addressing the pre-COVID-19 revenue shortfall;

30 **agreed** that the net core Crown debt only impact in paragraph 26 above of departmental capital injections incurred under paragraph 13 above, be charged against the *Financial Sustainability Funding to Address the Third- Party Revenue Shortfall in the Immigration System* tagged contingency;

31 **noted** that using the capital contingency in this way has no additional financial implications for the Crown;

32 **noted** that following the adjustment in paragraph 30 above, the remaining balance and indicative phasing of the capital contingency described in paragraph 28 above will be:

	\$m				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
<i>Financial Sustainability Funding to Address the Third-Party Revenue Shortfall in the Immigration System – Tagged Capital Contingency</i>	42.600	-	-	-	-

Financial implications – addressing the COVID-related deficits for the 2021/22 year

33 **noted** that Cabinet has delegated authority to the Minister of Finance and the Minister of Immigration to write off COVID-related deficits in the immigration fee memorandum accounts for the 2021/22 fiscal year, up to the amount of capital funding provided through

Budget 2021 (\$173 million) for *Financial Sustainability Funding to Address the Third-Party Revenue Shortfall in the Immigration System* [CAB-21-MIN-0116.04];

- 34 **noted** that in addition to the \$86.5 million capital injection provided immediately through Budget 2021, the remaining capital contingency of \$42.6 million should be sufficient to write-off the remaining COVID-related deficits (approximately \$120 million), and that using capital injections in this way has no additional financial implications;
- 35 **agreed** that the expiry date of the tagged capital contingency in paragraph 32 above be extended to 1 February 2023, to enable the Minister of Finance and the Minister of Immigration to confirm the final amount to be written-off once the final memorandum account position is known, following completion of the 2021/22 audited financial statements in November 2022;
- 36 **noted** that paragraphs 17 to 34 above will have implications for the presentation of the immigration fee memorandum accounts in the Estimates/Supplementary Estimates of Appropriations and in the Ministry of Business, Innovation and Employment's annual report;

Legislative implications

- 37 **authorised** the Minister of Immigration to amend the schedule of fees and levies as set out in Annex One of the paper under DEV-22-SUB-0076, and to make minor adjustments as necessary;
- 38 **invited** the Minister of Immigration to issue drafting instructions to the Parliamentary Counsel Office for the proposed changes.

Michael Webster
Secretary of the Cabinet