

In Confidence

Office of the Minister of Immigration

Chair, Cabinet Economic Development Committee

2018 IMMIGRATION FEES AND LEVIES REVIEW

Proposal

- 1 This paper reports back on public submissions on the immigration fees and levies review and seeks approval to confirm changes to the immigration fee and levy rates as consulted on. The proposed changes:
 - 1.1 address shifts in relative costs and the resulting cross-subsidisation between visa types;
 - 1.2 provide funding to meet cost pressures on Immigration New Zealand (INZ) driven by demand, approved in Budget 2018;
 - 1.3 fund investments to enhance border security and migrant protection, approved in Budget 2018;
 - 1.4 return the fee memorandum account to balance within three years.

Executive Summary

- 2 It is good regulatory practice that immigration fees and levies be reviewed regularly to ensure that they are fair, effective and efficient. Immigration fees and levies were last reviewed in 2015.
- 3 The 2018 review has found that changes are needed to address cross-subsidisation between visa types, meet demand pressures and make additional investments approved in Budget 2018, and return the memorandum account to balance within three years (as set out in Treasury and the Office of the Auditor-General guidelines). A number of minor changes are also needed relating to online discounts and accreditation fees, as well as to clarify exemptions from fees for individuals applying for visa as refugees, protected persons and domestic violence victims.
- 4 Cabinet agreed to consult on the following proposed changes [DEV 18-MIN-0040 refers]:
 - 4.1 increase work visa category fees by 54 per cent, except for Recognised Seasonal Employment scheme visas and Working Holiday visas, which will increase by 10 per cent (in line with increases to all other visa category fees);
 - 4.2 reduce Student visa category fees by 6.5 percent;
 - 4.3 reduce group visitor visas fees by 45 percent;
 - 4.4 reduce the Business/Skilled Residence visa category fees by 1 percent;
 - 4.5 increase all other visa category fees by 10 percent;
 - 4.6 increase all immigration levy rates by 43 percent;
 - 4.7 increase employer accreditation fees by 20 percent;

- 4.8 remove discounts for online applications.
- 5 The proposed changes to fees and levies, along with a future option of border clearance levy, were publicly consulted on from 15 June to 22 July 2018. Ten submissions were received.
- 6 I have also considered feedback from other stakeholders on issues including:
- 6.1 whether the current work visa volume assumptions, with a moderate projected decline of 1% to 2% from 2018 to 2020 are appropriate;
- 6.2 the need for Immigration New Zealand (INZ) to minimise costs and maximise efficiencies in its business process and visa processing;
- 6.3 whether the fee memorandum account deficit should be absorbed by INZ rather than being passed on to new visa applicants;
- 6.4 whether the proposed border security and compliance related costs should be recovered from general taxation rather than levies.
- 7 I have considered further advice from officials on these issues and recommend that changes to immigration visa fees and levies should proceed as proposed.
- 8 Prior to consultation, I discussed the potential impacts of the proposed changes on Pasifika migrants and Pacific governments with the Minister for Pacific Peoples and the Ministry of Foreign Affairs and Trade (MFAT). s 6(a)
- 9 s 6(a) I am proposing that no changes be made to the increases consulted on publicly in relation to the Pacific band¹. However, Pacific visa applicants will continue to benefit from lower levels of fees and levies compared to other applicants.
- 10 I propose to make a number of minor corrections to a number of individual line items which were inconsistent with the change proposed for consultation in the schedule of fees and levies attached to the document, including:
- 10.1 decreasing the fee for the online expression of interests for the Skill Migrant Category by 1%, rather than applying the rate for hard copy applications;
- 10.2 maintaining the Working Holidays visa fees which are exempt from some part of the proposed changes, rather than increasing it by 54%;
- 10.3 decreasing the fees for Entrepreneur Work Visa by 1% as it is similar in processing efforts to Business/Skilled residence visa;

¹ Visa fees and levies are set in three bands: NZ, Pacific and Others, reflecting where visa applications are made. Fees and levies in the Pacific band are discounted to reflect the special relationship between NZ and Pacific countries such as Samoa.

- 10.4 increasing the fee for approval in principle to recruit overseas workers by 10% rather than 54% as it is not a work visa.
- 11 I recommend that the proposal on funding INZ border clearance activities through the Border Clearance Levy not proceed at this time. My recommendation is based on an assessment that the potential equity gains are small and other possible changes to border settings, such as the potential introduction of an Electronic Travel Authority, may impact on border clearance activities in the future.
- 12 I note that the Cabinet Economic Development Committee (DEV) has discussed the cumulative impacts of the proposals for other changes to border charges that are currently under consideration and invited Border Sector Ministers to report back on the total costs to travellers and traders of upcoming changes in border charges [DEV-18-MIN-0151 refers].
- 13 I propose that the changes to immigration fees and levies be approved prior to the report back given the need, in particular, to return the fee memorandum account to balance. The deficit in the fee memorandum account is expected to be in excess of \$60 million by the end of October 2018 and will continue to deteriorate if the fees are not adjusted.

Background

- 14 In April 2018, DEV agreed in principle that an increase in Immigration appropriations over 2017/18 to 2021/22 would be funded by third-party revenue, through fees and levies charged for immigration services, to address cost pressures and make an additional investment to enhance migrant protection and border security. DEV also agreed to consult publicly on the proposed changes to immigration fees and levies and invited me to report back on the outcomes of public consultation [DEV 18-MIN-0040].
- 15 The immigration system is funded through a mixture of fees and levies (third-party revenue) and Crown funding. Immigration fees and levies pay for the costs of service provision and risk management that confer a private benefit to migrants. The public benefit component is recognised through the Crown contribution.
- 16 Budget 2018 approved additional operating funding over five years from 2017/18 to 2021/22 of \$119.774 million for visa services and \$39.576 million for additional investment in border security and migrant protection. These are to be met through third-party revenue [CAB-18-MIN-0158.17 refers].
- 17 It is a good regulatory practice that fees and levies be regularly reviewed and the fee memorandum account be balanced over the medium term (3-5 years). The last review was in 2015. Since the 2015 review the fee memorandum account has further declined and was in deficit at \$45 million as of June 2018. This deficit will worsen without the additional revenue from the changes proposed in this paper. To date the deficit has been absorbed through the Ministry of Business Innovation and Employment's (MBIE) balance sheet. However, it is not expected that MBIE's balance sheet will be able to carry a worsening memorandum account deficit in the longer term and MBIE would be required to seek a cash injection from Government.
- 18 This review represents the first time that immigration fee and levy proposals have been public consulted, reflecting good regulatory practices. Following Cabinet approval, public consultation on the proposed changes took place from 15 June to 22 July 2018,

and ten submissions were received. Key feedback is summarised in paragraphs 38 to 48 below. A detailed submissions analysis is attached to the Cost Recovery Impact Statement in Annex Two. Targeted consultation was also undertaken with the Ministry of Pacific Peoples to better understand the costs for Pasifika communities, and officials engaged with key industry stakeholders, including Tourism Industry Aotearoa, BusinessNZ and Federated Farmers.

Objectives of a cost recovery mechanism

- 19 Immigration fees and levies are set on a cost-recovery basis. Immigration fees cover direct costs and overheads that can be attributed to individual visa applicants, while the immigration levy apportions the costs that cannot be attributed individually. The proposed changes will ensure that the cost recovery principles continue to apply, meaning that the people who benefit from the services provided and the risks managed by the immigration system pay for its upkeep.
- 20 A good cost recovery regime should meet a number of objectives, including:
- fairness/equity: that costs are apportioned appropriately between visa applicants as well as between visa applicants and New Zealanders, according to the benefits derived or risks exacerbated by individuals.
 - effectiveness: that the immigration system can continue to provide an appropriate level of services.
 - efficiency: that cost settings reflect resource allocation and efficiency measures, and continue to support initiatives for greater efficiency gains.

Fees and levies need to be adjusted to fund a fair, effective and efficient immigration system

- 21 Since the 2015 review, the increasing traveller volume and risks of immigration have put additional pressure on the immigration system. The review of immigration fees and levies identified that the following issues which impact on fee levels:
- some visa applicants are charged less than they should be while others are charged more than they should be;
 - the increases in appropriations agreed in Budget 2018, totalling \$119.774 million, to address cost pressures require increases in immigration fees and levies;
 - an increase in levies is required to fund the investments agreed in Budget 2018 of \$39.576 million to enhance protection of migrants and border security;
 - the memorandum account is in significant deficit and will deteriorate further without additional revenue; and
 - some minor adjustments to fees and levies are required for online applications and employer accreditation.
- 22 To address these issues, I recommend changes to the immigration fee and levy rates as consulted on, with a three-year time frame for recovering the memorandum account deficit. The proposed changes will ensure that the cost recovery principles continue to apply appropriately to visa fee and levy settings, in line with best practice.

- 23 My recommendations for changes to fees and levies take into account the impact on potential migrants (the impacts on Pasifika migrants are discussed separately below in paragraphs 49 to 51). Generally, I do not consider the level of increases (although significant in percentage terms) will have a large impact on migrants' decisions. These decisions are ultimately driven by a range of factors including relative economic conditions and opportunities in New Zealand compared to other countries.
- 24 The costs of visa fees and levies will remain a small proportion of the total costs to visit, study, or work and live in New Zealand. The fees and levies will also remain competitive against comparable jurisdictions such as United Kingdom and Australia. DEV has recently invited border sector Ministers to report back on cumulative charges in the border sector [DEV-18-MIN-0151] and charges on visitor visa applicants in particular will be covered by that report.
- 25 In calculating the fees and levies, officials have taken into account the uncertainty involved in costing a complex system. The proposals are based on the best available data on INZ expenditure and revenue. Uncertainty is created by averaging the processing efforts for individual visa applications which can vary significantly and attributing fixed and variable costs to specific broad visa categories. This uncertainty can be compounded by the use of volume assumptions which may not necessarily eventuate (see paragraphs 39-42).
- 26 The recommended changes are summarised below (a detailed table of individual fees and levies by visa types is provided in Annex One):

Table 1: issues and corresponding adjustments to immigration fees and levies *

		Impact on fees by visa categories	Impact on levy rates
Policy options	Addressing over and under recover across visa categories	Work visas increase by 40%** Student visas decrease by 15% Group visitor visas decrease by 50% Business/Skilled Residence visas decrease by 10%	N/A (only applies to fees)
	Meeting demand pressures	All visa fees increase by 5%	Increase by 6%
	Improving border security and migrant protection	N/A (costs fully allocated to levies)	Increase by 37%
	Recovery of memorandum account over three years	All visa fees increase by 4%	N/A (only applies to fees memorandum account)
	Total Impact	Work visas increase by 54%** (excludes certain work visa categories) Student visas decrease by 6.5% Group visitor visas decrease by	Increase by 43%

		Impact on fees by visa categories	Impact on levy rates
		45% Business/Skilled Residence visas decrease by 1% Other visas increase by 10%	

* Increases related to demand pressures and increased investment in border security and migrant protection are additive, while other changes are compounding.

** Excluding visas related to the RSE scheme and Working Holiday visas, as either the relative effort taken to process them is unchanged, or cost increases would be contrary to other policy objectives.

27 The policy options and issues highlighted in Table 1 above are set out below:

Over and under recovery across visa categories need to be addressed

28 Of the changes to immigration fees and levies, the most significant increases are to address the issues of cross-subsidisation between different types of visas. While the increases to work visa applicants are large in percentage terms, I consider them to be justified: it is fairer to other visa applicants such as students and group visitors who have been paying for more than they should, and to continue the cross-subsidisation would be contrary to best practice.

Demand pressures need to be met

29 It is appropriate that further costs are recovered fully from visa applicants to address demand pressures. This ensures that the costs of services provided by the immigration system will continue to be met by those who benefit from such services. This proposal relates to appropriations already approved in Budget 2018.

30 I have considered feedback from stakeholders that greater efficiency gains should be made. INZ is committed to making further improvements to its processes and operations, and the projected savings from its current transformation programmes are already factored into the requested appropriation increase in Budget 2018. Further financial constraints would not, therefore, achieve any practical purpose.

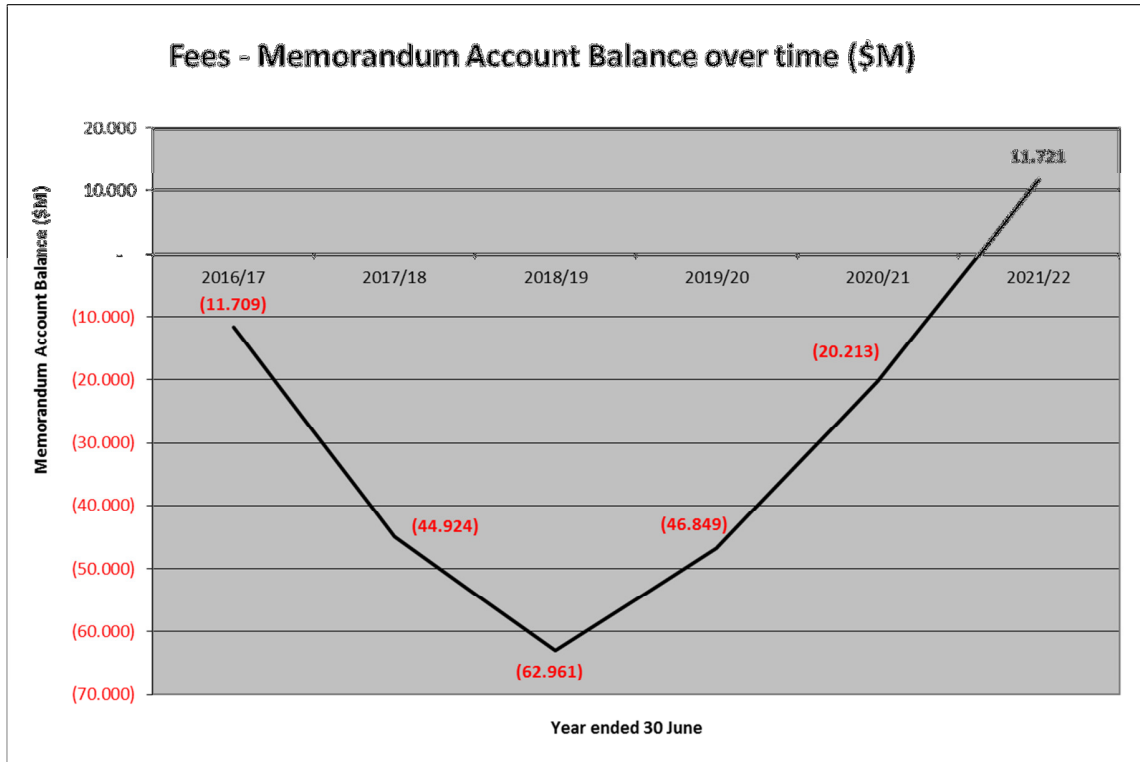
The Government is improving border security and migrant protection

31 Additional investments needed to manage risks associated with border security and migrant protection were agreed in Budget 2018. Visa applicants should contribute fairly to these investments, as risk exacerbators. The proposed increase in levies will mean that the Crown and visa applicants will have an almost equal share of costs. I consider this to be an appropriate division.

The proposed increases enable the recovery of the fee memorandum account deficit within three years

32 I recommend that the fee memorandum account deficit be recovered over three years, rather than the alternative five-year horizon that was consulted on. According to Treasury and Office of Auditor-General guidelines, it is good practice that the memorandum account should trend towards zero in medium term. A quicker return to balance will result in a marginally higher rate of adjustment on fees (4 percent rather

than 2 percent increases for different visa types). However a longer timeframe means greater uncertainty, and more visa applicants will be affected. The graph below sets out the fee memorandum account trajectory to 2021/22 if the changes proposed in this paper are implemented:



* the trajectory shown in the graph above has been updated based on final figures for 2017/18 from estimates used for modelling purposes

Other minor changes

- 33 Approval is also sought to make some minor changes to visa and accreditation fees to reflect a change in marketing needs and a change to policy.
- 34 Firstly, I propose to remove the online discount for student, work and visitor visa applications (currently at \$20), which aimed to encourage greater uptake of online channels. The discounts are no longer required, as customers are demonstrating awareness by users of the intrinsic benefits, in terms of efficiency and simplicity, of applying online.
- 35 Secondly, I am also proposing to increase the accreditation fees for employers in the Talent category, recognising that the period of accreditation has lengthened, meaning a corresponding increase in monitoring costs over the period of accreditation. Employers are benefiting from a longer accreditation period, and the cost per year of accreditation is lower than under previous settings.

Minor corrections to the line items of individual fees and levies

- 36 During the public consultation process, a number of errors were identified on the schedule of individual fees and levies that were inconsistent with the changes proposed in the consultation document. I propose to make a number of adjustments to the schedule, including:
- 36.1 decreasing the fee for the online expression of interests for the Skill Migrant Category by 1%, rather than increasing the fee to the hard copy rate;
 - 36.2 maintaining the Working Holidays visa fees which are exempt from some part of the proposed changes, rather than increasing it by 54%;
 - 36.3 decreasing the fees for Entrepreneur Work Visa by 1% as this category of visa is similar in processing efforts to Business/Skilled residence visas (the fees for this category currently stands at \$3340 for NZ based applications);
 - 36.4 approval in principle to recruit overseas workers is increased by 10% rather than 54% originally as it is not a work visa.
- 37 For clarity, I propose to align the description of broad categories with the proposed changes to individual line items in the fees and levies schedule as follows:
- student visa fee changes exclude visa applications made online by education providers;
 - Business/Skilled Residence visa fee changes apply to temporary retirement visitor visas and entrepreneur work visas, which are similar in processing efforts;
 - reference to 'other visas' is amended to 'other visas and immigration matters' because, for example, visa transfers are not strictly speaking a visa, but require similar processing efforts;
 - removal of the online discounts applies to student, work and visitor visas;
 - the changes to employer accreditation fees are limited to the Talent employer accreditation.

Consultation feedback on immigration fees and levies

- 38 Submitters questioned the assumptions underlying the resourcing model, particularly those regarding volume assumptions, efficiency measures, recovery of the memorandum account deficit and public/private benefit apportionment.

Work visa volume assumptions

- 39 Some stakeholders questioned the volume assumptions underpinning the review. In particular, BusinessNZ noted that it considered that the assumed decline in the number of work visa over the short term was not realistic, given the growth in the tourism and construction sector.
- 40 Current work visa volume assumptions are that the volume would increase by 4% in 2017/18 and then drop by 1% and 2% in 2018/19 and 2019/20 before returning to zero

growth in outyears. This reflects the expected effects of recent policy changes, such as changes to the Skilled Migrant Category. While alternative scenarios for work visa volumes are possible, they also carry inherent uncertainties.

- 41 Officials developed and tested two alternative scenarios in line with stakeholder feedback: one assuming zero growth; the other assuming a moderate 4% growth over four years from 2018 to 2022. There can be significant downside risks to the fee memorandum account balance and the timeframe to return the account to balance if work visa fees are set against alternative assumptions and actual growth falls short of the forecasts under these assumptions. If by contrast, work visa volume falls by 2% from in 2020/21 and 2021/22, the memorandum account balance will fall to around \$2.5 million.
- 42 Given the uncertainty and potential impact on the fee memorandum account, I have elected to retain the current work visa volume assumptions, and to increase work visa fees by 54% as consulted on.

Efficiency measures

- 43 A number of stakeholders argued that INZ should work harder to minimise costs and maximise efficiencies in its business process and visa processing.
- 44 The proposals have already factored in the significant savings (projected to be around \$10.3 million per year from 2021/22) from INZ's ongoing transformation project. While there may be further opportunities for efficiency gains, higher expectations at this stage would have been unrealistic.

Fee memorandum account deficit

- 45 BusinessNZ submitted that the memorandum account deficit should be absorbed by INZ rather than being passed onto new visa applicants, and that it should be subjected to annual review.
- 46 Recovering the deficit means cross-subsidisation by current visa applicants for costs resulting from past volume fluctuations. However, given that INZ must necessarily use forecast volume to set future price, some fluctuations are inevitable. It is fairer that such costs should fall on visa applicants, rather than taxpayers.

Public/Private benefits

- 47 BusinessNZ submitted that the proposed border security and compliance related costs incur public benefit to New Zealand, and therefore should ideally be recovered entirely through general taxation.
- 48 The additional investments required arise out of the need to manage increasing risks associated with immigration. It is appropriate that migrants as a group, as risk exacerbators, should pay for the costs, in line with the Treasury's guideline on cost recovery. With the increased contribution, the Crown would remain responsible for nearly half of the total costs associated with border security and migrant/refugee protection. I consider this to be an appropriate split, recognising both public benefits and private responsibilities related to immigration risk management.

Impacts on Pasifika migrants

- 49 I am mindful of the potential impact on Pasifika applicants from the increases in fees and levies.
- 50 My officials have worked with the Ministry of Pacific Peoples to better understand the impacts on Pasifika peoples from the proposed changes. **s 6(a)**
[REDACTED]
[REDACTED]
[REDACTED]
- 51 I consider it appropriate that the changes as proposed should be applied to the Pacific bands. Nonetheless, Pasifika migrants would continue to benefit from a lower level of costs than other visa applicants. For instance, Pasifika visitors will pay a \$150 visa fee (10 percent increase from the current \$135 fee) instead of the \$190 fee that applies to other visitors.

Cumulative Impacts on visa applicants

- 52 Ministers have also raised concerns about cumulative costs increases from the proposed changes to fees and levies as well as the introduction of Electronic Travel Authority (ETA) and International Visitor Conservation and Tourism Levy (IVL). Most recently at the discussion on the Aviation Security Service's cost recovery review, Cabinet invited Border Sector Ministers to report back on the total cost to travellers and traders of all upcoming changes in border-related fees and charges [DEV-18-MIN-0151].
- 53 I specifically sought feedback on the cumulative impacts of the changes through a coordinated public consultation process for the immigration fees and levies review, ETA and IVL. Publicity material illustrating the cumulative impacts for travellers is attached in Annex Three. While I am mindful of the overall impacts, I consider that such impacts remain a small portion of the total costs for visa applicants to visit, study, work and live in New Zealand. I remain of the view that the cost recovery principle should be adhered to.

The Border Clearance Levy (BCL) proposal should not proceed at this time

- 54 Alongside consultation on changes to current immigration fees and levies, Cabinet agreed that the consultation should seek views on a future option to recover all INZ border costs via the BCL. It was proposed on the basis that an INZ BCL of \$2.98 paid by travellers arriving by air (including New Zealanders) would recover 100 percent of INZ border costs (\$20.156 million). It was proposed this would replace both the contribution of taxpayers (via the Crown) and visa applicants (via the Immigration Levy).
- 55 Submitters opposed the proposal on the basis that:
- a. there is a strong public good element to INZ border clearance services, and the Crown contribution should not decrease
 - b. it would not be equitable as New Zealanders do not exacerbate immigration risk and should therefore should not pay for INZ border services
 - c. now is not a good time to determine future INZ border costs, as these may decrease when the Electronic Travel Authority (ETA) is introduced

- d. an increase in the BCL would have a negative impact on airlines, who have already set their pricing models using recently revised BCL rates.
- 56 Board of Airline Representatives NZ Inc (BARNZ) also suggested that, if all INZ border costs were to be recovered from travellers, it would be more equitable to do this by levying visa waiver travellers when they applied for the proposed ETA.
- 57 I consider the argument regarding using the BCL to recover 100 percent of INZ border services is not strong. New Zealand travellers do not directly privately benefit or exacerbate much of the risk managed by INZ border services. For example, INZ activities that manage the risk of travellers onshore do not apply to New Zealanders (who ordinarily interact with Customs systems and officers). All travellers, including New Zealanders, however privately benefit from INZ's Advanced Passenger Processing (APP) system, which provides a boarding directive at check-in for all travellers. An alternative INZ BCL option could recover only these costs, but I consider the potential equity gains are small and not worth pursuing at this time.
- 58 I therefore recommend that Cabinet agrees that the introduction of an INZ BCL does not proceed at this time.

Other matters

- 59 During the development of this paper, officials became aware of gaps in current fee regulations. It is general practice, based on the government's fee charging principles, that claimants for refugee and protected person status, and people who have been recognised as refugees or protected persons, are not charged visa fees or the immigration levy. Similarly, people applying for visas on the basis of a claim to be a victim of domestic violence are not charged. [SDC Min (08) 16/6] Both groups' exemption from the immigration levy is established under the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010. There is however no equivalent formal exemption for either group of applicants from fees.
- 60 I therefore propose a change to the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010 to clarify that persons who are refugees, claimants, or protected persons and are applying for residence class visas or temporary entry class visas, and persons who are applying for residence class visas or temporary entry class visas under the Special Category for Victims of Domestic Violence immigration instructions, are exempted from being charged an immigration fee.

Agency Consultation Feedback

- 61 The Ministry for Pacific Peoples is concerned that the proposed changes may have a negative impact on Pacific peoples. While visa fees and levies may not be a determinant of travel for Pasifika migrants, the proposed increases will have a financial impact on both Pacific migrants and Pacific families in New Zealand, where travel is necessary for reasons of family ties and obligations and improving socio-economic needs.
- 62 The Ministry's concerns are noted and my response is as set out previously (see paragraph 9).

- 63 The Treasury, the Ministry of Foreign Affairs and Trade, the Department of Prime Minister and Cabinet, the New Zealand Customs Service and the Ministry for Primary Industries provided feedback that has been incorporated into this Cabinet paper.

Implementation and Monitoring

- 64 If agreed, the new fees and levies will take effect from 5 November 2018. This allows INZ to coordinate implementation with planned updates to the IT system. Further delay of implementation will mean that the memorandum account deficit will continue to worsen.
- 65 MBIE will undertake further work to redevelop forecasting and resourcing models, and monitor costs and volume trends to better inform the next fees and levies setting process and to monitor the projected cost savings and there will be an opportunities to readjust fees and levies at the next review scheduled for 2021/22.

Financial Implications

- 66 The proposed fees and levies increase will fund the increase in appropriations already approved [CAB-18-MIN-0158.17 refers]. Without adjustments to fees and levies, the costs will flow through to significant memorandum account deficit.

Human Rights

- 67 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993, and with New Zealand's international commitments to enabling movement of people. The Immigration Act 2009 recognises that immigration matters inherently involve different treatment on the basis of personal characteristics, but immigration policy development seeks to ensure that any changes are necessary and proportionate.

Legislative Implications

- 68 The proposed changes to immigration fees and levies will require amendments to the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010 (the Regulations).

Regulatory Impact Analysis

- 69 A Cost Recovery impact Statement has been prepared and is attached. The Regulatory Quality Team at The Treasury considers that the Impact Statement meets the RIA requirements.

Gender Implications

- 70 There are no gender implications from the proposals in this paper.

Publicity

- 71 I intend to make a media statement announcing the changes to the immigration fees and levies. A communications strategy will be developed for the introduction of new fees.
- 72 This paper, alongside the summary of submissions, the submissions received, and the Regulatory Impact Assessment will be proactively released following Cabinet decisions, subject to any appropriate redactions.

Recommendations

The Minister of Immigration recommends that the Cabinet Economic Development Committee:

- 1 **note** that Budget 2018 approved additional operating funding over five years from 2017/18 to 2021/22 of \$119.774 million for visa services, and \$39.576 million for additional investment in border security and migrant protection, to be funded through third-party revenue (fees and levies).
- 2 **note** that it is a good regulatory practice that fees and levies are regularly reviewed to ensure the desired outcomes are achieved, including returning the memorandum account to balance over the medium term.
- 3 **agree** that immigration fees and levies be adjusted to address issues identified by the fees and levies review by:
 - 3.1 rebalancing fees and levies to address under recovery in the work visa account and over recovery in others;
 - 3.2 increasing fees and levies to provide additional revenue to meet the increased funding already approved for visa service processing totalling \$119.774 million;
 - 3.3 increasing levies to provide additional revenue to meet the increased funding already approved for additional investment in border security and migrant protection, totalling \$39.576 million;
 - 3.4 recovering the current Immigration New Zealand Fee Memorandum Account deficit over a three-year period;
 - 3.5 removing online discounts for certain work and student visas, which no longer serve a useful purpose, and increasing accreditation fees for employers resulting from a longer accreditation period.
- 4 **agree** that immigration fees and levies will change, in broad category terms, as follows:
 - 4.1 Work visas will increase by 54 percent (excluding Working Holiday Visas and work visas issued under the Recognised Seasonal Employers scheme)
 - 4.2 Student visas will decrease by 6.5 percent (excluding applications made online by the provider)
 - 4.3 Group visitor visas will decrease by 45 percent
 - 4.4 Business/Skilled Residence visas will decrease by 1 percent (including the temporary retirement visitor visa and entrepreneur work visa categories)
 - 4.5 Other visas and immigration matters will increase by 10 percent (including Working Holiday Visas, work visas issued under the Recognised Seasonal Employers scheme)
 - 4.6 Levies will increase by 43 percent
 - 4.7 Removal of \$20 discounts for student, work and visitor visas online applications
 - 4.8 Increasing Talent employer accreditation fees by 20 percent.
- 5 **agree** that increases as proposed for public consultation referred to in recommendation 4 above should be applied to the existing Pacific band so that the existing level of subsidy for these applicants is maintained;

- 6 **authorise** the Minister of Immigration to amend the schedule of individual fees and levies as set out in Annex One of this Cabinet paper and to make minor adjustments as necessary;
- 7 **note** that claimants for refugee and protected person status, people who have been recognised as refugees or protected persons, and people applying for visas under the Special Category for Victims of Domestic Violence immigration instructions, are not charged visa fees or the immigration levy;
- 8 **note** that their exemption from levy charging is recognised in Regulations but their exemption from fee charging is not;
- 9 **agree** to amend the *Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010* to clarify that persons who are refugees, claimants, or protected persons and are applying for residence class visas or a temporary entry class visas, and persons who are applying for residence class visas or temporary entry class visas under the Special Category for Victims of Domestic Violence immigration instructions, are exempted from being charged an immigration fee;
- 10 **invite** the Minister of Immigration to issue drafting instructions to the Parliamentary Counsel Office for the proposed changes;
- 11 **note** that MBIE will redevelop the volume forecasting and resourcing models to better inform the next fees and levies review scheduled for 2021/22
- 12 **agree** that the proposal to recover Immigration New Zealand border costs through a new Border Clearance Levy should not proceed at this time.
- 13 **note** that this paper, alongside the summary of submissions, the submissions received, the Regulatory Impact Assessment, and the final business case, will be proactively released following Cabinet decisions, subject to any appropriate redactions.

Authorised for lodgement

Hon Iain Lees-Galloway

Minister of Immigration

List of Annexes:

Annex One: Schedule of Individual Fees and Levies

Annex Two: Cost Recovery Impact Statement

Annex Three: Examples of Cumulative Impact

