

Impact Assessment, The Home Office

Title: Impact Assessment for Immigration and Nationality (Fees) Regulations (Amendment) 2024

IA No: HO IA 0491

RPC Reference No: N/A

Other departments or agencies: N/A

Date: 20 March 2024

Stage: FINAL

Intervention: Domestic

Measure: Secondary legislation

Enquiries:

feesandincomeplanning.requests@homeoffice.gov.uk

RPC Opinion: Not Applicable

Business Impact Target: Not a regulatory provision

Cost of Preferred (or more likely) Option (in 2024/2025 prices)

Net Present Social Value NPSV (£m)	194.3	Business Net Present Value BNPV (£m)	0.1	Net cost to business per year EANDCB (£m)	0
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What is the problem under consideration? Why is government intervention necessary?

The Home Office is seeking to generate further income from immigration, nationality and passport fees to cover costs within the migration and borders system and help achieve a balanced overall financial position. An amendment is required to the Immigration and Nationality (Fees) Regulations 2018 and Passport (Fees) Regulations 2022 to provide further income for the 2024/25 financial year as well as in future years.

What is the strategic objective? What are the main policy objectives and intended effects?

The strategic objective is to enable the legitimate movement of people and goods to support economic prosperity. The policy objective is to support the sustainable funding of the borders and migration system and simplify the fees payable by customers. The revenue generated by these changes will serve to address wider costs and pressures in the system, in support of the Home Office's wider objective of operating a substantially self-funding borders and migration system and reducing reliance on the UK taxpayer.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 1: 'Do nothing'. No changes are introduced and immigration, nationality and passport fees remain at the current level. This does not meet the government's objectives.

Option 2: Increase immigration, nationality and passport fees for 2024/25 as proposed (see Annex A). **This is the government's preferred option** as it is expected to enable the Home Office to achieve its strategic objectives.

Main assumptions/sensitivities and economic/analytical risks	Discount rate (%)	3.5
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Baseline volumes of visa, nationality, and passport applications are based on Home Office internal planning assumptions. The volumes used are highly uncertain and may not match actual numbers in future published statistics. The impact of increased visa, nationality and passport fees on volumes is based on assumptions of price elasticity of demand for visas. The analysis uses proxies of the price elasticity for visa demand from academic literature. Exchequer impacts are based on assumed expenditure and associated tax contributions.

Will the policy be reviewed? Ongoing review. **If applicable, set review date:** N/A

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

..... Tom Pursglove Date: 19 March 2024

Summary: Analysis & Evidence

Policy Option 2

Description: Increase visa, nationality and passport fees for 2024/2025 as proposed (Annex A)

FULL ECONOMIC ASSESSMENT

Year(s):	Price Base	2024/25	PV Base	2024/25	Appraisal	5	Transition	0
Estimate of Net Present Social Value NPSV (£m)						Estimate of BNPV (£m)		
Low:	154.3	High:	228.1	Best:	194.3	Best BNPV	0.1	

COSTS, £m	Transition Constant Price	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low	-	-	-	-	-
High	-	44.7	44.7	9.7	-
Best Estimate	-	17.6	17.6	3.8	-

Description and scale of key monetised costs by 'main affected groups'

Indirect: UK Exchequer: Reduction in tax revenue **£14.9 million**, Home Office: Lower revenue due to lower application volumes from a fee increase **£1.6 million** and Loss in Premium Service revenue **£0.1 million**
Department for Health and Social Care: Reduction in Immigration Health Surcharge (IHS) revenue **£1.1 million**

Transfers: His Majesty's Government: **£211.8 million**

Other key non-monetised costs by 'main affected groups'

The monetised cost of migrant spending modelled in this IA covers the proportion of spending accrued to the government. There may be wider indirect costs to businesses which are not monetised but are considered in a set of indicative scenarios as a sensitivity.

BENEFITS, £m	Transition Constant Price	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low	-	154.3	154.3	33.0	-
High	-	272.8	272.8	58.5	0.2
Best Estimate	-	211.9	211.9	45.4	0.1

Description and scale of key monetised benefits by 'main affected groups'

Direct: Home Office: Increased revenue from changes to visa fees **£205.6 million**

Indirect: UK Exchequer: Lower public service provision costs **£5.9 million**, UK Visa & Immigration: Lower visa processing costs **£0.4 million** and Lower Certificate of Sponsorship (CoS) processing costs **£6,000**, Home Office: Lower IHS/Immigration Skills Charge (ISC) processing costs **£11,000**.

Transfers: His Majesty's Government: **£211.8 million**

Other key non-monetised benefits by 'main affected groups'

Lower immigration to the UK may result in wider benefits, for example, reduced housing costs and reduced transport congestion. Such impacts are expected to be small.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:										
Cost, £m	-	Benefit, £m	-	Net, £m	-					
Score for Business Impact Target (qualifying provisions only) £m:									N/A	
Is this measure likely to impact on trade and investment?									N	
Are any of these organisations in scope?			Micro	Y	Small	Y	Medium	Y	Large	Y
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)					Traded:	N/A	Non-Traded:	N/A		

PEOPLE AND SPECIFIC IMPACTS ASSESSMENT (Option 2)

Are all relevant Specific Impacts included?	N	Are there any impacts on particular groups?	N
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A. Strategic objective and overview

A.1 Strategic objective

1. The strategic objective is to enable the legitimate movement of people and goods to support economic prosperity. The policy objective is to support the sustainable funding of the borders and migration system. The revenue generated by these changes will serve to address wider costs and pressures in the system, in support of the department's wider objective of operating a substantially self-funding borders and migration system and reducing reliance on the UK taxpayer.

A.2 Background

2. The government aims to move towards an immigration system that is substantially self-funded, where the costs of front-line migration and borders operations are recovered through fees paid by those who use and benefit from the system. Currently, if fee income is insufficient to fund operating costs, the remainder is met from general taxation. To ensure that the system is sustainable, the government believes it is fair that those who use and benefit directly from the UK migration system make an appropriate contribution to meeting its costs, thereby reducing the burden on UK taxpayers.
3. The Immigration and Nationality (Fees) Order 2016 (the 2016 Order) sets the framework for border, immigration and nationality fees, including what categories of services can be provided and charged for, and the maximum amounts that can be charged for each category. Specific fee levels are set out in the Immigration and Nationality (Fees) Regulations 2018 and are kept under review.
4. Fee levels are set within strict financial limits and are agreed with HM Treasury, cross-government departments and are subject to Parliamentary scrutiny. They are also set in line with clear principles which balance a number of factors, in accordance with the Immigration Act 2014. These factors include the administrative costs of processing an application, the wider costs of the immigration system, and the benefits and entitlements of the product to a successful applicant. Other factors that may be used to set fees include the promotion of economic growth, comparable fees charged by other countries, and international agreements.
5. Within these criteria, the government will continue to consider the impact on the economy of changes to routes which promote economic growth and continue to attract those migrants and visitors who add significant value to the UK economy, while also considering the role that changes to fees can play in supporting the sustainable funding of the migration and borders system. This helps protect the economy, ensures migrants contribute towards the resources needed to fund the migration and borders system, and minimises the burden on the taxpayer. There is a sensitive balance between setting fee levels to support economic growth whilst ensuring that the immigration system is properly funded.
6. Some visa fees are set above the cost of delivery, to reflect the value of the product or the wider costs of the immigration system, and to ensure that the Home Office can set some fees below cost. Some fees are set below cost to support wider policy objectives. The department also waives fees in certain circumstances, for example, where individuals are destitute and need to access their Human Rights, for example, their right to a family life under Article 8 of the European Convention. Some fees are charged at cost to reflect the cost of delivery (or unit cost). Optional premium services charged above cost are offered to meet customer demands and support wider funding objectives.
7. Passport fees are regulated by Section 86 of the Immigration Act 2016 (IA 2016)¹ and the Passport (Fees) Regulations 2022.² The IA 2016 sets out the costs that may be taken into account when setting fees for passport functions in Regulations, which include:
 - The costs of exercising the function.

¹ Section 86, Immigration Act 2016: <https://www.legislation.gov.uk/ukpga/2016/19/section/86>

² Passport (Fees) Regulations 2022: <https://www.legislation.gov.uk/uksi/2022/660/contents>

- The costs of exercising any other function of the Secretary of State in connection with United Kingdom passports or other UK travel documents.
 - The costs of exercising any consular function.
8. Passport fees are currently set below full cost recovery, when costs including those associated with UK nationals crossing the border are taken into account. Passport fee levels were last changed in 2023.

A.3 Groups affected

9. The proposed policy package affects customers applying across several application categories. These include certain categories of work and visit visas, as well as customers applying for limited Leave to Remain. It also affects those applying for a number of nationality-related products and services. This impact will take the form of an increased fee for those products and services.
10. UK citizens wishing to apply for and renew their UK passport will be impacted by this policy. This includes a range of groups who are subject to differential fee levels depending on their circumstances, including whether they are an adult or child, applying in the UK or from overseas, and whether their application is being made online or via post. This policy will also impact those who choose to pay an additional fee for an optional expedited processing service.

A.4 Consultation

11. At the end of 2013, the Home Office undertook a targeted consultation on charging principles in support of the framework set out in the Immigration Act 2014, which was approved by Parliament. Immigration and nationality fees continue to be set within this framework.³
12. Fee proposals are assessed in the context of broader government objectives by officials from all relevant government departments. They consider a range of factors including the UK's attractiveness in key markets (such as tourism, business, and education) to ensure a balance is maintained between keeping fees at fair and sustainable levels and the Home Office's need to recover its operating costs to move towards a self-funded system. The proposals contained in this Impact Assessment (IA) have been agreed in principle with other government departments (OGDs).

B. Rationale for intervention

13. The Home Office ensures that the fees it charges for immigration, nationality and passport services are set at appropriate levels to contribute adequately towards the costs of running the migration and borders system, as agreed as part of the Home Office's Spending Review settlement in 2015. The Home Office has continued to adopt this approach as a planning assumption to underpin the 2021 Spending Round settlement.
14. The financial constraints on public spending mean the Home Office needs to continue to keep fees under review to ensure sufficient revenue is generated to forward its aims of reducing the taxpayer's contribution to the running of the migration and borders system, maintaining public confidence, and ensuring that migration is managed for the benefit of the UK.
15. The Home Office is seeking to bring certain fees into line with a wider package of increases implemented in Autumn 2023. The proposed visa fees could not be increased by the same magnitude as other visa fees in the same category due to the constraints posed by the fee maxima in force in the Immigration and Nationality (Fees) Order 2016 at the time the increases were agreed cross-government. There were also wider technical constraints in the case of the Leave to Remain (LTR) fee which have since been resolved. The Home Office is also seeking to bring

³ Home Office Outcome Delivery Plan: 2021 to 2022 - GOV.UK: <https://www.gov.uk/government/publications/home-office-outcome-delivery-plan/home-office-outcome-delivery-plan-2021-to-2022#c-delivery-plans-for-priority-outcomes>

certain nationality-related fees closer to a cost recovery position, in line with the historic policy position on those routes.

C. Policy objective

16. The government's policy objectives on charging for immigration, nationality and passports remain in line with objectives set out in previous Fee Orders and Regulations. These objectives apply for the entirety of the appraisal period and can be measured. They are:
- Those who use and benefit directly from the system (including migrants, employers and educational institutions) contribute towards its costs, reducing the contribution of the taxpayer.
 - The fees system is as simple as possible, aligning fees where entitlements are similar.
 - Fees are set in line with the appropriate powers contained in the Immigration Act 2014 and Immigration Act 2016.

D. Options considered and implementation

17. **Two options have been considered:**

- a. **Option 1: 'Do nothing'**. Under the do nothing option, immigration, nationality and passport fees would remain at their current level and would not be increased. This would mean that the share of costs within the migration and borders system that is met by income from users of the system would not increase, and reliance on UK taxpayer funding would not be reduced.
- b. **Option 2: Increase immigration, nationality and passport fees** in line with the table set out in **Annex A**. In summary, this includes:
 - An eight per cent increase to fees on the two-year visit route, and a nine per cent increase to the three-year Skilled Worker (in-country) and three-year Global Business Mobility (in-country). These fees are being increased to align with October 2023 work and visit visa changes. Previously this was not possible due to constraints posed by maxima that were in force at the time the October 2023 increases were agreed across government, as set out in the Immigration and Nationality (Fees) Order 2016.
 - A 20 per cent increase in the price of applying for limited LTR, which was originally intended to be implemented through the package of changes in October 2023 but was delayed due to technical constraints.
 - A 21 to 63 per cent increase across fees for several nationality-related products and services. Current fee levels are set below the estimated unit cost of processing the relevant applications. The proposed fee increases would bring these products and services closer to a cost recovery position in line with the previous policy intent for these application categories.
 - An approximately 7.5 per cent increase across passports fees, including online and postal applications, and priority services, to move closer to a cost recovery position for passport processing and associated operations.

18. **Option 2 is the government's preferred option** as it best meets the government's objectives, in particular that those who use and benefit directly from the system contribute towards its costs, reducing the contribution of the taxpayer.

E. Appraisal

19. This IA outlines the proposed fee changes for standard service visas and estimates the associated economic and social costs and benefits, henceforth referred to as **Option 2**:
- An eight per cent increase to fees on the two-year visit route, and a nine per cent increase to the three-year Skilled Worker (in-country) and three-year Global Business Mobility (in-country). These fees are being increased to align with October 2023 work and visit visa changes. Previously this was not possible due to constraints posed by maxima that were in force at the time the October 2023 increases were agreed across government, as set out in the Immigration and Nationality (Fees) Order 2016.
 - A 20 per cent increase in the price of applying for limited LTR, which was originally intended to be implemented through the package of changes in October 2023 but was delayed due to technical constraints.
 - A 21 to 63 per cent increase across fees for several nationality-related products and services. Current fee levels are set below the estimated unit cost of processing the relevant applications. The proposed fee increases would bring these products and services closer to a cost recovery position in line with the previous policy intent for these application categories.
 - An approximately 7.5 per cent increase across passports fees, including online and postal applications, and priority services, to move closer to a cost recovery position for passport processing and associated operations.
20. The analysis produces a net present social value (NPSV) of increases in visa fees under **Option 2** using the Home Office's central scenarios of: future visa demand volumes; responsiveness of applicants to changes in visa fees (price elasticity of demand); fiscal pressure (public spending) per migrant; and fiscal revenue collected per migrant. A low and a high scenario are generated around the central case using low and high elasticity and volume assumptions.
21. Section **E.10** on sensitivity analysis outlines further ranges around the central estimate by varying assumptions on application volumes, demand elasticity, fiscal pressure per migrant and fiscal revenue collected per migrant. Also included is a range of the impact of foregone visitor spend which could be attributed to the domestic economy, and further considerations of potential environmental impacts.

E.1 General assumptions and data

E.1.1 Analytical approach

22. In line with previous Home Office analysis and following recommendations made by the Migration Advisory Committee (MAC),⁴ this IA considers the impact of the options on the welfare of the UK resident population. Besides the effect on government revenue and processing costs due to changes in visa fees, the NSPV calculation includes the effect of changes in contributions to direct and indirect taxes, and the effect on consumption of public services.
23. As the MAC acknowledges, the resident population is not simple to define. In this IA, the resident population is considered to be UK nationals and migrants at the point of application for naturalization as British citizens. For the purpose of this IA, applicants for entry clearance, LTR or indefinite leave to remain (ILR) products are not considered as part of the resident population.

E.1.2 Appraisal period

24. The policy is appraised for five years, covering the period Q1 2024/2025, when the majority of fee increases come into force, to Q4 2028/2029, inclusively. Fee increases for LTR routes are

⁴ Migration Advisory Committee, Analysis of the Impact of Migration (January 2012)
<https://www.gov.uk/government/publications/analysis-of-the-impacts-of-migration>

expected to come into force at the beginning of Q2 2024/2025 but the associated impacts are also appraised until Q4 2028/2029 for proportionality considerations. The estimates presented in this IA assume that visa fees remain at the new proposed levels throughout the appraisal period. This should not be interpreted as an indication of future visa fee levels beyond 2024/2025, as these can be amended in future Fees Regulations. As visa fees are reviewed (and can be amended) regularly, it is unreasonable to assume that the currently proposed policy would not be superseded by future fee increases. Therefore, a shorter appraisal period has been used to avoid increased uncertainty over the longer time horizon.

E.1.3 Baseline volumes

25. The baseline volume of applicants for each visa product is based on Home Office internal estimates of expected applications over the appraisal period (Q1 2024/2025 to Q4 2028/2029), notwithstanding the policy change under Option 2. The volumes are used as the baseline against which the impact of proposed changes in visa fees are assessed. The estimates of future migrant demand for visa products across all immigration routes are projected up to the end of the 2028/2029 financial year, from which point demand is assumed to hold constant until the end of the appraisal period.
26. Home Office internal estimates of future application demand are indicative in nature and should be interpreted as such. This is due to uncertainty around the assumed behaviour of future visa applicants, particularly due to any impacts on visa demand from policy changes aiming to reduce net migration, the recent increase in the IHS, and any lasting COVID-19 impacts.
27. These internal volume estimates were last updated in February 2024. As such, they capture the potential behavioural response of visa applicants following policy changes across the immigration system such as the increase in salary thresholds on the Skilled Worker route and the increase in the Minimum Income Requirement on the Family route.⁵ The baseline estimates do not reflect any immigration policy changes beyond that date.
28. Table 1 outlines the estimated volume of applicants affected by the proposed fee changes, grouped by wider immigration category following the adjustments set out above. The volumes reflect both main applicants and their dependants. The volumes do not represent all immigration products issued by the Home Office as routes which are not impacted by **Option 2** are not included.
29. Internal volume estimates for in country visas are projected to increase across the appraisal period due to the observed growth in entry clearance volumes since 2022 and the estimated subsequent extensions or switches of visas by this cohort. Internal evidence shows that an entry clearance application may impact future in country visa volumes for a period between 2 to 5 years after initial visa grant. The effects of policy changes on renewal rates for those on entry clearance visas is highly uncertain, and the subsequent impact on in country volumes may be greater or less than estimated.
30. Baseline volumes have been estimated for the purposes of operational planning, and to ensure the Home Office has sufficient capability to process future applications. The estimates derived are cautious and may reasonably be too high as a result and should be seen in that context.

⁵ Detailed information on changes to these routes is currently being prepared in conjunction in another Impact Assessment.

Table 1: Estimated visa application volumes (central scenario) for the period 2024/2025 to 2028/2029

Visa type		2024/2025	2025/2026	2026/2027	2027/2028	2028/2029
Out of country	Visit visas	182,000	191,000	194,000	195,000	196,000
	Nationality products	3,000	3,000	3,000	3,000	3,000
In country	Nationality products	17,000	17,000	17,000	17,000	17,000
	Work visas	37,000	47,000	65,000	83,000	93,000
	Family and Limited Leave to Remain	182,000	183,000	182,000	184,000	184,000
	Passports	7,600,000	6,900,000	7,000,000	7,300,000	7,000,000

Source: Internal Home Office planning assumptions, passport volumes rounded to the nearest hundred thousand, all other volumes rounded to the nearest thousand

*Nationality and Citizenship application demand estimates provided include both EU and Non-EU nationals. Estimates do not take into account any behavioural change that may occur over the next few years as EU settlement scheme applicants reach five years UK residency and may also decide to apply for citizenship.

31. Low and high volume scenarios are generated to account for the uncertainty of the baseline, and are consistent with approaches used in previous Impact Assessments.⁶ The low volume scenario is constructed under the assumption of baseline volumes being 25 per cent lower than in the central case. In a similar manner, the high volume scenario assumes that baseline volumes are 25 per cent above the central level.

E.1.4 Grant rates

32. The rates of visas granted under each route is calculated using internal Home Office data, and are summarised in **Annex B**.

E.1.5 Fee levels and unit costs

33. The analysis measures the impact of increasing fees as set out in **Annex A** (proposed fee level column). **Annex A** also outlines the published estimates of unit costs for each visa category which are assumed to remain unchanged across the appraisal period.

34. Visa and immigration products prices, although referred to as ‘fees’, are compulsory and unrequited charges; therefore, they have been classified as a tax by the ONS.⁷ Prices for visa charges are set deliberately at a level that results in global revenue received by the Home Office exceeding the global cost of providing the service. The resulting surplus is used for activities including securing the UK border against Class A drugs and preventing people-smuggling. As a result, there is an element of redistribution, where a surplus from the original payment (for legally entering the UK) is spent on activities which are unrelated to the administrative costs of providing a given visa. For these reasons, the proposals in **Option 2** are not subject to HMT’s Managing Public Money⁸ framework.

E.1.6 Sponsorship fees

35. Domestic businesses wishing to sponsor foreign workers are subject to pay a Certificate of Sponsorship (CoS) fee, currently levied at £239 per individual migrant on skilled work routes and £25 on temporary work routes. Sponsorship fees are only applicable to main applicants (that is,

⁶ For example, the Impact Assessment for the Immigration and Nationality (Fees) (Amendment) Order 2023 (legislation.gov.uk): https://www.legislation.gov.uk/ukia/2023/63/pdfs/ukia_20230063_en.pdf

⁷ Taxes and fees for sales of service: how they differ and why it is important - Office for National Statistics (ons.gov.uk): <https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/articles/taxesandfeesforsalesofservicehowtheydifferandwhyitisimportant/2019-05-31>

⁸ HM Treasury, Guidance - Managing Public Money: <https://www.gov.uk/government/publications/managing-public-money>

the sponsored individual), not their dependants. The level of the CoS fees is assumed to remain unchanged across the appraisal period.

E.1.7 Immigration Health Surcharge

36. The Immigration (Health Charge) Order 2015 requires temporary migrants who make an immigration application to come to the UK for more than six months, or who apply to extend their stay in the UK, to make a direct contribution to the NHS via payment of an immigration health charge (often referred to as the IHS). The total amount surcharge payers are liable for is dependent on the duration of their visa. The full amount is payable upfront and in line with other fees as part of the visa application, although unsuccessful applicants receive a refund.⁹
37. In October 2023, the rate was increased to £1,035 per person per year, with a concessionary rate of £776 for students and their dependants, children under the age of 18, and Youth Mobility Scheme applicants. This rate came into force in February 2024, and is assumed to remain unchanged across the appraisal period.¹⁰

E.1.8 Immigration Skills Charge

38. Employers sponsoring migrant workers under Skilled Worker and Global Business Mobility products are subject to pay the Immigration Skills Charge (ISC)¹¹ for every employee who is assigned a CoS when applying to work in the UK for six months or more. ISC is applicable to overseas hires (out-of-country applicants), visa extensions and visa switches (in-country applicants). For the first 12 months of the length of employment stated on the CoS, current ISC fees are set at £364 for small or charitable sponsors, or at £1,000 for medium or large sponsors. Each additional six-month period of time is charged at £182 for small or charitable sponsors, or at £500 for medium or large sponsors. The level of the ISC is assumed to remain unchanged across the appraisal period.

E.1.9 Price elasticity of demand

39. Increases in visa fees, such as under Option 2, could deter potential migrants from applying to enter or remain in the UK. This is due to higher fees representing a rise in the overall cost of moving to (or remaining in) the UK, or a reduction of the associated benefit of doing so. This IA applies estimates on the responsiveness of demand for visas to the proposed change in visa fee (price elasticity of demand for visa products) to quantify impact higher fees may have on applications for each visa product.
40. There is very limited academic research on the price elasticity of demand for visas. Home Office internal research has not found any evidence of a statistically significant relationship between small changes in visa fees and application volumes for visa products. Absence of evidence does not necessarily imply that application volumes are independent from visa fees.
41. To avoid the risk of under-estimating the impact of the changes, the analysis approximates the price elasticity of demand for visas to estimates from academic literature developed in similar contexts. Further detail can be found in the Home Office's *(A) review of evidence relating to the elasticity of demand for visas in the UK* published in March 2020.¹²
42. The elasticity assumptions used to estimate the impact on application volumes from an increase in visa fees across immigration products are detailed in Table 2. The elasticities identified for each

⁹ "Pay for UK healthcare as part of your immigration application", GOV.UK: <https://www.gov.uk/healthcare-immigration-application/refunds>

¹⁰ Immigration Health Surcharge: equality impact assessment 2023 (accessible) - GOV.UK (www.gov.uk): <https://www.gov.uk/government/publications/immigration-health-surcharge-ihs-equality-impact-assessment-2023/immigration-health-surcharge-equality-impact-assessment-2023-accessible>

¹¹ Some exemptions may apply. Exemptions are set out in UK visa sponsorship for employers: Immigration skills charge - GOV.UK (www.gov.uk): <https://www.gov.uk/uk-visa-sponsorship-employers/immigration-skills-charge>

¹² A review of evidence relating to the elasticity of demand for visas in the UK – GOV.UK: <https://www.gov.uk/government/publications/a-review-of-evidence-relating-to-the-elasticity-of-demand-for-visas-in-the-uk>

visa category are used to produce a range around the NPSV impact of the proposed fee levels in **Option 2**. These are discussed below.

Visit visas

43. For visit visas, the analysis uses estimates of price elasticity of demand for airfare available in the academic literature as a proxy for the price elasticity of demand for a visit the UK. The price elasticity of demand for airfare is the responsiveness of the demand for air travel to changes in the price of air travel.
44. The estimate of airfare used in this analysis is a weighted average of the average cost of airfare for ordinary and business visits. This is a revision to the methodology of previous IAs, which used the estimate for visitor airfares only. However, as the visa fee remains a small part of the aggregate cost of travel this is likely to have had only a small impact on volumes affected.
45. The central NPSV scenario uses an elasticity estimate of -0.35, based primarily on Department for Transport (DfT) estimates of price elasticity of demand to changes in airfares for foreign leisure and business sectors.¹³ The low scenario uses an estimate of zero; the high scenario uses an estimate of -0.7, double the central case. The change in the price of a visit visa has been applied to the typical airfare paid by visitors coming to the UK from visa paying countries.

Work-related visas

46. Estimates for the wage elasticity of labour supply are applied to approximate the price sensitivity of applicants for work-related visas (such as those under high value, sponsored skilled work, and temporary work routes). Wage elasticity of labour supply measures the responsiveness of an individual's willingness to work (in essence, supply labour) to changes in wages. This is applied to expected migrant earnings (over the whole duration of the visa) to estimate any impact on migrant volumes arising from the proposed fee changes. Increases in visa fees are considered as equivalent to a reduction in the overall benefit of working in the UK (representing a pay cut) and are thus estimated to reduce labour supply and, in turn, application volumes.
47. The central NPSV scenario assumes a relatively small inelastic reduction in the aggregate willingness to supply labour as a result of changes in visa fees, applying an elasticity of -0.3. This is within the range of the most relevant UK study by Blundell, Bozio and Laroque (2011), who estimated an elasticity of -0.3 to -0.44.¹⁴ A low scenario assumes a zero response to the change in wage, while a high scenario uses an elasticity twice that of the central scenario, equal to -0.6.

Nationality products

48. The price sensitivity of nationality applicants is assumed to be similar to that of migrants supplying labour. The majority of applicants under those routes would have been in the UK for longer than five years before becoming eligible to apply for indefinite leave to remain (ILR) or nationality. Therefore, it is likely that they have either been in work or have wanted to work over the qualifying time period.
49. A wage elasticity of -0.3 is applied to the central scenario. It is possible that the true elasticity would be closer to zero, as applicants would have invested time in the UK (five years) before being eligible to apply for nationality products and, by applying, demonstrate they would like to remain in the UK indefinitely. The analysis uses an elasticity range of 0 to -0.6 reflecting the available evidence, uncertainty, and range of possible deterrence risks.

Family visas

50. The price sensitivity of applicants under the family route is assumed to be similar to that of applicants for nationality products (that of migrants supplying labour) in the absence of better

¹³ An internal academic literature review was used to tailor the estimates from the DfT's UK aviation forecasts 2017: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781281/uk-aviation-forecasts-2017.pdf

¹⁴ Blundell, Richard, Antoine Bozio, and Guy Laroque. 2011. "Labor Supply and the Extensive Margin." *American Economic Review*, 101 (3): 482-86. <https://www.aeaweb.org/articles?id=10.1257/aer.101.3.482>

evidence. Family visas grant permission to work in the UK, and so it is reasonable to assume that at least some applicants under the route are likely to either search for or undertake paid work. Home Office analysis of the Annual Population Survey between 2020 and 2022 estimates that the employment rate of non-UK nationals who came to the country to 'join or accompany' a family member is around 44 per cent. While this suggests a limitation of the approach taken as not all family visa holders are working, given the breadth of recent policy changes impacting the family route, such as increasing the IHS and raising the Minimum Income Requirement, the proposed fee increase under Option 2 is unlikely to be a significant driver of behavioural impacts which may be observed in future family visa applications.

51. For consistency with previous analysis, a wage elasticity of -0.3 is applied to the central scenario. It is possible that that the true elasticity would be closer to zero, as applicants are joining family members rather than applying for strictly economic reasons such as to work. The analysis uses an elasticity range of 0 to -0.6 reflecting the available evidence, uncertainty, and range of possible deterrence risks.

Dependants of migrants

52. Overseas individuals applying to join family members who are in the UK with a valid work or study visa are assumed to have the same price sensitivity as main applicants under those routes. The wage elasticity of labour supply would apply for dependants of work-related visa holders. The low, central, and high NPSV scenarios use the same values discussed in paragraph 47.
53. Individuals applying to remain in the UK as a dependant under their family member's visa are assumed to have the same price sensitivity as the main applicant. Although in-country dependants are already in the UK, their decision on whether to renew the visa they currently hold is conditional on the main applicant's leave to remain in the UK. The low, central, and high NPSV scenarios use the same values discussed in paragraph 51.

Passports

54. The analysis in this IA does not account for any changes in demand for passports directly resulting from the increase in passport fees. This is due to an absence of evidence available to determine the inherent value UK citizens derive from having a physical passport and their likelihood to choose not to purchase, or renew, their passport following the price change. As the price increase is fairly small in absolute terms, the monetised benefits of this policy are large enough that it will not likely be materially impacted by any small-scale reduction in passport demand from this cohort.

Table 2: Elasticities used to analyse the impact of changing fees

Elasticity type	Justification	Applicable immigration product	Magnitude		
			Low	Central	High
Price elasticity of demand for air travel	The airfare elasticity of demand is used as a proxy for price elasticity of demand for a trip to the UK	Visit visas	0	-0.35	-0.7
Wage elasticity of labour supply	The wage elasticity of labour supply is used to estimate the impact on migrant volumes of the proposed fee changes, as fee changes represent a change in expected wages, and thus changes to labour supply	Sponsored skilled work visas (main applicants and dependants)	0	-0.3	-0.6
	The price sensitivity of long-term migrants is assumed to be similar to that of migrants supplying labour. The majority of applicants would have been in the UK for longer than 5 years before being eligible to apply for ILR or nationality, hence may be more likely to be in or want to work.	Nationality products, Family route			

Source: A review of evidence relating to the elasticity of demand for visas in the UK:

<https://www.gov.uk/government/publications/a-review-of-evidence-relating-to-the-elasticity-of-demand-for-visas-in-the-uk>

55. These elasticities are based on the response of individual migrants to the change in the visa cost, which is a small direct response to the change in price. The impact does not take account of any second-round effects, such as the response of employers to the loss of the migrant, which could involve a range of potential responses, such as replacing the lost worker/student with another migrant, or UK national, changing working practices or changes in income over a lifetime as opposed to through the appraisal period.
56. Given the uncertainty of such responses, these small behavioural impacts are included in the central case. A lower behavioural response will result in a higher NSPV, as demonstrated in Section **E.10.2**.

E.2 VOLUMES

57. The interaction between the proposed changes in the visa fees and elasticity assumptions produces a net reduction in estimated visa applications submitted by individuals as individual applicants decide whether to apply for a visa under the new price.
58. The latest grant rates per visa product have been applied to the overall estimated fall in visa applications to calculate the fall in visas granted. This impact generates the majority of costs and benefits associated with the policy.

E.2.1 Impact on application volumes

59. Table 3 outlines the estimated effect of price elasticity of demand on visa applications under Option 2. The proposed changes in visa fees are anticipated to have a relatively small impact on visa applications and visas granted. This is due to the cost of a visa product representing a small portion of the financial incentive of individual applicants to come or remain in the UK as a worker and represents an even smaller proportion of the overall associated benefit individuals derive from being in the UK to join family members or to settle permanently in the country.
60. In the first financial year of the appraisal period (2024/2025), **Option 2** represents:
- an estimated 0.3 per cent reduction in visit visa applications from overseas individuals;

- an estimated 0.03 per cent reduction in out of country applications for Nationality products;
- an estimated 0.01 per cent reduction in applications for Nationality products received from individuals already in the UK;
- an estimated 0.01 per cent reduction in in country sponsored skilled work visas;
- an estimated 0.05 per cent reduction in Family and Limited Leave to Remain applications.

61. As a result of the inelastic behavioural response set out in Table 2, these estimated changes in volumes are relatively small in comparison to the strong demand for visas and immigration products which has been observed in recent years.

Table 3: Estimated reduction in visa applications under Option 2, central case

Visa type		Baseline applications 2024/2025	Estimated change in applications compared to baseline				
			2024/25	2025/26	2026/27	2027/28	2028/29
Out of country	Visit visas	182,000	-550	-600	-600	-600	-600
	Nationality products	3,000	~	~	~	~	~
In country	Nationality products	17,000	~	~	~	~	~
	Sponsored skilled work visas	37,000	~	~	~	~	~
	Family and Limited Leave to Remain visas	182,000	-100	-100	-100	-100	-100

Source: Home Office analysis. Baseline volumes rounded to the nearest thousand, rounded to the nearest 50, ~ denotes an impact of fewer than 50 applications.

E.2.2 Impact on visa grants volumes

62. Table 4 sets out the corresponding effect on visas granted using central elasticity assumptions.

Table 4: Estimated reduction in visas granted under Option 2, central case

Visa type		Baseline applications 2024/2025	Estimated change in applications compared to baseline				
			2024/25	2025/26	2026/27	2027/28	2028/29
Out of country	Visit visas	182,000	-500	-500	-550	-550	-550
	Nationality products	3,000	~	~	~	~	~
In country	Nationality products	17,000	~	~	~	~	~
	Sponsored skilled work visas	37,000	~	~	~	~	~
	Family and Limited Leave to Remain visas	182,000	-100	-100	-100	-100	-100

Source: Home Office analysis. Baseline volumes rounded to the nearest thousand, rounded to the nearest 50, ~ denotes an impact of fewer than 50 grants.

E.3 COSTS

E.3.1 Set-up costs

63. There are no set-up costs identified to arise in association to **Option 2**. Transitional impacts are assumed to be negligible. No capital investment is required to implement the changes. Familiarisation costs are assumed to be negligible as result from changing the fee level in guidance, and guidance length would not be affected by these changes.

E.3.2 Ongoing and total costs

Indirect costs

Loss of visa application revenue to the Home Office

64. A reduction in visa applications (as a consequence of the assumed behavioural responses of migrants to the increased fee levels) is assumed to result in lost Home Office revenue. This loss in revenue is quantified by multiplying the estimated reduction in the volume of applications granted per type of visa by the associated proposed fee. Changes in revenue collected through fees are not captured nationality or naturalisation applications and are discussed in section **E.5**.

65. **Option 2** could result in loss of Home Office revenue of up to £3.9 million, with a central estimate of £1.6 million (PV, 2024/2025 prices) over the five-year appraisal period.

66. In the central case, the majority of this impact is accounted for by the proposed visit visa fee changes (71 per cent). Increased prices on Family and LTR routes results in another 25 per cent.

Loss of Immigration Health Surcharge revenue

67. A fall in visa grants is also assumed to result in lost IHS revenue, which is collected by the Home Office and attributed to the Department for Health and Social Care. The loss of IHS revenue is calculated as the product of the change in IHS visas issued on eligible routes (sponsored skilled work, family and other LTR), the current IHS level, as set out in section **E.1.7**, and internal Home Office data on average length of visas granted per individual route.

68. The cost to the government from the reduction in IHS revenue due to the change in visa volumes is estimated to amount to up to £2.7 million, with a central estimate of £1.1 million (PV, 2024/2025 prices) over the five-year appraisal period.

69. In the central scenario, 85 per cent of this impact is accounted for by lower granted applications on Family and other LTR routes.

Loss of tax revenue to the Exchequer

70. Any reduction in the number of migrants may result in a loss to the Exchequer in the form of reduced fiscal contributions, due to a reduction in direct and indirect tax payments made by fewer individuals in the UK. The Exchequer loss is calculated as the change in granted volumes as a result of the change in fees, multiplied by the average fiscal revenue contributions for each visa route. This is derived using a bottom-up approach to estimate the expected contribution to direct and indirect taxes from migrants based on individual characteristics and data on their earnings and spending patterns. The methodology and assumptions follow the approach set out in previous Fee Regulations IAs¹⁵ with the estimated per migrant revenue impacts (central assumption) updated to 2024/2025 prices.
71. If visa fees increased to the proposed levels, the resulting loss to the Exchequer is estimated to be up to £37.8 million, with a central estimate of £14.9 million (PV, 2024/2025 prices) over the five-year appraisal period.
72. In the central case, the majority of this impact (71 per cent) could be attributed to the estimated fall in applications for Family and LTR routes. Fewer estimated applications for sponsored skilled work visas are associated with 16 per cent of the impact.

Loss of Premium Service revenue

73. It is assumed that the policy would not impact the overall composition of migrants applying for Priority or Super Priority services. As a result of the reduction in standard application volumes, there is estimated to be a corresponding proportion of visa applicants using the Priority and Super Priority service who are assumed to no longer use the service and will lead to a reduction in Home Office revenue.
74. The loss in Premium Service revenue under **Option 2** is estimated to amount up to £0.2 million, with a central estimate of £0.1 million (PV, 2024/2025 prices) over the five-year appraisal period.
75. In the central case, the majority of the impact (76 per cent) results from the fall in the number of applicants on visit routes using the optional Premium Service to fast track their visit visa application.

Total costs

76. Total costs are the sum of all direct and indirect costs, not including transfers. Under **Option 2** total costs are estimated to amount up to £44.7 million, with a central estimate of **£17.6 million** (PV, 2024/2025 prices) over the five-year appraisal period. In the central case, the majority of this impact (68 per cent) could be attributed to the estimated fall in applications for Family and LTR routes.

E.4 BENEFITS

E.4.1 Set-up benefits

77. There are no set-up or transitional benefits identified to arise from the proposed increases in visa fees.

¹⁵ Such as Impact Assessment for Immigration and Nationality (Fees) Regulations (Amendment) 2023: https://www.legislation.gov.uk/ukia/2023/121/pdfs/ukia_20230121_en.pdf

E.4.2 Ongoing and total benefits

Direct benefits

Increase in Home Office revenue

78. Higher visa fees are expected to generate an increase in Home Office revenue collected from the visa applications which would continue to be submitted. This benefit is calculated as the change in visa fee for each immigration route multiplied by the baseline visa volume minus any reduction in volumes as a result of the change in fee. Changes in revenue collected through higher fees for nationality and naturalisation immigration products are not captured and are discussed as transfers in section **E.5**.
79. The benefit to the Home Office from increases in fee revenue is estimated to be between £154.3 million and £256.8 million, with a central estimate of £205.6 million (PV, 2024/2025 prices) over the five-year appraisal period.
80. In the central case, the largest share of this impact is associated with the proposed higher fees on Family and LTR routes (66 per cent).

Indirect benefits

Reduction in Home Office visa processing costs

81. A lower number of applications as a result of higher fee levels would lead to a fall in the visa processing costs incurred by the Home Office. This impact is quantified by multiplying the published unit cost for each visa product (as set out in **Annex A**) by the change in applicants following the behavioural response.
82. The administrative saving to the Home Office is estimated to be up to £1.1 million, with a central estimate of £0.4 million (PV, 2024/2025 prices) over the five-year appraisal period.
83. In the central scenario, the majority of this impact arises in response to the lower estimated number of visit visas (62 per cent).

Reduction in Home Office Certificate of Sponsorship processing costs

84. As well as processing fewer applications by individuals, the Home Office incurs a cost of processing CoS applications per eligible worker. As with visa processing costs, this impact is calculated by multiplying the CoS unit costs by the lower volumes of sponsored skilled workers and the change in applications by individuals under this route.
85. The administrative benefit to the Home Office under the proposed visa fees could amount to up to £14,000, with a central estimate of £6,000 (PV, 2024/2025 prices) over the five-year appraisal period.

Reduction in Home Office Immigration Skills Charge and Immigration Health Surcharge processing costs

86. A final set of administrative benefits to the Home Office results from a fall in processing costs for applications on routes in scope of the ISC and/or the IHS, discussed in sections **E.1.7** and **E.1.8**. The impact on the fall in ISC processing costs is calculated by multiplying internal Home Office estimates of ISC by the reduction in applicants on eligible routes. The impact on the fall in IHS processing costs is estimated in a similar manner but accounting for the average length of visas issued on each IHS-liable route.
87. The Home Office is estimated to benefit from reduced ISC and IHS processing costs by up to £29,000, with a central estimate of £11,000 (PV, 2024/2025 prices) over the five-year appraisal period.
88. In the central scenario, the estimated fall in LTR applications in response to the higher fees under **Option 2** is associated with 85 per cent of the impact on IHS processing costs. 100% of the reduction in ISC processing costs is in response to falling applications on work routes.

Reduction in fiscal pressure

89. Any reduction in the number of migrants due to higher visa fees would result in an Exchequer gain from lower public service provision costs, such as healthcare and education, as the UK population eligible for public services could be lower. This is calculated by multiplying the average annual use of public services of each route by the reduction in volumes following the behavioural response. The methodology and assumptions follow the approach set out in previous Fee Regulations IAs¹⁶ with the estimated per migrant revenue impacts (central assumption) uprated to 2024/2025 prices.
90. Under **Option 2**, the benefit to the Exchequer from lower public service expenditure is estimated at up to £15.0 million, with a central estimate of £5.9 million (PV, 2024/2025 prices) over the five-year appraisal period.
91. In the central case, 87 per cent of this impact could be attributed to the estimated fall of visas granted on LTR routes.

Total benefits

92. Total benefits are the sum of all direct and indirect benefits, not including transfers. Under **Option 2** total benefits are estimated to be between £154.3 million and £272.8 million, with a central estimate of **£211.9 million** (PV, 2024/2025 prices) over the five-year appraisal period. In the central case, the majority of this impact (67 per cent) could be attributed to the estimated fall in applications for Family and LTR routes.

E.5 TRANSFERS

93. Some of the impacts from the policy proposal represent a transfer between domestic parties where a cost incurred on one side is fully absorbed as a benefit received by another. Transfer payments may change distributions of income or wealth of the resident population, but do not give rise to direct economic costs and benefits; thus, such impacts are not counted in the NPSV of the option considered.

Increase in revenue for His Majesty's Passport Office (HMPO)

94. Renewing a passport under the proposed higher fees represents an increase in costs for UK citizens which is fully absorbed by the government and is therefore not included in the NPSV. This is quantified as the product of the proposed passport fee and forecasted passport demand derived from internal Home Office modelling. Higher passport fees are expected to generate an additional £179.8 million to £211.6 million for HMPO, with a central estimate of £201.1 million (PV, 2024/2025 prices) over the five-year appraisal period.

Immigration Skills Charge liability

95. Domestic businesses sponsoring workers under ISC-liable routes could face a reduction in costs (a benefit) from the fall in visas resulting from the increase in fees. This is calculated by multiplying the weighted average ISC fee by the estimated reduction in eligible visas granted. The reduction in ISC liability represents a transfer of revenue from the public sector to business, at scale of up to £0.2 million, with a central estimate of £0.1 million (PV, 2024/2025 prices) over the five-year appraisal period.

Certificate of Sponsorship liability

96. Domestic businesses sponsoring workers could incur lower costs from the estimated decrease in applications across sponsored work routes. This is quantified as the product of the CoS and the change in granted visas. The benefit to organisations represents a transfer of revenue from the

¹⁶ such as the Impact Assessment for the Immigration and Nationality (Fees) (Amendment) (No. 3) Regulations 2020: https://www.legislation.gov.uk/ukia/2020/48/pdfs/ukia_20200048_en.pdf#page=23

public sector, at a magnitude of up to £2,000, with a central estimate of £1,000 (PV, 2024/2025 prices) over the five-year appraisal period.

Resident population nationality fee revenue

97. The analysis considers migrants applying for naturalisation or nationality status as part of the UK resident population. Increasing fees across nationality products would represent a cost to such individuals, which is absorbed fully by the government. This transfer is estimated to be between £8.1 million and £13.5 million, with a central estimate of £10.8 million (PV, 2024/2025 prices) over the five-year appraisal period and is derived by multiplying the new fee level by the number of grants under these new fees. No additional fiscal impacts are expected to arise from this group of individuals, as any public service provision or fiscal revenue applicable are treated as equivalent to those of the general population.

E.6 Summary of results

E.6.1 NPSV

98. The overall economic and social impacts of **Option 2** are summarised in Table 5 below; the figures presented may not sum up due to rounding. All estimates are subject to uncertainty and should be treated as indicative of the scale of impacts, not precise predictions of actual impacts.

99. The central estimate for the NPSV of the policy is estimated at £194.3 million (PV, 2024/2025 prices) over the five-year appraisal period.

Table 5: Costs and benefits of Option 2, central assumptions (£ million)

Present values (2024/2025 prices)	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Benefits						
Additional Home Office visa revenue	37.0	41.3	41.9	42.9	42.5	205.6
Reduction in Home Office visa processing costs	0.1	0.1	0.1	0.1	0.1	0.4
Reduction in Home Office CoS processing costs	~	~	~	~	~	~
Reduction in Home Office IHS and ISC processing costs	~	~	~	~	~	~
Exchequer gain from lower public service provision	0.5	1.0	1.5	1.5	1.4	5.9
Total Benefits (PV)	37.5	42.4	43.4	44.5	44.1	211.9
Costs						
Reduction in Home Office fee revenue	0.3	0.3	0.3	0.3	0.3	1.6
Reduction in IHS revenue	0.2	0.2	0.2	0.2	0.2	1.1
Exchequer loss from reduction in tax revenue	1.2	2.6	3.6	3.7	3.8	14.9
Reduction in Premium Service revenue	~	~	~	~	~	0.1
Total Costs (PV)	1.7	3.2	4.2	4.3	4.3	17.6
Net impact (PV)	35.8	39.2	39.3	40.2	39.8	194.3

Source: Home Office analysis, rounded to the nearest £100,000

~ indicates impact lower than £100,000, figures may not sum up due to rounding

100. Table 6 illustrates the distribution of the total appraised costs and benefits by immigration route. The estimated impacts across Family and other LTR routes account for the largest share of the benefits under **Option 2**, at 67 per cent.
101. The largest share of the total estimated costs is also associated with the underlying impacts of Family and other LTR routes (68 per cent).
102. Overall, the impact of **Option 2** on Family and other LTR routes accounts for the largest share of the net impacts (66 per cent), followed by the impacts on work visas (20 per cent).

Table 6: Distribution of costs and benefits and NPSV of Option 2 by underlying immigration route over a five-year appraisal period

	Visit visas	Sponsored Skilled Work visas	Family and LTR visas	Nationality products
Benefits				
Additional Home Office visa revenue	14%	20%	66%	0%
Reduction in Home Office visa processing costs	62%	2%	36%	1%
Reduction in Home Office CoS processing costs	0%	100%	0%	0%
Reduction in Home Office IHS processing costs	0%	15%	85%	0%
Reduction in Home Office ISC processing costs	0%	100%	0%	0%
Exchequer gain from lower public service provision	0%	12%	87%	1%
Total Benefits (PV)	14%	20%	67%	0%
Costs				
Reduction in Home Office fee revenue	71%	4%	25%	0%
Reduction in IHS revenue	0%	15%	85%	0%
Exchequer loss from reduction in tax revenue	12%	16%	71%	1%
Reduction in Premium Service revenue	76%	5%	19%	0%
Total Costs (PV)	17%	14%	68%	1%
Net Impact (NPSV)	13%	20%	66%	1%

Source: Home Office internal analysis, figures may not sum due to rounding

103. Table 7 presents the total NPSV of **Option 2** under the low, central, and high scenarios. Under the low scenario where application volumes are low and individuals are not price sensitive to the proposed increases in fees, the NPSV of the policy decreases to £154.3 million (PV, 2024/2025 prices) over the five-year appraisal period. This impact is driven solely by the higher fee revenue collected by the Home Office for standard and premium service applications.
104. Under the high scenario where the decisions of individuals are the most sensitive to the increases in fees and application volumes are at the high assumption, the NPSV of the policy increases to £228.1 million (PV, 2024/2025 prices) over the five-year appraisal period. This scenario estimates the highest costs which could arise under **Option 2**.

Table 7: Comparison of costs and benefits and NPSV of Option 2 under low, central, and high impact scenarios over a five-year appraisal period (£ million)

Present values (2024/2025 prices)	Low scenario	Central scenario	High scenario
Benefits			
Additional Home Office visa revenue	154.3	205.6	256.8
Reduction in Home Office visa processing costs	-	0.4	1.1
Reduction in Home Office CoS processing costs	-	~	~
Reduction in Home Office IHS and ISC processing costs	-	~	~
Exchequer gain from lower public service provision	-	5.9	15.0
Total Benefits (PV)	154.3	211.9	272.8
Costs			
Reduction in Home Office fee revenue	-	1.6	3.9
Reduction in IHS revenue	-	1.1	2.7
Exchequer loss from reduction in tax revenue	-	14.9	37.8
Reduction in Premium Service revenue	-	0.1	0.2
Total Costs (PV)	0	17.6	44.7
Net Present Social Value (NPSV)	154.3	194.3	228.1

Source: Home Office internal analysis, rounded to the nearest £100,000

~ indicates impact lower than £100,000; figures may not sum up due to rounding

105. As discussed in section **E. 5**, transfer impacts represent a reduction in cost to domestic sponsors of migrants and the resident population (from a reduction in visa demand) and a reduction in benefit to central government through a reduction in revenue. Total transfers to the public sector are estimated to amount to £211.8 million (PV, 2024/2025 prices) over the five-year appraisal period in the central case. Transfers are not included in the NPSV as the net impact of such costs and benefits is zero.

Table 8: Transfer costs and benefits of Option 2, central scenario (£ million)

Present values (2024/2025 prices)	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	Total
Increase in HMPO revenue	45.8	40.2	39.0	39.3	36.5	201.1
Reduction in ISC revenue	~	~	~	~	~	0.1
Reduction in CoS revenue from behavioural response	~	~	~	~	~	~
Resident population nationality fee revenue	2.3	2.2	2.2	2.1	2.0	10.8
Total change in transfers to the government	48.1	42.2	41.2	41.4	38.5	211.8

Source: Home Office analysis, rounded to the nearest £100,000; ~ indicates impact lower than £100,000, figures may not sum up due to rounding

E.6.2 BNPV

106. The proposed higher visa fees could lead to reduction in costs to businesses and in the form of reduced ISC and CoS liability payable. These benefits, presented in Table 9, are indirect as they arise as a secondary impact linked to the behavioural response of migrants to the increase in fees. Reductions in ISC and CoS liability are transfers as their magnitude is absorbed by the public sector. Therefore, these components of the BNPV are not included in the NPSV values presented in Tables 5 and 6.

Table 9: Costs and benefits to businesses under Option 2 (£ million)

Present values (2023/2024 prices)	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	Total
Benefits						
Benefit to UK businesses from reduction in CoS liability	0.01	0.01	0.02	0.02	0.03	0.1
Benefit to UK businesses from reduction in ISC liability	~	~	~	~	~	~
Total benefits	0.01	0.01	0.02	0.02	0.03	0.1
Net business impact	0.01	0.01	0.02	0.02	0.03	0.1

Source: Home Office analysis, rounded to the nearest £100,000; ~ indicates impact lower than £100,000, figures may not sum up due to rounding

107. The Business Net Present Value (BNPV) of the policy is estimated to be up to £0.2 million, with a central estimate of £0.1 million (PV, 2024/2025 prices) over the five-year appraisal period. Table 10 presents the BNPV over the three impact scenarios.

Table 10: Comparison of costs and benefits and BNPV of Option 2 under low, central, and high impact scenarios over a 5-year appraisal period (£ million)

Present values (2024/2025 prices)	Low scenario	Central scenario	High scenario
Benefits			
Benefit to UK businesses from reduction in CoS liability	-	~	~
Benefit to UK businesses from reduction in ISC liability	-	0.1	0.2
Total benefits	-	0.1	0.2
Net business impact	-	0.1	0.2

Source: Home Office internal analysis, rounded to the nearest £100,000, figures may not sum up due to rounding

E.7 Value for money (VfM)

108. Under the central scenario, the benefit-cost ratio (BCR) of **Option 2** is 12. The BCR falls to 6.1 in the high elasticity scenario and is undefined under the low elasticity scenario (due to total costs being null). This indicates that the benefits of the proposed policy package exceed the costs regardless of the range of low and high impact scenarios generated around the different assumptions of price sensitivity of visa demand and application volumes.

E.8 Place-based analysis

109. Visas give migrants the permission to enter the UK and do not impose restrictions on where in the country individuals may subsequently travel to. The primary benefit from Option 2 accrues to central government. Negative place-based impacts could arise due to the behavioural response of individuals and domestic sponsors to the increase in visa fees, however such impacts are likely to be small.

110. The highest estimated reduction in visa grants as a result of the policy is on the visit visa route. The impacts of the potential changes to the number of visit visas may be more prevalent areas which attract higher numbers of tourists. For example, in 2021, around 50 per cent of visitors in England were in London, which accounted for 46 per cent of total UK visits for that year.¹⁷

111. Place-based impacts arising from the potential changes to the number of people granted a work-related visa are likely to be dependent on the geographic distribution of the sponsoring employers.

112. Specific place-based impacts are also not anticipated in relation to the estimated fall in applicants on the family route or nationality products. These are expected to follow the population density across the UK.

E.9 Impact on micro, small and medium-sized businesses

113. The analysis presented in this IA does not analyse the cohort of migrants deterred from migrating to or remaining in the UK beyond visa type. Consequently, the type of employers who could have hired potential work migrants is unknown.

114. The number of migrants deterred from migrating to or remaining in the UK is not expected to have a large impact on businesses, due to the small proportion those individuals represent across each immigration route and across their wider immigration system.

E.10 Sensitivity analysis

115. The NPSV estimates discussed in section **E.6.1** are constructed under central estimates public service provision per migrant, and fiscal contribution of migrants and varying combinations of low, central, and high assumptions of application volumes and price sensitivity. This subsection

¹⁷ Travel trends estimates: overseas residents in the UK - Office for National Statistics (ons.gov.uk): <https://www.ons.gov.uk/peoplepopulationandcommunity/leisureandtourism/datasets/overseasresidentstovisittheuk>
Note: not all visitors require a visit visa

incorporates a set of sensitivity measures around each of those four assumptions against the central scenarios of the remaining three.

116. An additional set of sensitivity analysis has been carried out to estimate the potential impacts related to any foregone visitor spend collected by UK institutions, an increase in fee waiver applications on eligible Family and Human Rights (FHR) routes, and environmental considerations.

E.10.1 Volumes

117. Given the degree of uncertainty over the future volume of applicants affected by the increase of fees under Option 2, sensitivity analysis has been carried out in an attempt to disaggregate the degree to which the estimated NPSV of the policy could be driven by baseline application volumes being lower and higher than those used in the central case.

118. As described in paragraph 31, the low and high volume scenarios assume that baseline volumes are 25 per cent below or above the central case, respectively. Tables 11 and 12 below outline each scenario.

Table 11: Estimated visa application volumes (low scenario) for the period 2024/2025 to 2028/2029

Visa type		2024/2025	2025/2026	2026/2027	2027/2028	2028/2029
Out of country	Visit visas	136,000	144,000	146,000	146,000	147,000
	Nationality products	2,000	2,000	2,000	2,000	2,000
In country	Nationality products	13,000	13,000	13,000	13,000	13,000
	Sponsored Skilled Work visas	28,000	36,000	49,000	63,000	69,000
	Family and Limited Leave to Remain visas	137,000	137,000	136,000	138,000	138,000

Source: Internal Home Office planning assumptions, rounded to the nearest thousand

Table 12: Estimated visa application volumes (high scenario) for the period 2024/2025 to 2028/2029

Visa type		2024/2025	2025/2026	2026/2027	2027/2028	2028/2029
Out of country	Visit visas	228,000	239,000	243,000	244,000	245,000
	Nationality products	4,000	4,000	4,000	4,000	4,000
In country	Nationality products	21,000	21,000	21,000	21,000	21,000
	Sponsored Skilled Work visas	47,000	59,000	81,000	103,000	115,000
	Family and Limited Leave to Remain visas	228,000	229,000	227,000	229,000	229,000

Source: Internal Home Office planning assumptions, rounded to the nearest thousand

119. Assuming baseline volumes are equivalent to the low scenario presented in Table 11:
- The central elasticity estimate of the NPSV falls by £48.6 million, from £194.3 million to £145.7 million (PV, 2024/2025 prices).
 - The majority of this change is driven by the revenue collected by the Home Office from visa applications, which falls from £205.6 million to £154.2 million.
 - Transfers (foregone revenue transferred to the Home Office) would fall by £2.6 million, from £211.8 million to £209.2 million (PV, 2024/2025 prices). By definition, transfers are not included in the NPSV.
120. Assuming baseline volumes are equivalent to the high scenario presented in Table 12:
- The central elasticity estimate of the NPSV increases by £48.4 million, from £194.3 million to £242.6 million (PV, 2024/2025 prices).
 - The majority of this change is driven by visa application revenue collected by the Home Office, which increases from £205.6 million to £257.0 million.
 - Transfers (foregone revenue transferred to the Home Office) would increase by £2.6 million, from £211.8 million to £214.3 million (PV, 2024/2025 prices). By definition, transfers are not included in the NPSV.

E.10.2 Price elasticity of visa demand

121. The price sensitivity of individual migrants is highly uncertain. The following set of sensitivity analysis attempts to disaggregate the potential variation of the NPSV of the policy driven by the change in elasticity assumptions across the main scenarios.
122. Assuming that higher fees have no impact on migrants' willingness to apply for a visa, the NPSV of **Option 2** increases by £11.5 million, from £194.3 million to £205.7 million (PV, 2024/2025 prices).
123. Assuming that increases in prices play a more significant part in the decision to apply for a visa, the NPSV of **Option 2** falls by £11.8 million, from £194.3 million to £182.5 million (PV, 2024/2025 prices).

E.10.3 Fiscal pressure (public service provision)

124. The level of average cost of public service provision to migrants is uncertain, so sensitivity analysis tests how various estimates of the value of average public service consumption by migrants affects the NPSV. The difference between the low and high scenario is the inclusion of pure public goods and welfare costs in the estimate; the central case does not include pure public goods and includes half of the estimated welfare cost, as not all migrants may be eligible to receive welfare payments.
125. Assuming public spending at the low scenario, the NPSV of **Option 2** falls by £2.8 million, from £194.3 million to £191.5 million (PV, 2024/2025 prices). This result implies that the government saves less as a result of migrants being deterred from entering or remaining in the UK by the higher visa fees.
126. Assuming public spending at the high scenario, the NPSV of **Option 2** increases by £1.4 million, from £194.3 million to £195.7 million (PV, 2024/2025 prices). This result implies that the government saves more as a result of migrants being deterred from entering or remaining in the UK by the higher visa fees.

E.10.4 Fiscal revenue

127. The level of the average fiscal revenue collected from migrants is also uncertain, so sensitivity analysis has been carried out to generate a range around the estimated impact on the Exchequer. All scenarios include estimated contributions of foreign nationals to income tax, national insurance, indirect tax (such as VAT), council tax, and corporation tax. The central scenario incorporates business rates, and the high scenario adds gross operating surplus and other taxes.

128. Assuming fiscal revenue collection at the low scenario, the NPSV of **Option 2** increases by £0.2 million, from £194.3 million to £194.4 million (PV, 2024/2025 prices). This result implies that the government loses less tax revenue as a result of migrants being deterred from entering or remaining in the UK by the higher visa fees.
129. Assuming fiscal revenue collection at the high scenario, the NPSV of **Option 2** falls by £2.7 million, from £194.3 million to £191.6 million (PV, 2024/2025 prices). This result implies that the government foregoes more tax revenue as a result of migrants being deterred from entering or remaining in the UK by the higher visa fees.

E.10.5 Visitor spend

130. The NPSV of **Option 2** only accounts for visitors' contributions to fiscal revenue (through indirect taxes such as VAT) and Home Office revenue. As tourism is an export and individuals with a visit visa spend money earned abroad on goods and services provided in the UK, the estimated fall in visit visas and associated visitor spend could have wider economic impacts. However, it is highly uncertain what goods and services visitors consume, and how many of those are provided by domestic businesses and, therefore, could be attributable to the UK economy. A sensitivity analysis on the central scenario is carried out to indicate how the NPSV could be impacted by the estimated fall in granted visit visas due to the higher fees.
131. Home Office internal analysis uses the ONS-produced Tourism Satellite Account framework and Travel Trends data to estimate a Tourism Direct Gross-Value Added for the proportion of spend inbound visitors contribute to the UK economy. Using this experimental methodology, the Home Office estimate that the proportion of average visitor spend per trip captured by domestic supply chains is approximately 59 per cent.
132. The cost to the UK from the foregone visitor spend collected by domestic institutions is calculated by taking the estimated visitor spend and subtracting the estimated contribution to fiscal revenue through indirect taxes. The remaining proportion is multiplied by the average number of trips to the UK per type of visit visa,¹⁸ and the assumed share attributable to the UK in each sensitivity scenario.
133. The estimated fall in visit visas due to the higher proposed fees could result in the central NPSV of **Option 2** to decline by £8.2 million, from £194.3 million to £186.1 million (PV, 2024/2025 prices) over the appraisal period. In the central sensitivity assumption, foregone visitor spend is estimated at £12.3 million (PV, 2024/25 prices), representing a 4 per cent fall in the central NPSV estimate.

E.10.6 Fee waivers

134. The provision of fee waivers for Human Rights applications is necessitated by the European Convention on Human Rights and the Human Rights Act 1998. The availability of a fee waiver option ensure that the department meets its international obligations including under Article 8 of the European Convention on Human Rights. The Home Office offers a discretionary affordability-based fee waiver for applicants on a limited selection of FHR immigration routes, should the applicant be deemed not to be able to afford to pay their visa and/or IHS fees due to:
- not having a place to live in the UK or not being able to afford one;
 - having a place to live but not being able to afford essential living costs like food or heating;
 - having a very low income and paying immigration fees and charges would harm their child's wellbeing.
135. The elasticity methodology used to appraise behavioural changes in response to changes in fees and charges assesses migrants' willingness to pay for immigration products and services, not their ability to do so. There is limited evidence to suggest the impact of the changes set out in **Option 2** on the volume of fee waivers applied for and granted.
136. A six-monthly rolling average calculated using internal Home Office data between the year ending March 2020 and the year ending March 2023 indicates that 56 per cent of in-country FHR

¹⁸ Two year visit visa holders are estimated to make two trips per year Source: Home Office assumptions

migrants apply for their visa and IHS fees to be waived. Subsequently, 35 per cent of in-country FHR applicants are granted a fee waiver. This analysis only considers the in-country FHR route. Recent policy changes enable individuals applying out-of-country to come to the UK on an FHR visa, to also be able to apply for their visa and IHS fees to be waived. However internal Home Office evidence suggests that number of out of country fee waiver applications is very small, in the order of magnitude of hundreds of applications. Due to this, and an absence of historic data on out of country fee waiver applications and decisions, only in-country fee waiver applications have been considered further.

137. There is limited evidence to suggest the impact of the changes set out in **Option 2** on the volume of fee waivers applied for and granted. However, given the recent increase in the IHS rate applicable to FHR applications and the proposed increase in the visa fee, sensitivity analysis has been carried out to estimate a scenario where the proportion of FHR visas granted with a fee waiver increases by 50 per cent, from 35 per cent to 52.5 per cent.
138. A potential increase in the number of FHR applications granted with a fee waiver could lead to lower visa fee revenue, lower IHS revenue, higher processing costs for the Home Office and a fall in costs of processing collected IHS revenue. Under this assumption, the central NPSV decreases by £18.9 million, from £194.3 million to £175.4 million.

E.10.7 Environmental impacts

139. The estimated fall in visas granted under the higher proposed fees, albeit proportionately small when compared to the wider immigration system, could be interpreted as a reduction in the demand for travel to the UK, resulting in fewer carbon dioxide equivalent (CO₂e) emissions. For simplicity, this sensitivity only considers changes in visas from applicants wishing to come to the UK (out of country) and assume those are equivalent to an equal number of fewer undertaken journeys.
140. This impact is estimated by considering the weighted average distance between visa applicants' home countries (deducted by their nationality) and the UK. Assuming that all journeys to the UK are completed by air travel, the weighted average distance per immigration category is multiplied by estimates of the average tonnes of CO₂e emitted per kilometre travelled per passenger on an international long-haul flight.¹⁹ The resulting decrease in CO₂e emissions is monetised using the low, central, and high carbon prices set by the Department for Energy Security and Net Zero.²⁰
141. The estimated future reduction in emissions could result in a net benefit of between £0.4 million and £1.3 million (PV, 2024/2025 prices) over the appraisal period. Under the central carbon price, the estimated fall in CO₂e emissions is valued at £0.9 million (PV, 2024/2025 prices), representing a 0.5 per cent increase in the central NPSV estimate.

¹⁹ 2021 Government greenhouse gas conversion factors for company reporting: Methodology paper (publishing.service.gov.uk):

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1049346/2021-ghg-conversion-factors-methodology.pdf

²⁰ Valuation of greenhouse gas emissions: for policy appraisal and evaluation - GOV.UK (www.gov.uk):

<https://www.gov.uk/government/publications/valuing-greenhouse-gas-emissions-in-policy-appraisal/valuation-of-greenhouse-gas-emissions-for-policy-appraisal-and-evaluation>

Table 13: Estimated environmental impact attributed to changes in granted visas (£m)

Scenario	Five-year present value (2024/25 prices)
Low	0.4
Central	0.9
High	1.3

Source: Home Office internal analysis

F. Proportionality

142. The analysis presented in this IA builds on analysis produced as part of the Immigration and Nationality (Fee) Order 2023 IA,²¹ the Immigration (Health Charge) (Amendment) Order 2024 IA,²² and the Immigration and Nationality (Fees) (Amendment) (No.2) Regulations 2023 IA.²³ The impacts of uncertain assumptions have been tested using low and high scenarios around the central assumptions, and additional sensitivity analysis has been carried out to test for uncertainties in volumes, public service provision per migrant, fiscal revenue collected per migrant, and foregone visitor spend.

G. Risks

143. All estimates presented are indicative. The analysis serves to provide a sense of scale and estimated impacts should be read in that context; estimated future behaviour and outcomes are particularly uncertain. The main identified risks of the analysis are outlined below.

G.1 Volumes

144. The visa demand volume estimates used as a baseline for the appraisal are subject to significant uncertainty. This has been highlighted throughout the IA and sensitivity analysis has been carried out to produce a wider range of the potential impact of the policy. However, all results, including calculated changes in the volumes of granted visas and NPSV estimates, should be treated with caution.

G.2 Behavioural response

145. Internal Home Office analysis has not found evidence of a significant relationship between small increases in fees and visa demand. Absence of evidence does not necessarily imply there is no relationship, and the proposed fee increases on certain routes may represent a larger rise in the price of these visas than historic changes. The estimates of a potential negative effect on visa demand are presented, however, these may overstate the actual impact.

146. The analysis quantifies the impact of potential increases in visa fees using proxies of the price elasticity for visa demand available in the academic literature. The IA uses estimates of elasticity summarised in section **E.1.9** are the closest approximations available and do not represent the responsiveness of individual migrants to changes in fees. Therefore, results are uncertain and should be considered indicative.

G.3 Fiscal impact

²¹ The Immigration and Nationality (Fees) (Amendment) Order 2023 - Impact Assessment (legislation.gov.uk): <https://www.legislation.gov.uk/uksi/2023/977/impacts>

²² The Immigration (Health Charge) (Amendment) Order 2024 - Impact Assessment (legislation.gov.uk): <https://www.legislation.gov.uk/uksi/2024/55/impacts/2024/16>

²³ The Immigration and Nationality (Fees) (Amendment) (No. 2) Regulations 2023 - Impact Assessment (legislation.gov.uk): <https://www.legislation.gov.uk/uksi/2023/1004/impacts>

147. The fiscal impact related to changes in volumes is particularly uncertain. This IA uses a marginal approach of measuring the impact of migration policy on the UK Exchequer and excludes fiscal spend and revenue components that are unlikely to vary according to the number of individuals moving to the UK. Under the marginal approach, newly arrived migrants are assumed to have little or no impact on spending on services such as pure public goods and debt interest, or on revenue streams such as capital gains tax, inheritance tax and gross operating surplus. However, they are assumed to have an impact on congestible public goods and taxes paid by businesses such as corporation tax and business rates. These assumptions are uncertain and the true fiscal impact of such a migrant may differ, either positively or negatively.

G.4 Visitor spend

148. The exact amount of visitor spend that is attributable to the UK economy outlined in section **E.10.5** is uncertain and is dependent on a variety of factors such as the degree to which the UK economy depends on international supply chains.

G.5 Fee waivers

149. Any change in the volume of visa fee waivers applications and subsequent grants on the FHR routes as a result of increasing visa fees is uncertain. Migrants apply for fee waivers on the basis of affordability. However, there is no evidence to assess a tipping point price level where more migrants may become eligible to apply for and be granted a fee waiver. Any significant changes in fee waiver applications may have effects on visa fee and IHS revenue collected by the Home Office.

G.6 Wider assumptions

150. Some assumptions, for example length of stay and visa grant rates, are based on evidence from recent years. The behaviour of current and prospective visa holders may not mirror those in the past. Varying fiscal, baseline and behaviour assumptions may help account for some of the wider uncertainties from data.

H. Direct costs and benefits to business calculations

151. There are no direct costs or benefits to business of this policy, so the equivalent annual net direct cost to business is zero.

I. Wider impacts

152. In 'The UK's future skills-based immigration system', the government set out a framework for assessing the impact of migration policy.²⁴

153. Migrants play an important role in the economy. The impact of proposals that affect the number of migrants coming to, or leaving, the UK will be dependent on which migrants are in scope; their characteristics such as their age, income, health and wealth; and the nature of any proposal (for example, who may come to the UK and what they do whilst here). These factors combine to determine the size of the impact on the UK economy. The analysis assesses these impacts on the resident population and UK economy under the following broad categories:

- Macroeconomic impacts (for example, economic output, economic output per head, and the impact on the Exchequer);
- Labour market outcomes (for example, the ability of firms to hire migrant workers);

²⁴ The UK's future skills-based immigration system, HMG, 2018:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/766465/The-UKs-future-skills-based-immigration-system-print-ready.pdf

- Spill-over impacts on resident population (for example, cultural exchange or congestion/inflation impacts in local areas);
 - Policy design impacts on users of the system (individuals, businesses and the government).
154. Some of these categories are inter-related, such as the link between labour market outcomes and macroeconomic impacts, while some are harder to quantify than others, such as the spill-over impacts of 'cultural exchange'. Of these, only the impact on users of the system is quantified in the main body of this IA.
155. While not negligible, the expected reduction in visas granted as a result of these changes is small compared to the total number of visas granted. Therefore, the macroeconomic effects as well as labour market and spill-over impacts on resident population are likely to be small. Additionally, the MAC acknowledges that the wider dynamic effects and congestion impacts are not possible to quantify, so this IA does not attempt to measure them, but it is assumed they would be small due to the small numbers involved.
156. Economic output is a function of labour used and capital employed and can be measured impartially by GDP. Each worker is a unit of labour and contributes to the creation of economic output. If all else is equal, higher work immigration means more workers in the economy and therefore higher economic output. Equally, a very small decrease in migration volumes caused by the increase in visa fees may have some impact in reducing economic output but this is unlikely to be significant. Whilst aggregate economic output is an important measure, when considering the economic impact of immigration, it is also important to consider GDP per capita / per person. On this measure, particularly in the short run, impacts will be small on aggregate as increased economic output are shared across a larger population. In line with MAC advice, it is important to note that although migration may affect GDP per head (by a small amount) mainly due to higher pay and employment rates of migrants compared to natives, it is the immigrants, rather than the resident population, who are the main gainers/losers. Therefore, it is important to concentrate on the impact migration has on the GDP of residents through dynamic effects on productivity and innovation and this is dependent on the skill level of the migrants.

J. Trade impacts

157. There are a number of channels through which immigration may affect trade and, in general, the external literature finds a positive relationship between the stock of immigrants and trade. At a macro-level high immigration to the UK increases the UK population and consequently aggregate demand and the demand for imports. UK exports may also increase if immigration can enhance the international competitiveness of the UK. For example, Gould (1994) argues that immigrants have individual-specific knowledge of home-country markets which could enhance trading opportunities.²⁵ For example, immigrants may have a greater a knowledge of foreign languages which helps improve communication in trading relationships, and immigrants may have a greater understanding of legal arrangements which may help lower the fixed costs of trade. Other mechanisms through which immigrants may affect trade include a preference for home-country goods, which could increase the demand for UK imports through an increase in consumption.
158. As outlined above – while not negligible, the expected reduction in visas granted as a result of the preferred option is small compared to the total number of visas granted. Therefore, any trade impacts are be expected to be small.

²⁵ Gould (1994) 'Immigrant Links to the Home Country: Empirical Implications for U.S. Bilateral Trade Flows' <https://www.jstor.org/stable/2109884>

J.1 Trade impact from a potential lower number of visitors

159. There may be an indirect impact on trade or investment through a reduction in business visitors to the UK. Research suggests that business visits have a positive impact on trade and investment.²⁶ However, the impact would only affect visitors from countries that require a visit visa to enter the UK.²⁷ Internal Home office analysis of 2018 International Passenger Survey data suggests that over 90 per cent of business visits to the UK in 2018 came from non-visa nationals. Business visitors' resident in EEA countries make most visits to the UK, with only the US in the top 10 countries of residence for number of business visitors.²⁸ In addition, compared to ordinary visitors, business visitors may be expected to be less sensitive to changes in visa fees as suggested by the evidence used in the IA on the airfare elasticity of demand.²⁹

J.2 Trade impact on domestic businesses

160. Access to international talent continues to be very important for businesses based in and setting up in the UK and there could be implications associated with the decreased individuals' willingness to work in the UK under the proposed visa fees. Higher costs for workers from other countries to arrive in the UK may create a perception of slightly reduced UK competitiveness for foreign investors looking to set up or invest into a UK-based company.

K. Monitoring and evaluation plan

161. The Home Office reviews fees and charges for immigration and nationality applications annually. The Home Office also monitors application trends, and officials from all relevant government departments consider proposals to amend fee levels to ensure they do not adversely impact on the UK economy.

²⁶ Oxford Economics, The value of international business travel – A report for GMTCC, 2016
<https://ukevents.org.uk/component/phocadownload/category/5-industry-research?download=329:the-value-of-international-business-travel>

²⁷ <https://www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-v-visitor-rules>

²⁸ International Passenger Survey (IPS) travelpac 2018

²⁹ UK Aviation Forecasts; Department for Transport; 2017

L. Annexes

Annex A: Visa fees under Option 2, current fee levels, and unit costs

Table A1: Proposed fee changes, including relevant unit cost and fee maxima

Route/product	Current Fee	New Fee	£ change	% change	Unit cost	Maxima
<i>Increases to align with October 23 work/visit changes</i>						
2-year visit visa	£400	£432	£32	8%	£93	£500
Skilled Worker for a period of 3 years or more (in country)	£1,500	£1,636	£136	9%	£151	£2,000
Global Business Mobility (Senior or Specialist Worker) for a period of 3 years or more (in country)	£1,500	£1,636	£136	9%	£122	£2,000
<i>Increase delayed from October 23 fees package</i>						
Limited Leave to Remain	£1,048	£1,258	£210	20%	£399	£2,000
<i>Increases to better reflect cost of processing – Nationality</i>						
Citizenship ceremony fee	£80	£130	£50	63%	£130	£150
Renunciation of nationality	£372	£450	£78	21%	£505	£450
Nationality reconsideration	£372	£450	£78	21%	£639	£450
Certificate of Entitlement Nationality – Right of Abode (out of country)	£388	£550	£162	42%	£638	£550
Certificate of Entitlement Nationality – Right of Abode (in the UK)	£372	£550	£178	48%	£638	£550
Nationality correction to certificate	£250	£400	£150	60%	£429	£400
Nationality supply of a certified copy	£250	£400	£150	60%	£429	£400
Confirmation of non-British nationality (status/non-acquisition letter)	£250	£429	£179	72%	£429	£550

Table A2: Proposed HMPO fee changes, including relevant unit cost³⁰

Type		Current Passport Fee	Proposed New Fee	2022/23 Unit Costs
UK Postal	Adult	£93.00	£100.00	£140
	Child	£64.00	£69.00	£120
	Frequent Traveller Adult	£104.00	£112.00	£170
	Frequent Traveller Child ³¹	£75.00	£81.00	
UK Online	Adult	£82.50	£88.50	£90
	Child	£53.50	£57.50	£70
	Frequent Traveller Adult	£93.50	£100.50	£120
	Frequent Traveller Child	£64.50	£69.50	
International Postal	Adult	£104.50	£112.50	£170
	Child	£71.50	£77.00	£150
	Frequent Traveller Adult	£115.50	£124.50	£200
	Frequent Traveller Child ³¹	£82.50	£89.00	
International Online	Adult	£94.00	£101.00	£110
	Child	£61.00	£65.50	£90
	Frequent Traveller Adult	£105.00	£113.00	£140
	Frequent Traveller Child ³¹	£72.00	£77.50	
Priority Fast Track 1 Week	Adult	£155.00	£166.50	£190
	Child	£126.00	£135.50	£180
	Frequent Traveller Adult	£166.00	£178.50	£230
	Frequent Traveller Child ³¹	£137.00	£147.50	
Priority Premium 1 Day	Adult	£193.50	£207.50	£240
	Frequent Traveller Adult	£204.50	£219.50	£280

Unit costs calculation

The unit cost is the calculated estimate of the full financial cost for providing a service, including direct costs and relevant local and central overheads (for example, accommodation, HR, Finance and IT), plus depreciation, cost of capital employed, and other factors that are in connection to immigration and nationality, such as operational policy. The approach the Home Office uses to calculate the published unit costs for all UK Visa, immigration and citizenship services considers the entire forecast cost of the relevant chargeable functions, including all related indirect costs. Weightings are then used, based on operational business planning data, to apportion the total cost across the range of services and products. Unit costs may be influenced by changes in the way that applications in certain routes are processed from year to year, for example where additional checks are introduced or required, or by changes elsewhere within the overall system which impact on the weighting calculations and therefore the amount apportioned to any individual service.

³⁰ Estimates are provisional and subject to change, rounded to £10

³¹ Samples too small to support a robust estimate

Annex B: Grant rates per route

Table B1: Weighted average grant rate per visa route and applicant type, based on 2024/2025 projected baseline applications under the central scenario

Visa and applicant type			Weighted Average Grant Rate
Out of country	Visit visas	All	91%
	Nationality products	All	90%
In country	Sponsored skilled work visas	Main	100%
	Sponsored skilled work visas	Dependant	100%
	Limited Leave to Remain visas	All	98%
	Nationality products	All	94%

Mandatory specific impact test - Statutory Equalities Duties	Complete
<p>The Secretary of State’s public sector equality duty has been considered in the course of developing the changes set out in this amendment to the Immigration and Nationality (Fees) Regulations 2018. In summary, the main conclusions of these considerations are as follows:</p> <ul style="list-style-type: none"> • The department has assessed the potential for direct discrimination as a result of the fee increases. Given that the proposed increases will be applicable equally to all applications within the same/similar product categories, it does not consider that there will be any direct discrimination as a result of these changes. • The department has assessed the potential for indirect discrimination as a result of the fee increases. It notes that certain of the routes in scope are more popular with people that share certain protected characteristics than others and that some application types are subject to greater fee increases than others. That means that some people that share certain protected characteristics will be more affected than others because the fees increases are not uniform. However, there are material differences in the circumstances of the applicants for the affected routes as these are significantly different products in terms of eligibility and entitlements resulting from a successful application, and as such the circumstances of applicants on those routes would necessarily be materially different. Therefore, no indirect discrimination arises by virtue of section 23 of the Equality Act 2010. The department considers that the approach of charging consistent fees which do not differentiate on the basis of individuals’ protected characteristics represents a fair approach, and that it would be disproportionate to pursue any differentiation to mitigate minor potential impacts. <p>The Secretary of State’s public sector equality duty has been considered in the course of developing the changes set out in this amendment to the Passport (Fees) Regulations 2022. In summary, the department does not consider that there will be any particular impact on any group with protected characteristics as a result of the proposed changes. The existing price differential free structure which applies to adults who are charged a higher fee for a passport than children means there is a higher increase to the adult passport than one for a child. This is supported by a broader rationale that children are charged a lower fee due to the lower 5-year validity period relative to an adult.</p> <p>The department has also considered the potential for indirect discrimination. Although not directly targeting a specific age group, the proposed increase for postal applications is more likely to impact those aged over 75 as they have the smallest proportion of people likely to use the main online (lowest) fee according to the UK customer survey. However, the online channel is still the most used by the over 75’s (71%). Digital Assist support will provide additional advice and guidance to help customers to access the online services and, in the meantime, customers can contact the passport adviceline to access advice. With the additional advice available and the evidence to suggest that the majority of over 75s use the online service, the department considers the larger increase in postal application fees is a proportionate means of achieving a legitimate aim to help cover the higher costs of processing postal applications.</p> <p>The SRO has agreed these summary findings</p>	<p>Yes</p>