

# Impact Assessment, The Home Office

**Title:** Impact Assessment for Immigration and Nationality (fees) Regulations (Amendment) 2022

**IA No:** HO0414

**RPC Reference No:** N/A

**Other departments or agencies:** N/A

**Date:** 4 April 2022

**Stage:** FINAL

**Intervention:** Domestic

**Measure:** Secondary legislation

**Enquiries:**

feesandincomeplanning.requests  
@homeoffice.gov.uk

**RPC Opinion:** N/A

**Business Impact Target:** Not a regulatory provision

## Cost of Preferred (or more likely) Option (in 2022/23 prices)

<b>Net Present Social Value NPSV (£m)</b>	175	<b>Business Net Present Value BNPV</b>	-4	<b>Net cost to business per year EANDCB (£m)</b>	0
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### What is the problem under consideration? Why is government intervention necessary?

The Government needs to ensure sustainable funding of the borders and migration system. It will simplify the fees payable by customers in relation to an application, support settled individuals in obtaining modern evidence of immigration status, and raise revenue to achieve these objectives. The Government needs to amend the Immigration and Nationality (Fees) Regulations 2018, to remove some fees and implement a broad uplift across other fees to ensure that the Home Office's overall income position remains protected while giving customers value-for-money.

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

The strategic objective is to attract talent and take back control. The policy objective is to simplify the fees payable by customers and support the sustainable funding of the borders and migration system. The policy objective is to remove the NTL fee and ensure that settled individuals are able to effectively evidence their immigration status. The long-term policy objective is to enable these individuals to eventually transition to online evidence of immigration status. Removing biometric enrolment fees will reduce the range of fees payable when making an application, supporting a simpler experience for customers.

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

**Option 1:** Do nothing. This does not meet the Government's objectives.

**Option 2:** Increase: most Entry Clearance and Leave (LTR) to Remain fees by £15, Short-Term Visit Visa fee by £5, overseas Priority Visa Service fee by £30. Remove: £229 'No Time Limit' (NTL) fee and £19.20 biometric enrolment fee for LTR, Nationality and NTL applications. **This is the Government's preferred option.**

<b>Main assumptions/sensitivities and economic/analytical risks</b>	<b>Discount rate (%)</b>	3.5
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Baseline volumes are based on Home Office internal planning assumptions (Table 1). Volumes used are highly uncertain and may not match actual outturns in future published statistics. The impact of increased visa fees on volumes is based on assumptions of price elasticity of demand for visas (Table 3). The analysis uses proxies of the price elasticity for visa demand from the academic literature. Exchequer effects 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: \_\_\_\_\_ Kevin Foster \_\_\_\_\_ Date: \_\_\_\_\_ 15 March 2022 \_\_\_\_\_

# Summary: Analysis & Evidence

# Policy Option 2

Description: Impact Assessment for Immigration and Nationality (fees) Regulations (Amendment) 2022

## FULL ECONOMIC ASSESSMENT

Year(s):	Price Base	2021/22	PV Base	2022/23	Appraisal	5	Transition	1
Estimate of Net Present Social Value NPSV (£m)							Estimate of BNPV (£m)	
Low:	173	High:	177	Best:	175	Best BNPV	-4	

COSTS, £m	Transition Constant Price	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low NPSV	0	82	82	17	8
High NPSV	0	147	147	31	-
Best Estimate	0	114	114	24	4

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

**Direct:** Government: Lost revenue, fewer visa applications, **£3 million**. Fall in Immigration Health Surcharge (IHS) revenue, **£2 million**. Reduction in biometric fee enrolment revenue, excluding settlement applications, **£52 million**. Reduction in NTL revenue and increased NTL processing costs, **£41 million**.

**Indirect:** HMT: Decrease in tax revenue from fewer visa applications, **£12 million**. Universities: Reduced tuition fee revenue, **£4 million**.

**Transfers:** Government: Cost to Home Office from reduction in biometric enrolment revenue from settlement applicants, **£15 million**. This is not included in the NPSV.

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

The monetised cost of migrant spending modelled in this IA covers the proportion of spending that accrues to the Government. There may be wider indirect costs to businesses that are not monetised but considered qualitatively.

BENEFITS, £m	Transition Constant Price	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low NPSV	0	255	255	55	-
High NPSV	0	323	323	68	-
Best Estimate	0	289	289	62	-

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

**Direct:** Home Office: Additional fee revenue, visa fee changes, **£204 million**. Additional fee revenue, premium service fee change, **£80 million**. Reduced processing costs, **£3 million**.

**Indirect:** UK Exchequer: HM Treasury gains from lower public service provision, **£2 million**.

**Transfers:** UK nationals: Benefit to UK nationals from reduced biometric enrolment cost, **£15 million**. Transfers are not included in the NPSV.

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

Lower immigration to the UK may result in some wider benefits (for example, reduced housing / transport congestion). These impacts are expected to be small.

## BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m: N/A										
Cost, £m	4	Benefit, £m	0	Net, £m	-4					
Score for Business Impact Target (qualifying provisions only) £m:					N/A					
Is this measure likely to impact on trade and investment?					N/A					
Are any of these organisations in scope?			Micro	N	Small	Y	Medium	Y	Large	Y
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> 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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## Evidence Base (for summary sheets)

### A. Strategic Objective and Overview

#### A.1 Strategic Objective

1. The strategic objective is to attract talent and take back control. The policy objective is to simplify the fees payable by customers and support the sustainable funding of the borders and migration system. The Home Office is seeking to improve the customer experience of fees by simplifying fees payable as far as possible, as well as to support settled individuals in obtaining modern evidence of immigration status. Additionally, the department's policy is that any changes to fees are undertaken in a way that is sustainable, with any changes that adversely impact income balanced by additional revenue elsewhere. This revenue will also serve to address wider costs and pressures in the system, in support of the department's wider objective of operating a self-funded borders and migration system and reducing reliance on the UK taxpayer.

#### A.2 Background

2. The Government aims to move towards a self-funded immigration system, where the costs of front-line borders and migration 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 tax payers.
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. The Home Office has identified certain fees charged that are no longer in line with wider departmental objectives, and is seeking to remove these fees from the Regulations. To fund these changes, and to meet wider costs and pressures in the borders and migration system, the department is implementing a broad uplift across Entry Clearance and Leave to Remain (LTR) fees, as well as the overseas Priority Visa Service which customers can pay where available to receive expedited processing of their applications within five days.
4. A separate £19.20 biometric enrolment fee is currently charged to most customers applying in the UK, in addition to their main application fee. This fee was originally set to reflect the costs of a process operated by the Post Office. However, as the department has moved to arrangements with new suppliers as well as increasing re-use of previously enrolled biometrics for some customers, the rationale for charging a separate fee has become less clear. To reduce the range of fees payable in relation to an application, the department is removing this fee for LTR, Nationality and 'No Time Limit' (NTL) applications, and recovering the income through main application fees instead.
5. Fee levels are set within strict financial limits and are agreed with HM Treasury, cross-government departments and approved by Parliament. Fees are 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.
6. 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. This helps protect the economy, ensures migrants contribute towards the resources needed to fund the BICs, 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.

7. 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 at below cost. Some fees are set at below cost to support International Agreements. 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. 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 to limit fee increases in other areas.

### **A.3 Groups Affected**

8. These changes will result in an increased visa fee for customers applying for most Entry Clearance and LTR products. Removal of the £19.20 biometric enrolment fee for LTR and Nationality applications will result in a lower fee overall for most customers applying on those routes in the UK. A broad uplift has been pursued in order to limit impacts on any particular route, as well as to maintain alignment between in and out of country fees, which the department has increasingly looked to set at an equivalent level for new products to support consistency in fees payable in and out of country.
9. Removal of the £229 NTL fee will have a positive impact on those who have indefinite leave and are seeking to ensure they have modern, valid evidence of immigration status. Since 2014, the department has issued Biometric Residence Permits (BRPs) to individuals with indefinite leave, with BRPs enabling individuals to evidence status in a full range of circumstances including to demonstrate Right to Work (RTW) and Right to Rent (RTR). Customers who were settled prior to 2014 may have an older form of documentation that does not fully meet the requirements for evidencing status, or may have no evidence of immigration status at all. These customers can use the NTL route to apply to have their immigration status recorded on a BRP, and it is intended that removal of the fee will help facilitate such applications.

### **A.4 Consultation**

10. 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.
11. 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 in order to move towards a self-funded system. The proposals contained in this IA have been agreed in principle with other government departments (OGDs).

## **B. Rationale for intervention**

12. The Home Office wishes to ensure that the fees it charges for immigration and nationality services are set at appropriate levels to contribute adequately towards the costs of running the BICs, 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.
13. 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 BICs, maintaining public confidence, and ensuring that migration is managed for the benefit of the UK.

## C. Policy objective

14. The Government's policy objectives on charging for immigration 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 (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.

## D. Options considered and implementation

### Option 1: Do nothing

15. Under the do-nothing option visa fees would remain at their current level and not be increased. This option could mean the Home Office is unable to fund the removal of certain fees that have been identified as not supporting wider departmental objectives, as well as being able to meet wider costs and pressures in the borders and migration system.

### Option 2: A £15 increase to most Leave to Remain (LTR) and Entry Clearance (EC) fees, a £5 increase to the Short-Term Visit Visa (STVV), a £30 increase to the overseas Priority Visa (PV) fee, as well as removal of NTL and biometric enrolment fees for LTR, nationality and NTL applications

16. Under this option the fee for most out of country and in-country immigration routes would be subject to an increase by £15 where the fee maxima allows such an increase, with the exception of:
- Short-term visit visa which would increase by £5.
  - Chinese visit visa pilot which would increase by £5.
  - Short-term study which would increase by £14 as a result of maxima constraints.
  - In-country visitor extensions which would increase by £7 as a result of maxima constraints.
  - Private Medical Treatment Visa and Visiting Academic visa by £10 as a result of maxima constraints.
  - The NTL route is currently subject to a fee of £229. This fee would be removed entirely.
17. Most in-country immigration and nationality routes are currently subject to a £19.20 biometric enrolment fee. This IA considers the impact of removing this fee.
18. Out of country premium services are also subject to fee changes. Current out of country premium service fees are £220, compared with an in-country fee level of £500. This IA measures the impact of increasing the out of country premium service by £30 to £250. The £30 increase applies to all out of country non-settlement routes.
19. **This 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

20. The following section sets out the economic costs and benefits of the proposed change.
21. Total applications for out of country entry-clearance visas in the year ending March 2020, the most recent data available before the impact of COVID-19 suppressed application volumes, was estimated at 3.5 million<sup>1</sup> and in country leave to remain applications were estimated at 350,000<sup>1</sup>. Of the 3.5 million out of country applications, 2.6 million<sup>1</sup> were for visitor visas. The total sum of settlement applications in 2019 was 91,000<sup>1</sup>, and 85,000<sup>1</sup> in 2020.
22. Since March 2020, international travel restrictions due to COVID-19 have caused a substantial decrease in the volume of out of country visa applications and the volume of applications in the year ending March 2021 was 840,000<sup>1</sup>, about 76 per cent lower than during the previous year. Of these, 240,000<sup>1</sup> were visitor visas. This represents a year-on-year reduction of visitor visa applications of 2.38 million<sup>1</sup> (91%). In country applications were relatively less affected by the pandemic and subsequent border closures with a year-on-year decrease of 40,000<sup>1</sup> (11%). Comparing July to October of 2021 where there were 880,000<sup>1</sup> out of country applications, with the same period in 2020 where there were 310,000<sup>1</sup> applications, indicates that the volumes are starting to rise back to pre-pandemic levels.
23. Recent international research suggests that the experience of obtaining a visa, and in particular the cost, is one important factor in determining the country of choice for tourists, though not necessarily the most important.<sup>2</sup> However, the complexity, speed and cost of the process for obtaining a UK tourist visa appear to be comparable to that of other similar destinations, including Australia, France and the US.<sup>3</sup> Section E.1.8 sets out the approach used in this IA, estimating the responsiveness of demand for visas to the expected change in visa fee.
24. The analysis produces a net present social value (NPSV) assuming changes come into effect from Q1 of 2022/23 and are assessed for a period of five years, quantified impacts are presented in 2022/23 prices and discounted (at 3.5 per cent in line with HMT Green Book guidance<sup>4</sup>) over the appraisal period. Over this appraisal period, fees are assumed to remain at a constant level though this does not represent an indication of future policy whereby fees may be revised over that period. This IA applies a methodology broadly in line with that used for the IA for the Fee Order 2016<sup>5</sup>, the IA for the Fee Regulations 2018<sup>6</sup> and the IA for the Fee Regulations 2019<sup>7</sup>. The data, assumptions, and methodology used in the analysis are reviewed and updated where possible ahead of publication of each IA.

### E.1 General assumptions and data

#### E.1.1 Objective function

25. In line with previous Home Office analysis and recommendations made by the Migration Advisory Committee (MAC)<sup>8</sup>, this IA considers the impact of raising visa fees on the welfare of the UK resident population. Besides the effect on government revenue and processing costs due to changes in visa fees, the Net Present Social Value (NPSV) calculation includes the fiscal impact of changes in the number of migrants.

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<sup>1</sup> [Managed migration datasets - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/collections/managed-migration-datasets)

<sup>2</sup> Perceptions of getting a visa to Britain Foresight – issue 163, VisitBritain

<sup>3</sup> Perceptions of getting a visa to Britain Foresight – issue 163, VisitBritain

<sup>4</sup> See paragraphs 5.32 to 5.39 of [The Green Book \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/444444/the-green-book-2021.pdf)

<sup>5</sup> [https://www.legislation.gov.uk/ukia/2016/10/pdfs/ukia\\_20160010\\_en.pdf](https://www.legislation.gov.uk/ukia/2016/10/pdfs/ukia_20160010_en.pdf)

<sup>6</sup> [http://www.legislation.gov.uk/ukia/2018/59/pdfs/ukia\\_20180059\\_en.pdf](http://www.legislation.gov.uk/ukia/2018/59/pdfs/ukia_20180059_en.pdf)

<sup>7</sup> [https://www.legislation.gov.uk/ukia/2019/75/pdfs/ukia\\_20190075\\_en.pdf](https://www.legislation.gov.uk/ukia/2019/75/pdfs/ukia_20190075_en.pdf)

<sup>8</sup> MAC (2012) “Analysis of the Impact of Migration”; January. <https://www.gov.uk/government/publications/analysis-of-the-impacts-of-migration>

26. As the MAC acknowledges, the resident population is not simple to define. In Home Office IAs that appraise changes to visa fees, the resident population are considered to be UK nationals and migrants who apply for naturalization as British citizens. For the purpose of this IA, applicants for entry clearance or LTR products are not considered as part of the resident population.

### E.1.2 Appraisal period

27. The analysis presented in this IA models the impact for five years across the period from 2022/23 to 2026/27. However, this should not however be interpreted as an indication of future policy, including the level of visa fees beyond 2022/23, as these will be set year-on-year in future Fee Regulations.

### E.1.3 Volumes

28. The future volume of applications for each visa product is based on Home Office internal planning assumptions, accounting the impact of COVID-19. These are Home Office internal estimates of expected applications over the appraisal period and include dependants.<sup>9</sup> These volumes are used as the baseline against which the impact of proposed changes in visa fees are assessed. The estimates cover the period until 2024/25 and the IA assumes that the baseline volumes remain constant at 2024/25 levels across the final two years of the appraisal period to 2026/27.
29. Historic data prior to the impact of COVID-19, from 2014/15 to 2019/20, shows total application volumes increased, on average, 5 per cent per year, from 3.3 Million to 4.1 million. The Home Office internal estimates below estimate total applications increase from 3.8 million to 5.6 million between 2022/23 and 2024/25 as application volumes continue to recover from the impact of COVID-19.

**Table 1, Baseline volume of applications, 000s, (2022/23 – 2026/27).**

		Year 1 (2022/23)	Year 2 (2023/24)	Year 3 (2024/25)	Year 4 (2025/26)	Year 5 (2026/27)
Out of Country	Visitors	1,940	2,920	3,530	3,530	3,530
	High-Value	9	9	9	9	9
	Skilled Workers and ICTs	230	250	247	247	247
	Students	451	503	560	560	560
	Temporary Workers	75	95	95	95	95
	Family	81	92	92	92	92
	Other	50	51	52	52	52
In-Country	Visitors	1	1	1	1	1
	High-Value	8	8	8	8	8
	Skilled Workers, ICTs and Graduate	258	296	326	326	326
	Students	48	48	48	48	48
	Temporary Workers	2	2	2	2	2
	Family	154	180	199	199	199
	Settlement	250	251	252	252	252
	Other	117	90	90	90	90

Source: Home Office own estimates. Rounding: Volumes rounded to the nearest 1,000.

30. Table 1 presents the volume of expected applications for all routes that are subject to the proposed fee, biometric enrolment and/or premium service cost changes and not the totality of Home Office applications. The total out-of-country entry clearance applications in scope of the fee increases are

<sup>9</sup> The internal estimates of expected applications do not account for the changes in visa fees introduced by the Fee Regulations 2021

estimated at 2.8 million in 2022/23, while the total in-country leave to remain volumes currently subject to the £19.20 biometric enrolment fee are estimated at 840,000 of which 550,000 are also subject to a fee increase of up to £15. Of these, the largest cohort is STVV representing 1,510,000 of the total 1,940,000 total out of country visitors in Year 1 of the appraisal.

### **NTL**

31. Of the 117,000 other in-country applications in Table 1 for 2022/23, around 28,000 per year represent an application for NTL. However, there is a fixed stock of people eligible to apply, as only non-EEA nationals living in the UK, who applied for Settlement ILR before the rollout of Biometric Residency Permits (BRPs) between 2008 and 2015 are eligible. Internal Home Office analysis estimates this cohort at between 195,000 and 365,000, with a central estimate of 280,000 people who could apply for NTL in the future. Table 6 in the appraisal section of this IA sets out assumptions on the profile of potential NTL applications across the appraisal period.

### **Premium Services**

32. Internal Home Office planning assumptions suggest that out of country applications for premium services could total 590,000 per year in 2022/23, rising to 860,000 per year in 2024/25 and beyond. In total, this would represent 3,930,000 out of country premium service applicants over the five year appraisal period. Of the demand for out of country premium services, around 45 per cent stem from visit products, 35 per cent study products, and 10 per cent work-related products.
33. As the figures are based on Home Office internal estimates, they should be considered as indicative, due to the uncertainty around estimates of future visa applicants' behaviour, particularly due to the impact of COVID-19. Additional sensitivity analysis has been conducted in section G to reflect the impact of baseline application volumes being notably different than estimated here as the UK continues to recover from COVID-19.

### **High Potential Individuals and Scale Up Routes**

34. Potential volumes and additionality of volumes using these new routes are highly uncertain, and as such are not included within this analysis. The high level of uncertainty derives from factors such as uncertainty in potential behaviour of migrants and employers to new routes and in data (for example, in choice of route used if eligible to move to the UK, desires to move to the UK if eligible for these new routes and not currently eligible for existing routes, or uncertainty in data on volumes and characteristics of graduates from eligible institutions). In relation to fees on these routes, it would be expected that any additional volumes could provide additional visa fee revenue, additional application processing costs and additional Immigration Health Surcharge (IHS) revenue<sup>10</sup>. Use of these new routes will be monitored and their potential impacts assessed.

### **E.1.4 Grant Rates**

35. The baseline volumes set out in Table 1 represent application volumes. Application volumes are used to inform assessments of impacts relating to fee revenues and processing costs, but impacts to the exchequer and universities relate to migrants being present in the UK meaning a focus on granted visas is required for these impacts.
36. Not all applications are granted, and will not lead to an issued visa. This IA uses a mix of internal Home Office management information and published migration statistics for the period 2019/20 for the proportion of visa applications that were granted over that year for each route, and uses this as an assumption for the full appraisal period.
37. The proportion of applications granted varies considerably by route. On average, the grant rate across all routes is estimated at 93 per cent, with the out of country and in country averages

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<sup>10</sup> As IHS revenue is collected via a third-party private company who charge a percentage of the value of surcharge income handled, part of any additional IHS revenue raised would be transferred to this third party. As a purely illustrative indication, and not a forecast of what 'will' or 'is likely to' happen for third party impacts to exceed £5 million in a year (not accounting for impacts in extensions) around 130,000 additional inflows may need to occur in that year.



estimated at 91 per cent and 95 per cent respectively. This varies from between 78 per cent for out of country short-term visits through to almost 100 per cent for Intra-Company Transfer (ICT) applications. Table 2 sets out the estimated volume of granted applications when these grant rates are applied to the internal Home Office estimates of application volumes set out above.

**Table 2, Baseline volume of applications granted, 000s, (2022/23 – 2026/27).**

		Year 1 (2022/23)	Year 2 (2023/24)	Year 3 (2024/25)	Year 4 (2025/26)	Year 5 (2026/27)
Out of Country	Visitors	1,580	2,400	2,930	2,930	2,930
	High-Value	9	9	9	9	9
	Skilled Workers and ICTs	227	246	244	244	244
	Students	444	495	552	552	552
	Temporary Workers	74	93	93	93	93
	Family	68	77	77	77	77
	Other	45	46	47	47	47
In- Country	Visitors	1	1	1	1	1
	High-Value	8	8	8	8	8
	Skilled Workers, ICTs and Graduate	255	293	323	323	323
	Students	47	48	48	48	48
	Temporary Workers	2	2	2	2	2
	Family	149	174	192	192	192
	Settlement	243	244	245	245	245
	Other	111	86	86	86	86

Source: Home Office own estimates. Rounding: Volumes rounded to the nearest 1,000.

### E.1.5 Fee levels and unit costs

38. This IA measures the impact of three important changes to the current fees structure for visa products. As set out in paragraph 29 only products which are subject to changes in fee structure are considered here and so any routes which remain unchanged are not listed. The specific fee changes for each route are set out in Annex 1
39. The fee for most out of country and in-country products, excluding settlement, would be subject to an increase by £15 where the fee maxima allows such an increase, with the exception of:
  - The STVV which would increase by £5.
  - Chinese visit visa pilot which would increase by £5.
  - Short-term study which would increase by £14 as a result of maxima constraints.
  - In-country visitor extensions which would increase by £7 as a result of maxima constraints.
  - Private Medical Treatment Visa and Visiting Academic visa by £10 as a result of maxima constraints.
  - The NTL route is currently subject to a fee of £229. This fee would be removed entirely.
40. A number of in-country routes are not subject to any fee change but are considered as part of this IA as they are subject to other changes, these include:
  - In-country Hong Kong BN(O).
  - Naturalisation (British Citizenship).
  - Nationality (British Citizenship) Registration.

41. Most in-country routes, specifically all routes included in this IA including those listed above, are currently subject to a £19.20 biometric enrolment fee.<sup>11</sup> This IA considers the impact of removing this fee.
42. Out of country premium services are also subject to fee changes. Current out of country premium service fees are £220, compared with an in-country fee level of £500. This IA measures the impact of increasing the out of country premium service by £30 to £250. The £30 increase applies to all out of country non-settlement routes.
43. As the policy is scheduled to be implemented in Q1 2022/23, this IA applies these fees and charges throughout the appraisal period. This should not however be interpreted as an indication of future visa fee levels beyond 2022 as visa fees will be set year-on-year in future Fee Regulations.
44. Annex 2 sets out the unit costs for each of the products considered in this IA. This represents an estimate of the cost to the Home Office of processing an application. These estimates are also published on .GOV.UK as part of the Home Office transparency data.<sup>12</sup> These costs are assumed to remain unchanged as a result of this policy and are assumed to stay constant over the appraisal period.

### **E.1.6 Immigration Health Surcharge**

45. The Immigration (Health Charge) Order 2015 requires that 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, make a direct contribution to the NHS via payment of an immigration health charge (often referred to as the immigration health surcharge or IHS). The total amount surcharge payers are liable for over the duration of their visa is paid upfront as part of the visa application, although unsuccessful applications receive a refund.<sup>13</sup>
46. Since 2018, the rate has been set at £400 per person per year (£300 for students, their dependants and Youth Mobility Scheme applicants), On 21 July 2020, The Immigration (Health Charge) (Amendment) Order 2020 set out that the surcharge would increase to a level that broadly reflects the full cost of NHS services provided to those that pay it to ensure the long-term sustainability of the NHS. This was set at £624 per person per year with a discounted rate of £470 for all children under the age of 18 years at the point of application, students and YMS applicants. The IA for the Order sets out further detail about the rationale for the level of the increased surcharge.<sup>14</sup>

### **E.1.7 Immigration Skills Charge**

47. Employers sponsoring migrant workers under Skilled Worker or ICT visas are subject to pay the Immigration Skills Charge (ISC)<sup>15</sup> when assigning a Certificate of Sponsorship (CoS) to a migrant making an in-country application or making an out-of-country application to work in the UK for six months or more. Current ISC fees are set at £364 for small or charitable sponsors and £1,000 for medium or large sponsors for the first 12 months of the length of employment stated on the CoS, and £182 for small or charitable sponsors and £500 for medium or large sponsors for each additional six months after that.

### **E.1.8 Price elasticity of demand**

48. The increase in visa fees could have an impact on the number of visa applications received each year by deterring some potential migrants from applying to enter the UK. This IA applies estimates

<sup>11</sup> The majority of applications under the Hong Kong BN(O) and Graduate routes will not be subject to the £19.20 biometric enrolment fee unless they are, for whatever reason, unable to apply using the "UK Immigration: ID Check" app.

<sup>12</sup> [Visa fees transparency data - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/transparency/visa-fees-transparency-data)

<sup>13</sup> ["Pay for UK healthcare as part of your immigration application", GOV.UK](https://www.gov.uk/government/news/pay-for-uk-healthcare-as-part-of-your-immigration-application)

<sup>14</sup> ["Updating the Immigration Health Surcharge", Impact Assessment, 2020](https://www.gov.uk/government/news/immigration-health-surcharge-impact-assessment-2020)

<sup>15</sup> 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/government/news/uk-visa-sponsorship-for-employers-immigration-skills-charge)

on the responsiveness of demand for visas to the expected change in visa fee (price elasticity of demand for visa products) and quantifies the impact this has on the volume of applications for each visa product.

49. 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 the volume of applications for visa products. However, absence of evidence does not necessarily imply that there is no relationship.
50. To avoid the risk of under-estimating the impact of the changes, the analysis uses estimates of price elasticity of demand available from the academic literature developed in similar contexts as proxies for the price elasticity of demand for visas. Annex 3 provides a high-level summary of the available literature and elasticity estimates used. Further detail can be found in the publication "*A review of evidence relating to the elasticity of demand for visas in the UK*" published in March 2020.<sup>16</sup>

### **Visit visas**

51. 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 to 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.
52. 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.
53. The elasticity identified for visitor visas has been used to produce a range around the NPSV impact of this policy; the elasticity assumptions used are detailed in Table 3. The central scenario uses an elasticity estimate of -0.35, based primarily on the DfT<sup>17</sup>. The low scenario uses an estimate of zero and the high scenario 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.

### **Student visas**

54. International students demand student visa products in order to purchase education in the UK. The reduction in migrant volumes entering the UK for study-related reasons as a result of changes to study-related visa fees, could be estimated by applying estimates of the price elasticity of demand for higher education to the overall costs of undertaking higher education in the UK.
55. The elasticities identified in the academic literature have been used to produce a range around the NPSV impact of this policy. The elasticity assumptions used are detailed in Table 3. A central scenario would assume an inelastic reduction in the demand for higher education as a result of changes in visa fees. The elasticity value was chosen from the study most consistent with international students coming to the UK (Conlon, and Halterbeck, 2017)<sup>18</sup> where a weighted average of -0.4 was calculated as a central estimate. A low scenario should assume a zero response to the change in price, while the high scenario should use an elasticity of -0.8.

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<sup>16</sup> <https://www.gov.uk/government/publications/a-review-of-evidence-relating-to-the-elasticity-of-demand-for-visas-in-the-uk>

<sup>17</sup> 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](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781281/uk-aviation-forecasts-2017.pdf)

<sup>18</sup> <https://www.hepi.ac.uk/wp-content/uploads/2017/01/Hepi-Report-91-Screen.pdf>

## Work-related visas

56. For work-related visas, the analysis applies the wage elasticity of labour supply (which measures the responsiveness of the supply of labour to changes in wages) to expected migrant earnings (measured over the duration of the visa) to estimate the impact on migrant volumes of the proposed fee changes. Increases in visa fees (paid by migrants) are therefore considered as equivalent to a reduction in pay and are thus estimated to reduce labour supply and therefore application volumes.
57. The elasticities for work-related visas are identified in the academic literature and have been used to produce a range around the NPSV impact of this policy; the elasticity assumptions used are detailed in Table 3. The central 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. 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.

## Settlement and nationality

58. For settlement and nationality applicants, price sensitivity is assumed to be similar to that of migrants supplying labour. The majority of applicants would have been in the UK for longer than five years before being eligible to apply for ILR or nationality, and therefore are likely to have been in or wanting to work.
59. 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 settlement or nationality and, by applying for settlement or nationality, 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.

**Table 3, Elasticities used to analyse the impact of changing fees, 2022.**

Elasticity	Justification	Products	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 visa – all lengths	0	-0.35	-0.7
Price elasticity of demand for higher education	Price elasticity of demand for higher education is used as a proxy for migrant price elasticity of demand for all types of education accessed through the student route.	Student visa	0	-0.4	-0.8
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	All long-term and temporary work visas	0	-0.3	-0.6
Settlement and nationality	Price sensitivity 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.	Settlement, Naturalisation, ILR	0	-0.3	-0.6

Source: [A review of evidence relating to the elasticity of demand for visas in the UK](#)

## E.2 Costs and benefits

60. The proposed changes will generate direct benefits for the Home Office. Revenues will be higher from those applicants that continue to apply despite higher fees. There may also be an indirect behavioural impact that results from the changes in fees, a change in demand for visas. Most of the indirect costs and benefits of the proposed policy arise as a consequence of the effect on volumes. In many cases, such as fee revenue, there will be impacts as both costs (the fall in fee revenue as a result of the reduction in volumes) and benefits (the increase in fee revenue from the higher fee).

### E.2.1 Volumes

61. This IA considers several policy changes which will each have different impacts on volumes. For the incremental increases to visas fees set out in **E.1.5** and the removal of the £19.20 biometric enrolment fee, this IA uses the price elasticity of demand set out in **E.1.8** to estimate the impact on volumes. However, this approach is only appropriate for marginal changes to standard fees and so for the removal of the NTL fee and the £30 increase to the overseas Priority Visa (PV) fee, a bespoke methodology is required.

### Fee increases and removal of biometric enrolment fee

62. The proposed increase in visa fees is expected to result in a relatively small reduction of visa applications and visas granted. In turn, the proposed removal of the biometric enrolment fee is also expected to result in a relatively small increase in visa applications and visas granted. This is largely because the price of a visa and the associated biometric enrolment cost is a small proportion of the expected cost of work, travel, study or settlement for migrants. For example, for applicants of the STVV route, the 5 per cent change in visa fee only represents on average a 0.5 per cent change in the cost of visiting the UK.
63. Table 4 shows the estimated effect of price elasticity of demand on visa applications and Table 5 shows the effect on visa applications granted using central elasticity assumptions for **Option 2**. In all cases, under the low elasticity scenario, the change in applications and grants is zero, and under the high elasticity scenario, the change in applications and grants is double the values set out in the tables below.
64. Under **Option 2**, the proposed fee changes represents a 0.1 per cent reduction in the total number of out-of-country entry clearance visa applications in the first year of the appraisal period in the central case, up to a 0.2 per cent reduction in the high elasticity scenario. In the low elasticity scenario, no changes to volumes are estimated.
65. For in-country LTR applications, the removal of the biometric enrolment fee more than offsets any fee increases and as a result the changes result in a 0.01 per cent increase in the total number of in-country LTR applications (excluding NTL) in the first year of the appraisal period in the central case, up to a 0.02 per cent increase in the high elasticity scenario. In the low elasticity scenario, no changes to volumes are estimated.

**Table 4, Option 2, estimated reduction in visa applications excluding NTL, central case.**

		Estimated change in applications compared to baseline				
		Year 1 (2022/23)	Year 2 (2023/24)	Year 3 (2024/25)	Year 4 (2025/26)	Year 5 (2026/27)
Out of Country	Visitors	-3,200	-4,600	-5,300	-5,200	-5,000
	High-Value	0	0	0	0	0
	Skilled Workers and ICTs	-10	-10	-10	-10	-10
	Students	-30	-40	-40	-40	-40
	Temporary Workers	-30	-30	-30	-30	-30
	Family	-20	-20	-20	-20	-20
	Settlement	0	0	0	0	0
	Other	-10	-10	-10	-10	-10
In- Country	Visitors	0	0	0	0	0
	High-Value	0	0	0	0	0
	Skilled Workers, ICTs and Graduate	0	0	10	10	10
	Students	0	0	0	0	0
	Temporary Workers	0	0	0	0	0
	Family	10	10	10	10	10
	Settlement	50	50	40	40	40
	Other	20	10	10	10	10

Source: Home Office own estimates. Rounding: Volumes rounded to the nearest 10, or 100 for visitors.

\*These are two-year visit visas, sold at the price of a short-term visit visa under the Chinese visit visa pilot scheme.

~ represents volumes of less than 10.

**Table 5, Option 2, estimated reduction in visas granted excluding NTL, central case.**

		Estimated change in grants compared to baseline				
		Year 1 (2022/23)	Year 2 (2024/24)	Year 3 (2024/25)	Year 4 (2025/26)	Year 5 (2026/27)
Out of Country	Visitors	-2,600	-3,700	-4,300	-4,200	-4,100
	High-Value	0	0	0	0	0
	Skilled Workers and ICTs	-10	-10	-10	-10	-10
	Students	-30	-40	-40	-40	-40
	Temporary Workers	-30	-30	-30	-30	-30
	Family	-10	-20	-20	-10	-10
	Settlement	0	0	0	0	0
	Other	-10	-10	-10	-10	-10
In- Country	Visitors	0	0	0	0	0
	High-Value	0	0	0	0	0
	Skilled Workers, ICTs and Graduate	0	0	10	10	0
	Students	0	0	0	0	0
	Temporary Workers	0	0	0	0	0
	Family	10	10	10	10	10
	Settlement	50	40	40	40	40
	Other	20	10	10	10	10

Source: Home Office Analysis. Rounding: Volumes rounded to the nearest 10, or 100 for visitors.

\*These are 2-year visit visas, sold at the price of a short-term visit visa under the Chinese visit visa pilot scheme.

~ represents volumes of less than 10.

### No Time Limit (NTL)

66. There is limited evidence on how the profile of NTL applications would change if the route was free of charge. as this route represents the upgrade of legacy documents, the number of individuals who are eligible for, and may apply for, a free NTL route is fixed. As set out in section **E.1.3**, internal Home Office analysis estimates the total stock of NTL eligible individuals at between 195,000 and 365,000 with a central estimate of 280,000.
67. Three plausible, indicative, scenarios have been constructed where 50, 75 and 100 per cent of the stock of non-EEA settled migrants with no BRP apply over the five year appraisal period, with a small adjustment reducing this stock by 2,000 per year to account for potential emigration and death. In this case, the 50 per cent scenario represents no change from current total application volumes over the period.
68. The time profile of these applications is equally uncertain, however it is likely that when the fee is removed individuals who were aware of the route but had chosen not to apply as a result of the fee may apply early while others apply more evenly over the period as they interact with the Home Office and become aware of the route. As a result, this IA uses an indicative time-profile whereby an applications in the first year are 50 per cent higher than subsequent years while maintaining the same total over the five-year period. These total volumes are set out in Table 6, and the change they represent compared to current expected applications is set out in Table 7.

**Table 6, Option 2, estimated total NTL applications, 2022/23 – 2026/27.**

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Low Volume Scenario (50% of stock)	42,000	25,000	25,000	25,000	25,000	142,000
Central Volume Scenario (75% of stock)	60,000	35,000	35,000	35,000	35,000	200,000
High Volume Scenario (100% of stock)	81,000	47,000	47,000	47,000	47,000	269,000

Source: Home Office own estimates. Rounding: Volumes rounded to the nearest 1,000.

**Table 7, Option 2, estimated change in NTL applications, 2022/23 – 2026/27.**

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Low Volume Scenario (50% of stock)	14,000	-4,000	-4,000	-4,000	-4,000	0
Central Volume Scenario (75% of stock)	32,000	7,000	7,000	7,000	7,000	60,000
High Volume Scenario (100% of stock)	52,000	19,000	19,000	19,000	19,000	128,000

Source: Home Office own estimates. Rounding: Volumes rounded to the nearest 1,000

### Priority Services

69. While the increase of £30 to out-of-country priority services does represent a marginal change, the behavioural response is likely to differ from that of standard fee changes. The methodology of the wider suite of fee changes above rests on the derived benefit that the visa conveys and the behavioural response for that associated activity. The use of a premium service does not, in itself, convey any additional entitlements aside from a quicker decision and so it is not possible to use this approach. Previous changes to premium service fees have had a negligible impact on application volumes. However, to reflect the uncertainty of this change, the analysis constructs three indicative scenarios. These scenarios are highly uncertain, illustrative, ‘what if’ scenarios. They should be read as providing illustrative insight into potential impacts *if* outcomes aligned with assumed behaviour within these scenarios, and are not indications of what *will* happen. Outcomes may fall outside of modelled scenarios. Indicative scenarios modelled are:
- A low scenario in which there is no behavioural response to this change. In this case it is assumed that willingness to pay for a premium service reflects an inelastic behavioural response whereby individuals will continue to be willing to pay a higher price
  - A central elasticity scenario in which 3 per cent of individuals who would otherwise have paid for a premium service instead no longer do so.
  - A higher elasticity scenario in which 6 per cent of individuals who would otherwise have paid for a premium service instead no longer do so.
70. The reduction in priority service volumes as compared to the baseline set out in **E.1.3** are set out in Table 8. To reflect the particular uncertainty over these estimates, additional sensitivity analysis has been conducted in **Section G** to estimate the impact of a wider range of potential behavioural responses to this change.

**Table 8, Option 2, estimated change in out-of-country premium service applications**

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Low Elasticity	0	0	0	0	0	0
Central Elasticity	-19,000	-24,000	-28,000	-28,000	-28,000	-127,000
High Elasticity	-38,000	-48,000	-55,000	-55,000	-55,000	-251,000

Source: Home Office own estimates. Rounding: Volumes rounded to the nearest 1,000



## E.2.2 Direct Costs

### Loss of Home Office revenue

71. Loss of Home Office revenue is calculated as the change in application volumes, excluding NTL, due to the increased fee and removal of the biometric enrolment cost as set out in Table 4, multiplied by the current fee as set out in **Annex 1** for reductions in application volumes or by the total new fee for increases in applications.
72. The **cost to the Home Office** from the **net reduction in revenue** due to the **change in application volumes** is estimated to be up to **£6 million**, with a central estimate of **£3 million (PV)** 2022/23 prices over the five-year appraisal period.
73. This net cost is comprised of foregone revenue where volumes have fallen as a result of the fee increase as well as a smaller increase in revenue where volumes have increased as a result of the removal of biometric outweighing the fee increase. Specifically, the central net cost estimate of **£3 million** is comprised of a fall in revenue of **£3.3 million** from out of country applications, mostly driven by reduction in visitor applications, and an increase in revenue from in-country applications of **£0.3 million**.

### Loss of Immigration Health Surcharge revenue

74. The loss of IHS revenue is calculated as the change in IHS eligible application volumes due to the increased fee and removal of the biometric enrolment cost as set out in Table 4, multiplied by the current IHS level as set out in section E.1.6.
75. The cost to the **Government** from the **net reduction in IHS revenue** due to the **change in application volumes** is estimated to be up to **£5 million (PV)**, with a central estimate of **£2 million (PV)**, 2022/23 prices over the five-year appraisal period.
76. This net cost is comprised of foregone revenue where volumes have fallen as a result of the fee increase, as well as a smaller increase in revenue where volumes have increased as a result of the removal of Biometric fee outweighing the fee increase. Specifically of the **£2.4 million** central estimate for lost IHS revenue, is comprised of a **£2.7 million** decrease in out of country applications and an increase in revenue from in-country applications of **£0.3 million**.

### Reduction in Biometric Enrolment revenue

77. Reduction in biometric enrolment revenue is calculated by multiplying the £19.20 fee by the baseline application volumes reflecting the fact that those individuals would otherwise have applied and paid the fee. As the behavioural response in the central and higher scenarios does not result in a fall in applications, the foregone revenue from the baseline volumes is constant in all scenarios. The **cost to the Home Office** from the **removal of this charge** is estimated at **£52 million (PV)** 2022/23 prices, in all three scenarios over the five-year appraisal period.
78. As this fee only applies to in-country applicants, the entirety of the foregone revenue is attributable to this cohort. The largest revenue foregone comes from Skilled Worker routes, **£13 million**, and student route, **£4 million (PV)** 2022/23 prices. These routes amount to more than a third of total of Biometric Enrolment revenue foregone as a result of the fee waiver. The central estimate does not include foregone revenue for settlement applications as these are considered as a transfer between the resident population and the Home Office and are set out in section E.2.6.

### Reduction in NTL revenue and increase in NTL processing costs

79. The removal of the NTL fee has two consequences; foregone revenue from those who would otherwise have applied for NTL and additional cost to the Home Office of processing additional applications. The total **foregone revenue and cost** to the **Home Office** of removing this fee is estimated at between **£30 and £53 million (PV)**, with a central estimate of **£41 million (PV)** 2022/23 prices, over the five-year appraisal period.

80. The foregone revenue is calculated as the baseline volumes multiplied by the original NTL fee of £229. The additional processing costs are calculated as the additional volumes set out in Table 7 multiplied by the unit cost to the Home Office of processing an NTL application. Of the central estimate of £41 million, £30 million (73 per cent) can be attributed to foregone revenue and £11 million (26 per cent) can be attributed to additional processing costs. As set out in Table 7, the time-profile of expected applications results in the majority of this total cost, equivalent to £13 million, occurring at the start of the appraisal period.

### E.2.3 Indirect Costs

#### Exchequer loss from reduction in tax revenue

81. The exchequer loss is calculated as the change in granted volumes as a result of the change in fees and charges set out in Table 5, multiplied by the average fiscal revenue contributions for each visa route. The loss to the exchequer is calculated 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 IAs with the estimated central per migrant revenue impacts updated to 2022/23 prices and are set out in Annex 5.<sup>19</sup>
82. The **net reduction in tax revenue** is estimated at up to **£24 million (PV)**, with a central estimate of **£12 million (PV)** 2022/23 prices, over the five-year appraisal period. This central estimate is comprised of a £16 million loss from out of country applications, of which £9 million can be attributed to STVVs, and an increase in tax revenue from additional in country volumes of £2 million.

#### Reduction in Tuition Fee Income

83. The reduction in tuition fee revenue is calculated as the reduction in student granted volumes as a result of change in fees and charges as set out in Table 5, multiplied by the average tuition fee using Higher Education Statistics Agency (HESA) data on tuition fee revenue from non-UK students of £17,700 in 2022/23 prices.<sup>20</sup> The **lost tuition fee income** is estimated at up to **£8 million (PV)**, with a central estimate of **£4 million (PV)** 2022/23 prices over the five-year appraisal period.
84. This central estimate is comprised of a £4 million loss for out of country students and a £0.1 million increase in income as a result of the increase of in-country student volumes.

### E.2.4 Direct Benefits

#### Increase in Home Office fee revenue

85. The increase in visa fees would be expected to generate an increase in Home Office revenue from the applicants that continue to apply. This benefit is calculated as the change in visa fee multiplied by the baseline volume of applicants minus any reduction in volumes as a result of the change in fee. The **benefit to the Home Office from increased fee revenue** is estimated at **£204 million (PV)** 2022/23 prices, across the three scenarios, over the five-year appraisal period.
86. Of the central estimate of £204 million, £160 million of this revenue is from out of country products, in particular the visit visa routes which amount to £90 million across the appraisal period.

#### Increase in Home Office premium service revenue

87. The increase in premium service charges would be expected to generate an increase in Home Office revenue from the applicants that continue to demand the additional premium service. This benefit is calculated as the £30 increase in premium service fee multiplied by the new volume of applicants following the behavioural response as set out in Table 8. The **benefit to the Home Office** from

<sup>19</sup> [The Immigration and Nationality \(Fees\) \(Amendment\) \(No. 3\) Regulations 2020 \(legislation.gov.uk\)](#)

<sup>20</sup> [What is the income of HE providers? | HESA.](#)

**increased revenue** is estimated to be between **£51** and **£110 million (PV)**, with a central estimate of **£80 million (PV)** 2022/23 prices over the five-year appraisal period.

### **Reduction in Home Office visa processing costs**

88. A change in the volume migrants applying to come to the UK as a result of the elasticity effect on visa applications would result in a change in Home Office processing costs. This is calculated by multiplying the published unit cost for each product as set out in **Annex 2** by the change in applicants following the behavioural response, noting estimated reductions in out of country applications would lead to reduced costs, and estimated increases in in-country applications would impact in the opposite direction. The **net administrative saving** to the **Home Office** is estimated to be up to **£6 million (PV)**, with a central estimate of **£3 million (PV)** 2022/23 prices, over the five-year appraisal period.
89. Specifically the central net benefit estimate of £3 million is comprised of a fall in processing costs of £3 million from out of country applications. This is mostly driven by a £2.8 million reduction in visitor applications, and a negligible increase in processing costs from in-country applications.

### **Reduction in Home Office CoS processing costs**

90. As well as processing visa applications, the Home Office incurs a cost of processing CoS associated with sponsored work routes. As with visa processing costs, this is calculated by multiplying the published unit costs of £225 for skilled workers and £26 for temporary workers by the change in applicants for those routes following the behavioural response. The **net administrative saving** to the **Home Office** is **negligible** across all scenarios over the five-year appraisal period.

## **E.2.5 Indirect Benefits**

### **Reduction in public expenditure**

91. A reduction in migrants in the UK as a result of the elasticity effect on visa applications would result in an Exchequer gain from lower public service provision costs such as healthcare and education as fewer people would use such services. 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 IAs with the estimated central impacts updated to 2022/23 prices and are set out in Annex 5.<sup>21</sup>
92. The **net administrative saving** is estimated to be up to **£5 million (PV)**, with a central estimate of **£2 million (PV)**, 2022/23 prices over the five-year appraisal period. This central estimate is comprised of a £3.2 million benefit from reduced expenditure on out of country applications and an increase in expenditure from additional in country volumes of £0.8 million.

## **E.2.6 Transfers**

### **Settlement Biometric Enrolment revenue transfer**

93. As set out in paragraph 77, the reduction in biometric enrolment revenue is calculated by multiplying the £19.20 fee by the baseline application volumes reflecting the fact that those individuals would otherwise have applied and paid the fee. Of the total reduction in revenue, the revenue that would otherwise have accrued from settlement applications is considered as a transfer between the native UK population and the Home Office. The value of this **transfer** is estimated at **£15 million (PV)**, 2022/23 prices **in all scenarios** over the five-year appraisal period.

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<sup>21</sup> [The Immigration and Nationality \(Fees\) \(Amendment\) \(No. 3\) Regulations 2020 \(legislation.gov.uk\)](#)

### **Reduction in Certificate of Sponsorship liability**

94. Businesses must assign a CoS to each migrant worker they employ. The CoS fee for all long term sponsored work routes is £199 and for temporary work routes it is £21. A reduction in CoS liability represents a transfer of revenue from government to business. The reduction in CoS is calculated by multiplying the CoS fee by the change in application volumes set out in Table 4. As a result of **the limited impact** of the **fee changes on volumes this transfer is negligible** over the five-year appraisal period

### **Reduction in Immigration Skills Charge liability**

95. Businesses are liable to pay an Immigration Skills Surcharge (ISC) when hiring certain migrants. The fee charged depends on the organisation size and length of stay. For small or charitable sponsors, the fee is £364 for the first 12 months and £182 for each additional six months. For medium or large sponsors, the fee is £1,000 for the first 12 months and £500 for each additional six months. A reduction in ISC liability represents a transfer of revenue from government to business. The reduction in ISC liability for business is calculated by multiplying a weighted average of ISC fee of £459 by the reduction in the net volume of applications. As a result of the **limited impact of the fee changes on volumes this transfer is negligible** over the five-year appraisal period.

### **Reduction in IHS and ISC processing costs**

96. The IHS and ISC revenue set out in paragraphs 74 and 95 is collected via a third-party private company who charge a percentage of the value of surcharge income handled. The change in IHS and ISC revenue collected as a result of the change in application volumes represents a reduction in the transfer of income from the Home Office to the UK business. This is calculated by multiplying the IHS and ISC collection costs for each route by the reduction in applicants following the behavioural response. As a result of the **limited impact of the fee changes on volumes this transfer is negligible** over the five-year appraisal period.

## **F. Summary of results**

### **NPSV**

97. The results for **Option 2** are summarised in Table 9. Note that figures may not sum due to rounding. All estimates presented, and those in in Tables 9-12 are subject to considerable uncertainty, and should be treated as indicative of the scale of impacts, not precise predictions of actual impacts.
98. **The central estimate for the NPSV of the policy is £175 million** in 2022/23 prices over five years. Under the low elasticity scenario where applicants do not have any behavioural response to a fee increase or biometric fee removal and where the behavioural impact to the NTL and premium service charges is zero, the NPSV of the policy decreases to **£173 million** in 2022/23 prices over five years. Under the high elasticity scenario, where applicants have a stronger behavioural response to fee increases, biometric fee removal, NTL fee removal and increase to premium service charges, the NPSV of the policy increases to **£177 million** in 2022/23 prices over five years.

**Table 9: Cost and benefits of Option 2, central assumptions, £ million.**

Present Values (2022/23 prices)	2022/23	2023/24	2024/25	2025/26	2026/27	NPSV
<b>Benefits</b>						
Additional Home Office visa fee revenue	33	41	45	43	42	<b>204</b>
Additional Home Office revenue from premium services	13	16	18	17	17	<b>80</b>
Reduction in Home Office visa processing costs	~	1	1	1	1	<b>3</b>
Reduction in Home Office CoS processing costs	~	~	~	~	~	~
Exchequer gain from lower public service provision	~	1	1	1	1	<b>2</b>
<b>Total benefits (PV)</b>	<b>47</b>	<b>58</b>	<b>64</b>	<b>62</b>	<b>59</b>	<b>289</b>
<b>Costs</b>						
Reduction in Home Office biometric enrolment revenue excluding settlement	-10	-10	-11	-11	-10	<b>-52</b>
Reduction in Home Office NTL revenue and increased NTL processing cost	-13	-8	-7	-7	-7	<b>-41</b>
Net reduction in Home Office fee revenue from changes in volumes excluding NTL	~	-1	-1	-1	-1	<b>-3</b>
Net reduction in HMG IHS revenue from changes in volumes excluding NTL	~	-1	-1	-1	-1	<b>-2</b>
Reduction in University tuition fee income	-1	-1	-1	-1	-1	<b>-4</b>
Exchequer loss from reduction in tax revenue	-1	-2	-3	-3	-3	<b>-12</b>
<b>Total costs (PV)</b>	<b>-25</b>	<b>-22</b>	<b>-23</b>	<b>-22</b>	<b>-21</b>	<b>-114</b>
<b>Net Impact (NPSV)</b>	<b>22</b>	<b>36</b>	<b>41</b>	<b>39</b>	<b>38</b>	<b>175</b>

Source: Home Office own estimates, 2022.

Notes: Figures are rounded to the nearest £1 million. ~ represents an impact of <£0.5 million.

**Table 10, Comparison of cost and benefits and NPSV of Option 2 central, low and high elasticity assumptions, £ million (PV), 5-year appraisal period.**

Benefits	Low NPSV	Central NPSV	High NPSV
Additional fee revenue	204	204	204
Additional revenue from premium services	51	80	110
Reduction in Home Office visa processing costs	~	3	6
Reduction in Home Office CoS processing costs	~	~	~
Exchequer gain from lower public service provision	~	2	5
<b>Total benefits (PV)</b>	<b>255</b>	<b>289</b>	<b>324</b>
<b>Costs</b>			
Reduction in biometric enrolment revenue excluding settlement	-52	-52	-52
Reduction in NTL revenue and increased NTL processing cost	-30	-41	-53
Net reduction in fee revenue from changes in volumes excluding NTL	~	-3	-6
Net reduction in IHS revenue from changes in volumes excluding NTL	~	-2	-5
Reduction in tuition fee income	~	-4	-8
Exchequer loss from reduction in tax revenue	~	-12	-24
<b>Total costs (PV)</b>	<b>-82</b>	<b>-114</b>	<b>-147</b>
<b>Net Present Social Value (NPSV)</b>	<b>173</b>	<b>175</b>	<b>177</b>

Source: Home Office own estimates, 2022. Figures are rounded to the nearest £1 million. ~ an impact of <£0.5 million.

## BNPV

99. The central estimate for the **BNPV** of the policy is **-£4 million (PV)** 2022/23 prices, falling to -£8 million under the high elasticity scenario over five years. Under the low elasticity scenario, the lack of behavioural response leads to a BNPV of zero.

**Table 11: Business costs and benefits of Option 2 central assumptions, £ million (PV) .**

	2022/23	2023/24	2024/25	2025/26	2026/27	NPSV
<b>Benefits</b>						
Reduction in CoS and ISC liability	~	~	~	~	~	~
<b>Total benefits (PV)</b>	~	~	~	~	~	~
<b>Costs</b>						
Reduction in tuition fee income	-1	-1	-1	-1	-1	-4
<b>Total costs (PV)</b>	-1	-1	-1	-1	-1	-4
<b>Net Impact (NPSV)</b>	-1	-1	-1	-1	-1	-4

Source: Home Office internal analysis, 2021. Figures are rounded to the nearest £1 million. ~ represents an impact of below £0.5 million.

**Table 12: Comparison of business costs and benefits of Option 2 central, low and high elasticity assumptions, £ million (PV) 5-year appraisal period.**

	High BNPV	Central BNPV	Low BNPV
<b>Benefits</b>			
Reduction in ISC and CoS costs	~	~	~
<b>Total benefits (PV)</b>	~	~	~
<b>Costs</b>			
Reduction in tuition fee income	~	-4	-8
<b>Total costs (PV)</b>	~	-4	-8
<b>Net Present Social Value (NPSV)</b>	~	-4	-8

Source: Home Office own estimates, 2022.

Notes: Figures are rounded to the nearest £1 million. ~ represents an impact of <£0.5 million.

## Value for money (VfM)

100. Under the central assumptions, the benefit-cost ratio (BCR) of **Option 2** is 2.6. The BCR falls to 2.2 in the high elasticity scenario, and rises to 3.1 in the low elasticity scenario. This means that the benefits either exceed the costs, or are not quantified, in all scenarios.

## Place-based analysis

101. When migrants arrive in the UK, they are free to travel wherever they wish. However, the main quantified impacts of migration accrue to central government, rather than being distributed across the country. Tourism also tends to be more prevalent in certain areas. For instance, in 2019 London had more visitors than the rest of England combined<sup>22</sup> This means that the impacts of the potential changes to migration set out in this IA may be felt more in certain areas than others.

<sup>22</sup>Travel trends estimates: overseas residents in the UK - Office for National Statistics (ons.gov.uk)

## Impact on small and micro-businesses

102. The proposed changes are estimated to have limited direct impact on small and micro-businesses. There could be some small direct impacts as a result of reduced CoS liability for small and micro businesses. As the aggregate impact of this policy is negligible, the impact on small and micro businesses is also expected to be negligible. There could be some indirect impacts if reduced visitor numbers cause reduced demand for businesses, however this impact is not likely to be significant as changes in volumes are likely to be small.

## G. Sensitivity Analysis

### Volumes

103. Given the degree of uncertainty over the future volume of applicants affected these policy changes, sensitivity analysis has been carried out to estimate how the NPSV of the policy would change if volumes were higher or lower than those used in the central case.
104. Table 13 presents volumes used in the high sensitivity and these volumes are on average 20 per cent higher than those used in the central case. Table 14 presents volumes used in the low sensitivity and these volumes are on average 20 per cent lower than those used in the central case. While these are purely indicative scenarios, for context this range is equivalent to the 20 per cent change in volumes that took place in the four years between 2016/17 and 2019/20.
105. The volumes for NTL and premium services are held constant throughout as they are considered separately, either in a separate sensitivity or because there is a fixed stock of applicants and the inflows are unlikely to exceed this level.

**Table 13, High sensitivity, baseline volume of applications +20 per cent, 000s, 2022/23-2026/27.**

Applications +20%		Year 1 (2022/23)	Year 2 (2023/24)	Year 3 (2024/25)	Year 4 (2025/26)	Year 5 (2026/27)
Out of Country	Visitors	2,330	3,500	4,240	4,240	4,240
	High-Value	11	11	11	11	11
	Skilled Workers and ICTs	276	299	296	296	296
	Students	541	604	672	672	672
	Temporary Workers	91	114	114	114	114
	Family	97	110	110	110	110
	Other	60	61	62	62	62
In- Country	Visitors	2	2	2	2	2
	High-Value	10	10	10	10	10
	Skilled Workers, ICTs and Graduate	310	355	391	391	391
	Students	57	58	58	58	58
	Temporary Workers	2	2	2	2	2
	Family	185	216	239	239	239
	Settlement	300	301	303	303	303
	Other	141	109	109	109	109

Source: Home Office Analysis. Rounding: Volumes rounded to the nearest 1,000.

**Table 14: Low sensitivity, baseline volume of applications -20 per cent, 000s, 2022/23-2026/27.**

<b>Applications -20%</b>		<b>Year 1 (2022/23)</b>	<b>Year 2 (2023/24)</b>	<b>Year 3 (2024/25)</b>	<b>Year 4 (2025/26)</b>	<b>Year 5 (2026/27)</b>
Out of Country	Visitors	1,550	2,330	2,830	2,830	2,830
	High-Value	7	7	7	7	7
	Skilled Workers and ICTs	184	200	197	197	197
	Students	361	402	448	448	448
	Temporary Workers	60	76	76	76	76
	Family	65	74	74	74	74
	Other	40	41	41	41	41
In- Country	Visitors	1	1	1	1	1
	High-Value	6	6	6	6	6
	Skilled Workers, ICTs and Graduate	207	237	261	261	261
	Students	38	38	39	39	39
	Temporary Workers	2	2	2	2	2
	Family	123	144	160	160	160
	Settlement	200	201	202	202	202
	Other	94	72	72	72	72

Source: Home Office own estimates. Rounding: Volumes rounded to the nearest 1,000.

106. Assuming volumes are equivalent to the low volumes set out in Table 14:

- The **NPSV** would fall by £27 million to **£148 million (PV, 2022/23 prices)** in the central case over the five-year appraisal period and it now lies in the range of £142 million to £152 million. The majority of this change is driven by a fall in the fee revenue increase from £204 million to £163 million. While the magnitude of the impact on the NPSV in all three scenarios, (for example, 18 per cent in the central scenario) is relatively proportionate to the 20 per cent decrease in volumes, the range between the low, central and high scenarios remains relatively similar.

107. Assuming volumes are equivalent to the high volumes set out in Table 13:

- The **NPSV** would increase by £28 million to **£203 million (PV, 2022/23 prices)** in the central case over the five-year appraisal period and it now lies in the range of £201 million to £204 million. The majority of this change is driven by an increase in the fee revenue from £204 million to £244 million. While the magnitude of the impact on the NPSV in all three scenarios, (for example, 14 per cent in the central scenario) is relatively proportionate to the 20 per cent increase in volumes, the range between the low, central and high scenarios remains relatively similar.

### **Public Service Provision**

108. The level of average public service provision costs by migrants is uncertain, so sensitivity analysis is carried out to test how varying assumptions on public service provision costs affects the NSPV. Sensitivity analysis uses various estimates of the value of average public service consumption by migrants. The difference between the low and high scenario is the inclusion of pure public goods and welfare costs in the estimate, while the central case does not include pure public goods it does include half of the estimated welfare cost reflecting that migrants may not be eligible to receive



welfare payments. More details on the fiscal spend components can be found in the fiscal annex in Annex 5. Keeping all other assumptions at their 'central scenario' level:

- Assuming public spending is at the 'Low' level, the NPSV of **Option 2** falls from £175 million to **£174 million (5-year PV, 2022/23 prices)** and it now lies in the range of £172 and £176 million. This sensitivity result implies that the Government saves less from the migrants that are deterred from entering or remaining in the UK.
- Assuming public spending is at the 'High' level, the NPSV of **Option 2** increases by £2 million to **£177 million (5-year PV, 2022/23 prices)** and it now lies in the range of £173 million and £180 million. This sensitivity result implies that the Government saves more from the migrants that are deterred from entering or remaining in the UK.

### Premium services

109. As set out in paragraph 67, the behavioural response to a £30 increase in premium service fees is very uncertain. The central estimate of reduction in demand for premium services of 3 per cent due to the and a higher elasticity assumption of 6 per cent was estimated to lead to increase revenue of £80 million and £110 million respectively.
110. Due to the high levels of uncertainty surrounding these behaviours, this sensitivity sets out the tipping point whereby the behavioural response leads to a negative impact on revenue for premium services over all. A negative impact on premium service revenue occurs at the point where demand for premium services reduces by greater than 12 per cent due to the £30 increase in premium service fees. Assuming a central estimate of a 12 per cent reduction in demand for premium services, total revenue (PV) decreases from £289 million to **£208 million (PV, 2022/23 prices)** in the central case over the five-year appraisal period, whilst the NPSV falls from £164 million to £84 million (a 49 per cent reduction).
111. As outlined in **section M**, this policy will continue to be monitored and in particular the impact of this change on premium service volumes.

## H. Proportionality

112. The analysis presented in this IA builds on the analysis produced as part of the 2016 Fee Order IA, Health Surcharge 2020 IA and the Immigration and Nationality (Fees) (Amendment) (No. 3) Regulations 2020 IA. The impacts of uncertain assumptions have been tested using low and high scenarios around central assumptions, and additional sensitivities have been tested for uncertainties in volume, fiscal and behaviour in response to premium services fees. .

## I. Risks

113. The main assumptions used in this IA are set out in **section E** The main identified risks with the analysis are:
  - Internal Home Office analysis has not found evidence of a significant relationship between small increases in visa fees and visa demand. Absence of evidence does not necessarily imply there is no relationship and for visit visas, an increase in the fee up to the maxima would represent a larger increase in the fee compared to recent increases. Therefore, the estimate of a potential negative effect on visa demand is presented, which may over-sate the actual impact.

- The proposed changes are expected to lead to a reduction in overseas visitors to the UK and therefore lower total spending by visitors. The quantification of the costs of this reduction in total visitor spending includes only the reduction in exchequer revenue as a result of lower indirect tax contributions. The analysis does not include the loss spending elsewhere in the economy. In the absence of further evidence on the extent to which visitors spending accrues to UK resident population, the IA does not monetise the effect that this forgone spending has on the resident population.
- The analysis quantifies the impact of changes to visa and biometric enrolment fees using proxies of the price elasticity for visa demand available in the academic literature. For visit visas, the IA uses estimates of price elasticity of demand for airfare and for in-country students, estimates of price elasticity of demand for higher education are used. These are not specific estimates of the responsiveness of demand for visas to changes in visa fees, therefore, results are uncertain and should be considered indicative.
- The demand for visas can be influenced by many factors. For visit visas, for example, the estimates of price elasticity of demand for airfare are applied to the combined airfare cost and the visa fee. This does not account for other factors that affect the total price of a trip to the UK, such as living costs, accommodation costs and exchange rate movements between UK sterling and the currency of the country of origin. It may be that this analysis has not accounted for all possible determinants of visa demand.
- The volumes used in this IA for NTL and premium service volumes are particularly uncertain. While this IA has considered the full range of potential NTL behavioural responses, from no change to 100 per cent of the stock, the time profile of these applications remains uncertain. To reflect the uncertainty of the behavioural response to premium service fee changes, this IA has included sensitivity analysis to set out how much premium service volumes would have to fall by to entirely offset the expected revenue gain.
- Baseline volumes are based on Home Office internal estimates and should be considered as indicative. There is a risk that these estimates fail to represent actual volumes, particularly due to the uncertain impact of COVID-19. Sensitivity analysis has been carried out to test the impact of these assumed volumes should COVID-19 have a more or less sustained impact on volumes.
- 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, debt interest and EU transactions, 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.

## **J. Direct costs and benefits to business calculations**

114. The changes set out in this IA are expected to have a negligible direct impact on business as a result of changes to CoS and ISC liability. All other impacts on business considered in this IA are indirect and are not included in this section. As such, the direct costs to business are estimated at zero

2022/23 prices over the five year appraisal period. The net direct cost to business would also be zero<sup>23</sup>.

## K. Wider impacts

115. In *'The UK's future skills-based immigration system'*, the Government set out a framework for assessing the impact of migration policy.<sup>24</sup>
116. 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).
  - 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).
117. 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.
118. 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. Visitors, which make up the majority of the total visa applications considered in this analysis, are by definition short-term, and are likely to have a smaller impact on the above than long-term migrants, and in particular workers.

## L. Trade Impact

119. 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)<sup>25</sup> argues that immigrants have individual-specific knowledge of home-country markets which could enhance trading opportunities. 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

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<sup>23</sup> The net direct cost to business is defined as the 'Equivalent Annual Net Direct Cost to Business. The Regulatory Policy Committee (RPC) use this to measure the administrative burden of regulation on business.

<sup>24</sup> *The UK's future skills-based immigration system, HMG, 2018*

<sup>25</sup> Gould (1994) 'Immigrant Links to the Home Country: Empirical Implications for U.S. Bilateral Trade Flows'.

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.

120. Genc et al. (2011)<sup>26</sup> provide a meta-analysis of 48 studies and find that, on average, a 10 per cent increase in the number of migrants may increase the volume of trade by about 1.5 per cent. With regards to services, Ottaviano et al. (2016)<sup>27</sup> find a 10 per cent increase in the immigrant share increases exports by 3-5 per cent, whilst reducing imports by 1-2 per cent.. Dastidar and Balasubramanyam (2015)<sup>28</sup> assess the impact of the immigrant stock on services exports for the EU and commonwealth countries separately and find a 10 per cent increase in the stock of immigrants from EU and Commonwealth countries raise services exports by 2.8 per cent and 4.3 per cent, respectively. The lack of common language, institutions and bureaucratic procedures may explain the lower elasticity for EU countries and the lower potential to contribute to services exports.
121. As outlined above – 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, any trade impacts are expected to be small.
122. There may also 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.<sup>29</sup> However, the impact would only affect visitors from countries that require a visit visa to enter the UK.<sup>30</sup> Internal Home office analysis of 2018 IPS 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.<sup>31</sup> 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 impact assessment on the airfare elasticity of demand.<sup>32</sup>

## **M. Monitoring and evaluation (PIR if necessary), enforcement principles**

123. 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.

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<sup>26</sup> Genc et al (2011). 'The Impact of Immigration on International Trade: A Meta-Analysis.'

<sup>27</sup> Ottaviano et al., (2016). 'Immigration, Trade and Productivity in Services: Evidence from UK Firms'.

<sup>28</sup> Dastidar et al., (2015). 'The Impact of Immigrants on the Foreign Trade of the UK'.

<sup>29</sup> The value of international business travel – A report for GMTCC, Oxford Economics (2016)

<sup>30</sup> <https://www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-v-visitor-rules>

<sup>31</sup> International Passenger Survey (IPS) travelpac 2018

<sup>32</sup> UK Aviation Forecasts; Department for Transport; 2017

## N. Annexes

### Annex 1 – Visa Fees

The Home Office publishes all immigration fees and unit costs on GOV.UK<sup>33</sup>.

**Table A1.1, Out of country visa fees, maxima and fee increase, £, 2022.**

Product	Maxima in Fee Order £	Current Fee £	Proposed Fee £	Increase in Fee £	Subject to biometric enrolment
Short Term Visit Visa	95	95	100	5	No
Long Term Visit Visa – 2 Year	400	361	376	15	No
Long Term Visit Visa – 5 Year	1,000	655	670	15	No
Long Term Visit Visa – 10 Year	2,000	822	837	15	No
Private Medical Treatment	200	190	200	10	No
Visiting Academic	200	190	200	10	No
Chinese Visitor Visa Pilot	95	95	100	5	No
Innovator - Main Applicant	2,000	1,021	1,036	15	No
Innovator - Dependant	2,000	1,021	1,036	15	No
Start-up - Main Applicant	2,000	363	378	15	No
Start-up - Dependant	2,000	363	378	15	No
Global Talent - Main Applicant	2,000	152	167	15	No
Global Talent - Dependant	2,000	608	623	15	No
Skilled Worker up to 3 years - Main Applicant	1,500	610	625	15	No
Skilled Worker up to 3 years - Dependant	1,500	610	625	15	No
Skilled Worker over 3 years - Main Applicant	1,500	1,220	1,235	15	No
Skilled Worker over 3 years – Dependant	1,500	1,220	1,235	15	No
Intra Company Transfers up to 3 years - Main Applicant	1,500	610	625	15	No
Intra Company Transfers up to 3 years - Dependant	1,500	610	625	15	No
Intra Company Transfers over 3 years - Main Applicant	1,500	1,220	1,235	15	No
Intra Company Transfers over 3 years -Dependant	1,500	1,220	1,235	15	No
Shortage Occupations up to 3 years – Main Applicant	1,500	464	479	15	No
Shortage Occupations up to 3 years – Dependant	1,500	464	479	15	No
Shortage Occupations over 3 years – Main Applicant	1,500	928	943	15	No
Shortage Occupations over 3 years – Dependant	1,500	928	943	15	No
Minister of Religion - Main Applicant	1,500	610	625	15	No
Minister of Religion - Dependant	1,500	610	625	15	No
Sportsperson - Main Applicant	1,500	610	625	15	No
Sportsperson - Dependant	1,500	610	625	15	No
Health and Care visa up to 3 years – Main Applicant	1,500	232	247	15	No
Health and Care visa up to 3 years – Dependant	1,500	232	247	15	No
Health and Care visa over 3 years – Main Applicant	1,500	464	479	15	No
Health and Care visa over 3 years – Dependant	1,500	464	479	15	No
Student	480	348	363	15	No
Student - Dependant	480	348	363	15	No
Short-term study	200	186	200	14	No
Temporary Worker - Main Applicant	2,000	244	259	15	No
Youth Mobility Scheme	2,000	244	259	15	No
Temporary Worker - Dependant	2,000	244	259	15	No
Settlement - Family	3,250	1,523	1,538	15	No
Settlement - Dependant Relative	3,250	3,250	3,250	0	No
Settlement - Refugee Dependant Relative	2,000	388	388	0	No
Other Visa	2,000	516	531	15	No

<sup>33</sup> [www.gov.uk](https://www.gov.uk) Visa fees transparency data - GOV.UK (www.gov.uk)

**Table A1.2: In-country visa fees, maxima and fee increase**

<b>Product</b>	<b>Maxima in Fee Order £</b>	<b>Baseline Fee £</b>	<b>Proposed Fee £</b>	<b>Increase in Fee £</b>	<b>Subject to biometric enrolment</b>
Visitor Extension - Main Applicant	1,000	993	1,000	7	Yes
Visitor Extension - Dependants	1,000	993	1,000	7	Yes
Innovator - Main Applicant	2,000	1,277	1,292	15	Yes
Innovator - Dependant	2,000	1,277	1,292	15	Yes
Entrepreneur - Main Applicant	2,000	1,277	1,292	15	Yes
Entrepreneur - Dependant	2,000	1,277	1,292	15	Yes
Start-up - Main Applicant	2,000	493	508	15	Yes
Start-up - Dependant	2,000	493	508	15	Yes
Global Talent - Main Applicant	2,000	608	623	15	Yes
Global Talent - Dependant	2,000	608	623	15	Yes
Skilled Worker up to 3 years - Main Applicant	1,500	704	719	15	Yes
Skilled worker up to 3 years - Dependant	1,500	704	719	15	Yes
Skilled worker over 3 years - Main Applicant	1,500	1,408	1,423	15	Yes
Skilled worker over 3 years - Dependant	1,500	1,408	1,423	15	Yes
Intra Company Transfers up to 3 years - Main Applicant	1,500	704	719	15	Yes
Intra Company Transfers up to 3 years - Dependant	1,500	704	719	15	Yes
Intra Company Transfers over 3 years - Main Applicant	1,500	1,408	1,423	15	Yes
Intra Company Transfers over 3 years - Dependant	1,500	1,408	1,423	15	Yes
Shortage Occupations up to 3 years – Main Applicant	1,500	464	479	15	Yes
Shortage Occupations up to 3 years – Dependant	1,500	464	479	15	Yes
Shortage Occupations over 3 years – Main Applicant	1,500	928	943	15	Yes
Shortage Occupations over 3 years – Dependant	1,500	928	943	15	Yes
Minister of Religion - Main Applicant	1,500	704	719	15	Yes
Minister of Religion - Dependant	1,500	704	719	15	Yes
Sportsperson - Main Applicant	1,500	704	719	15	Yes
Sportsperson - Dependant	1,500	704	719	15	Yes
Health and Care visa up to 3 years – Main Applicant	1,500	232	247	15	Yes
Health and Care visa up to 3 years – Dependant	1,500	232	247	15	Yes
Health and Care visa over 3 years – Main Applicant	1,500	464	479	15	Yes
Health and Care visa over 3 years – Dependant	1,500	464	479	15	Yes
Graduate	1,500	700	715	15	Yes*
Student	490	475	490	15	Yes
Student Dependant	490	475	490	15	Yes
Temporary Worker - Main Applicant	2,000	244	259	15	Yes
Temporary Worker - Dependant	2,000	244	259	15	Yes
Other LTR Main	2,000	1,033	1,048	15	Yes
Other LTR Dependant	2,000	1,033	1,048	15	Yes
No Time Limit - Main Applicant	550	229	0	-229	Yes
No Time Limit - Dependant	550	229	0	-229	Yes
Hong Kong BN(O): 2.5 years - Main Applicant	2,000	180	180	0	Yes*
Hong Kong BN(O): 2.5 years - Dependant	2,000	180	180	0	Yes*
ILR Settlement - Main	3,250	2,389	2,404	15	Yes
ILR Settlement - Dependant	3,250	2,389	2,404	15	Yes
Naturalisation (British Citizenship) (Single)	1,500	1,250	1,250	0	Yes
Nationality (British Citizenship) Registration adult	1,500	1,126	1,126	0	Yes
Nationality (British Citizenship) Registration child	1,500	669	669	0	Yes

\*The majority of applications under the Hong Kong BN(O) and Graduate routes will not be subject to the £19.20 biometric enrolment fee unless they are, for whatever reason, unable to apply using the “UK Immigration: ID Check” app.

## Annex 2 – Unit Costs

### 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.

The Home Office publishes all immigration fees and unit costs on GOV.UK<sup>34</sup>.

**Table A2.1, Unit Cost , £, Out of Country Products.**

Product and Unit Cost £	£	Product and Unit Cost £	£
Short Term Visit Visa	130	Shortage Occupations: over 3 years – Main Applicant	127
Long Term Visit Visa - 2 Year	130	Shortage Occupations: over 3 years – Dependant	127
Long Term Visit Visa - 5 Year	130	Minister of Religion -Main Applicant	127
Long Term Visit Visa - 10 Year	130	Minister of Religion -Dependant	127
Chinese Visitor Visa Pilot	130	Sportsperson -Main Applicant	127
Innovator – Main Applicant	184	Sportsperson -Dependant	127
Innovator - Dependant	184	Health and Care visa up to 3 years – Main Applicant	127
Start-up - Main Applicant	184	Health and Care visa up to 3 years – Dependant	127
Start-up - Dependant	184	Health and Care visa over 3 years – Main Applicant	127
Global Talent- Main Applicant	184	Health and Care visa over 3 years – Dependant	127
Global Talent- Dependant	184	Student	153
Skilled Worker up to 3 years- Main Applicant	127	Student - Dependant	153
Skilled Worker up to 3 years- Dependant	127	Short-term study	130
Skilled Worker over 3 years- Main Applicant	127	Temporary Worker - Main Applicant	115
Skilled Worker over 3 years- Dependant	127	Youth Mobility Scheme	115
Intra Company Transfers up to 3 years -Main Applicant	127	Temporary Worker - Dependant	115
Intra Company Transfers up to 3 years -Dependant	127	Settlement - Family	388
Intra Company Transfers over 3 years -Main Applicant	127	Settlement - Dependant Relative	388
Intra Company Transfers over 3 years -Dependant	127	Settlement - Refugee Dependant Relative	388
Shortage Occupations: up to 3 years – Main Applicant	127	Other Visa	154
Shortage Occupations: up to 3 years – Dependant	127		

<sup>34</sup> [Visa fees transparency data - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

**Table A2, Unit Cost £, In Country Products.**

<b>Product and Unit Cost £</b>	<b>£</b>	<b>Product and Unit Cost £</b>	<b>£</b>
Visitor Extension - Main Applicant	142	Minister of Religion -Dependant	317
Visitor Extension - Dependants	142	Sportsperson -Main Applicant	317
Innovator - Main Applicant	126	Sportsperson -Dependant	317
Innovator - Dependant	126	Health and Care visa up to 3 years – Main Applicant	317
Entrepreneur- Main Applicant	126	Health and Care visa up to 3 years – Dependant	317
Entrepreneur- Dependant	126	Health and Care visa over 3 years – Main Applicant	317
Start-up - Main Applicant	126	Health and Care visa over 3 years – Dependant	317
Start-up - Dependant	126	Graduate	106
Global Talent- Main Applicant	126	Student	252
Global Talent- Dependant	126	Student Dependant	252
Skilled Worker up to 3 years- Main Applicant	317	Temporary Worker - Main Applicant	317
Skilled Worker up to 3 years- Dependant	317	Temporary Worker - Dependant	317
Skilled Worker over 3 years- Main applicant	317	Other LTR Main	142
Skilled Worker over 3 years- Dependant	317	Other LTR Dependants	142
Intra Company Transfers up to 3 years- Main Applicant	317	No Time Limit – Main Applicant	229
Intra Company Transfers up to 3 years- Dependant	317	No Time Limit - Dependant	229
Intra Company Transfers over 3 years- Main Applicant	317	Hong Kong BN(O): 2.5 years - Main Applicant	170
Intra Company Transfers over 3 years- Dependant	317	Hong Kong BN(O): 2.5 years - Dependant	170
Shortage Occupations: up to 3 years – Main Applicant	317	ILR Settlement - Main	243
Shortage Occupations: up to 3 years – Dependant	317	ILR Settlement - Dependant	243
Shortage Occupations: over 3 years – Main Applicant	317	Naturalisation (British Citizenship) (Single)	372
Shortage Occupations: over 3 years – Dependant	317	Nationality (British Citizenship) Registration adult	372
Minister of Religion –Main Applicant	317	Nationality (British Citizenship) Registration child	372



### Annex 3- Elasticity Assumptions

The following tables set out the elasticities used to analyse the impact of the changes in fees on different types of products and the academic papers from which these elasticities are taken. These are set out in more detail in the paper “*A review of evidence relating to the elasticity of demand for visas in the UK*”, published on Gov.uk<sup>35</sup>. Elasticities used for dependent applications are not included in Table A3.2 as these were not derived from academic literature; rather, they were derived from Home Office analysis on the likely response by dependants from changes to dependant fees. Such responses were deemed to yield a best case and central elasticity of zero, and a worst-case value of -0.3.

The term ‘elasticity’ measures the responsiveness of demand for a product after a change in a product's own price. The elasticity assumption used here should be interpreted as the proportional decrease in visa applications (the demand) for a 1 per cent decrease in expected income over the total duration of the visa due to the increase in visa fee (the price). For example, if the increase in visa fee represents a 2 per cent decrease in total expected income and elasticity is assumed to be -0.5, then volumes would reduce by  $-0.5 \times 2$  per cent = -1 per cent.

**Table A3.1: Empirical studies of the price elasticity of demand for tourism**

Source	Estimate of price elasticity of demand	Measure
Deese, W. (2013) <i>Determinants of inbound travel to the United States. US International Trade Commission</i> . No. 2013-02A.	Between -0.316 and -0.391	Travel price elasticity based on travellers to the US from 50 countries from 1990 to 2010.
Pham, T. D., Nghiem, S., & Dwyer, L. (2017) ‘ <i>The determinants of Chinese visitors to Australia: A dynamic demand analysis</i> ’, <i>Tourism Management</i> , vol. 63, issue C, pp. 268-276.	Short-run: -4.4 Long-run: -6.4	Price elasticity of demand for Australian tourism from Chinese visitors from 1991 to 2014.
Schiff, A. & Becken, S. (2011) ‘ <i>Demand elasticity estimates for New Zealand tourism</i> ’, <i>Tourism Management</i> , Elsevier, vol. 32(3), pp. 564-575.	Between -1.75 and -0.26	Price elasticity of demand estimates for New Zealand tourism from various countries from 1997 to 2007.

<sup>35</sup> [A review of evidence relating to the elasticity of demand for visas in the UK - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

**Table A3.2: Empirical studies of the price elasticity of demand for education**

Source	Estimate of price elasticity of demand	Measure
Conlon, G.P., Ladher, R., Halterbeck, M. (2017). <i>The determinants of international demand for UK higher education</i> . Final report for the Higher Education Policy Institute and Kaplan International Pathways. London Economics.	Undergraduate: -0.33 in first year, -0.22 in second year (lagged effect) Postgraduate: -0.21	Price elasticity of demand for UK higher education from international students in 189 countries from 2000 to 2015.
Dearden, L., Fitzsimons, E. & Wyness, G. (2011) <i>The impact of tuition fees and support on university participation in the UK</i> (No. W11/17). IFS Working Papers.	-0.14	Elasticity estimate for UK higher education participation from 1992 to 2007 for those eligible for their first year of university.
Gallet, C. (2007) 'A comparative analysis of the demand for higher education: results from a meta-analysis of elasticities', <i>Economics Bulletin</i> , vol. 9(7), pp. 1-14.	-0.6	Mean tuition elasticity from a sample of 60 studies published between 1967 and 2004 from the US and rest of the world.
Hemelt, S.W. & Marcotte, D.E. (2011) 'The Impact of Tuition Increases on Enrollment at Public Colleges and Universities', <i>Educational Evaluation and Policy Analysis</i> , vol. 33(4), pp. 435-457.	Between -0.02 and -0.25	Elasticity estimates for total headcount in US higher education from 1991 to 2006.
Leslie, L.L. & Brinkman, P.T. (1987) 'Student price response in higher education: The student demand studies', <i>The Journal of Higher Education</i> , vol. 58(2), pp. 181-204.	-0.73	Corresponding price elasticity estimate for higher education in the US, based on a standardised sample of 25 studies conducted from 1967 to 1982.
Blundell, R., Bozio, A. & Laroque, G. (2011) <i>Extensive and intensive margins of labour supply: working hours in the US, UK and France</i> , IFS Working Papers W11/01, Institute for Fiscal Studies.	Between 0.3 and 0.44	Aggregate elasticity estimate for total hours of the 30 to 54 age group for UK men and women from 1968 to 2008.

**Table A3.3: Empirical studies of the wage elasticity of labour supply**

Source	Estimate of wage elasticity of labour supply	Measure
Bargain, O., Orsini, K. & Peichl, A. (2012) Comparing Labor Supply Elasticities in Europe and the US: New Results (December 2012). SOEP paper No. 525.	Men: between 0 and 0.4 Women: between 0.1 and 0.6	Elasticity of labour supply based on total hours in response to changes in tax-benefit policies. Uses data from Europe and the US from 1998 to 2005.
Blundell, R., Bozio, A. & Laroque, G. (2011) Extensive and intensive margins of labour supply: working hours in the US, UK and France, IFS Working Papers W11/01, Institute for Fiscal Studies.	Between 0.3 and 0.44	Aggregate elasticity estimate for total hours of the 30 to 54 age group for UK men and women from 1968 to 2008.
Evers, M., Mooij, R. & Vuuren, D. (2008) 'The Wage Elasticity of Labour Supply: A Synthesis of Empirical Estimates', De Economist, Springer, vol. 156(1), pp. 25- 43.	Men: 0.07 Women: 0.43 (0.34 excluding outliers)	Mean estimates for a sample of 209 uncompensated labour supply elasticities in different developed countries. Average year of data sample in each study ranges from 1966 to 2000.
Jäntti, M., Pirttilä, J. & Selin, H. (2015) 'Estimating labour supply elasticities based on cross-country micro data: A bridge between micro and macro estimates?' Journal of Public Economics, vol. 127, pp. 87-99.	Between 0.23 and 0.64	Range is based on point estimates of average 'micro' and 'macro' elasticity estimates. Uses data from 13 countries, including from OECD. Data ranges from early 1970s to 2010s.

**Annex 4 – Visitor visa time profile thing**

	Number of visits per year					
	Year 1	Year 2	Year 3	Year 4	Year 5	Total visits
Short Term Visit Visa	1	0	0	0	0	1
Long Term Visit Visa – 2 Year	2	2	0	0	0	4
Chinese Visitor Visa Pilot	2	2	0	0	0	4
Long Term Visit Visa – 5 Year	2	2	1	1	1	7
Long Term Visit Visa – 10 Year	2	2	1	1	1	7

## Annex 5 – Fiscal assumptions

The Home Office has developed modelling to assess the fiscal impact of migration on fiscal spend and fiscal revenue.

- Fiscal spend is estimated by calculating costs per head for different types of public services accessible by non-UK nationals who visit and live in the UK.
- Fiscal revenue considers the contributions to tax revenue, such as income tax, National Insurance, council tax and indirect tax of foreign nationals.

A static analysis of the 2018/19 fiscal year is used to estimate tax revenue and government spending attributable to migrants of a given age, economic status and earned income. This analysis is applied to changes in future net migration flows (by wage, age and economic activity) to estimate the order of magnitude of the impact on the public finances.

This analysis is not a projection of the future state of the economy; it is based on the latest data on fiscal expenditure and tax rates which captures the UK economy based on data relating to 2018/19, adjusting for productivity growth and inflation, allowing specific impacts of changes to migration to be explored, holding all other factors constant.

In the literature, there are a number of different approaches to calculating the effect of policy changes on fiscal balances. The central methodology used here represents a ‘marginal’ approach to measuring the impact of migration and therefore makes a distinction between spend and revenue that is unlikely to vary according to the number of individuals moving to the UK.

The modelling framework considers initial impacts of specific policy changes. It does not consider dynamic responses of the economy and behavioural responses of individual and firms. No assumption is made for how migrants age over this period.

The following sections outline in more detail the methodology used for the two components of the analysis.

### A5.1 Fiscal spend analysis

The analysis uses a top down approach to apportion total expenditure on public services at the individual level. This results in estimated unit costs for different types of public expenditure, by migrant age group and economic activity.

This method represents a ‘marginal’ approach to measuring the impact of migrant policy on the UK Exchequer and therefore excludes fiscal spend components that are unlikely to vary according to the number of individuals moving to the UK. Under this approach, newly arrived migrants are assumed to have little or no impact on expenditure on services such as pure public goods, debt interest and EU transactions. However, they are assumed to have an impact on congestible public goods such as road maintenance expenditure.

Data on expenditure of public services is obtained from Public Expenditure Statistical Analysis (PESA) published by HM Treasury, which provides data on public sector expenditure broken down by functions. The analysis is based on data for 2018/19<sup>36</sup>

Data on migrant population characteristics is obtained from the Annual Population Survey (APS) produced by the ONS. The APS data for 2018/19 is used to derive population characteristics such as volumes of existing residents by nationality and age distribution. When using estimates of total UK population, the analysis uses ONS 2018<sup>37</sup> data, which is considered more accurate than the APS.

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<sup>36</sup> “Public Expenditure Statistical Analyses 2019”, GOV.UK, 2019

<sup>37</sup> “Population and migration”, Office for National Statistics, 2018.

Data on social protection expenditure is obtained from the Family Resources Survey<sup>38</sup> (FRS) for 2018/19. The FRS data for 2018/19 is used to obtain the average benefit received by working age individuals in the UK.

Table A5.1 describes how these data are apportioned on a per capita basis. Unit costs are based on 2018/9 prices these have been inflated to 2022/23 prices and adjusted using OBR long-term projections for real labour productivity growth to account for future economic growth<sup>39</sup>.

**Table A5.1 Methodology for apportioning fiscal spend components**

<b>Major spend components</b>	<b>Marginal approach</b>
<b>Public goods (i.e. R&amp;D, Defence) Debt interest</b>	Under a marginal approach this spend is only allocated to the resident population. The rationale is that the marginal costs of providing these services to an additional migrant is zero/negligible.
<b>Housing development</b>	Allocated on a per capita basis
<b>Police services</b>	Allocated on a per capita basis
<b>Health</b>	Office of Budget Responsibility (OBR) <sup>40</sup> estimates on health spending by age are applied. On top of this, an adjustment is made for lower usage of the healthcare system of non-UK nationals than the UK population: A further reduction of 62 per cent has been applied to the healthcare unit costs of non-EEA nationals, to reflect lower usage of the system compared to UK population as per Department of Health & Social Care internal analysis <sup>41</sup>
<b>Pre-primary education</b>	Allocated evenly to 0-4 year olds
<b>Primary and secondary education</b>	Allocated evenly to 5-17 year olds
<b>Tertiary education</b>	Allocated evenly to students in higher education, based on Student Loans Company data (excluding international non-EEA students)
<b>Social protection: benefits</b>	Estimates per head costs based on FRS data to reflect the average benefit received for EEA nationals of working age, dependent on earnings. Non-EEA inflows are not assumed to be eligible for benefits.
<b>Social protection: personal social services</b>	Social protection and social exclusion allocated on a per capita basis. Family and child social services allocated using APS data on share of family units and age of head of household. Old age social services apportioned equally to 65 years and above population.

## A5.2 Fiscal revenue analysis

Total revenue is taken from the OBR's Economic and Fiscal Outlook<sup>42</sup>. The analysis also considers information on indirect taxes by nationality in the Living Cost and Food survey data between 2016/17, 2017/18, and 2018/19<sup>43</sup> and council tax in ONS data on the effects of taxes and benefits on household income<sup>44</sup> 2018/19.

<sup>38</sup> 4 FRS is self-reported, this means it is likely to under-report benefit receipt figures as some respondents do not know or do not have the necessary information to answer the specific questions about individual benefits which makes it difficult to collate accurate information; more information on this, and the FRS more generally, is available at <https://www.gov.uk/government/statistics/familyresources-survey-financial-year-201617>. For estimates of benefit expenditure and caseload for EEA nationals, publications from HMRC or DWP should be used; <https://www.gov.uk/government/statistics/income-tax-nics-tax-credits-and-child-benefit-statistics-foreea-nationals-2015-to-2016> and <https://www.gov.uk/government/statistics/nationality-at-point-of-national-insurance-numberregistration-of-dwp-working-age-benefit-recipients-data-to-november-2017> respectively.

<sup>39</sup> 5 "Economic and fiscal outlook – March 2019", Office for Budget Responsibility, 2019.

<sup>40</sup> "Fiscal sustainability analytical papers – 2016", Office for Budget Responsibility, 2016.

<sup>41</sup> Department of Health & Social Care estimate of the use of service is based on data on use of primary and secondary care by IHS payers.

<sup>42</sup> "Economic and fiscal outlook – March 2019", Office for Budget Responsibility, 2019.

<sup>43</sup> "Household expenditure and disposable income by disposable income decile group, by origin of household reference person, UK, financial year ending 2017 to financial year ending 2019", Office for National Statistics, 2020.

<sup>44</sup> "Effects of taxes and benefits on household income", Office for National Statistics, 2020.

**Table A5.2: Methodology for apportioning fiscal revenue components**

<b>Major revenue components</b>	<b>Marginal approach</b>
<b>Income Tax</b>	Tax rates for 2021/22 are applied to estimated taxable income
<b>Income Tax: Tax rates for 2021/22 are applied to estimated taxable income</b> <b>National insurance contributions (NICs)</b>	NICs rates for 2021/22 are applied to estimated earnings
<b>Indirect taxes (include VAT, duties on specific products such as alcohol and tobacco, licences such as television and intermediate taxes)</b>	Indirect tax rates are calculated depending on earning deciles. Data from the Living Cost and Food survey <sup>45</sup> between 2016/17, 2017/18 and 2018/19 is used to estimate the effective tax rate (indirect tax divided by disposable income) by household income decile.
<b>Corporation taxes</b> <b>Business rates</b>	Profits and the capital stock change with the size of the workforce. In a marginal approach the assumption is made that any changes in migrant workers will have an impact of company taxes and business rates. This assumes that contributions to Company tax and Business rates are ultimately driven by consumption in the same way as indirect taxes, and the per capita allocation is based on an individual's contribution to indirect taxes.
<b>Council tax</b>	Allocated depending on earning deciles, based ONS <sup>46</sup> estimates of council tax paid per household in each income decile. An adjustment is made for those receiving a council tax reduction and the number of economically active individuals in each household.
<b>Capital gains tax</b> <b>Inheritance tax</b> <b>Gross operating surplus, interest and dividends</b> <b>All other taxes/income streams</b>	Under a marginal approach this revenue is allocated only to the resident population. The rationale is that a newly arrived migrant will have little or no impact on these revenue streams.

<sup>45</sup> "Household expenditure and disposable income by disposable income decile group, by origin of household reference person, UK, financial year ending 2015 to financial year ending 2017", Office for National Statistics, 2018.

<sup>46</sup> "Effects of taxes and benefits on household income", Office for National Statistics, 2020.

**Impact Assessment Checklist**

Mandatory specific impact test - Statutory Equalities Duties	Complete
<p><b>Statutory Equalities Duties</b></p> <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"> <li>• While fee changes to specific routes may have an indirect impact on nationality groups who are particularly represented on those routes (for example, Indian nationals make up the largest number of applicants on the Skilled Worker route, and Chinese nationals make up the largest number of students), the broad and relatively small nature of the uplift pursued means that impacts on any one route, and therefore any one group, are likely to be limited.</li> <li>• Removal of the NTL fee will have positive impacts in ensuring that all settled individuals are able to evidence their immigration status, including for the purposes of Right to Work, leading to greater consistency in that cohort’s ability to enjoy the benefits of their status. There is a potential negative impact in terms of fostering good relations between groups, in that those who had previously paid to upgrade their documents to a BRP will not benefit from the change. Both positive and negative aspects of the change are likely to affect individuals across protected characteristic groups, but as the overall intent of this policy is to facilitate greater access to documentation for all settled individuals, the positive impacts are likely to outweigh the negative, and the policy represents a proportionate means of achieving a legitimate aim.</li> <li>• Removal of the £19.20 biometric enrolment fee will serve to ensure greater consistency and transparency in fees payable, and have benefit for those with certain protected characteristics (age, disability) applying on primarily digital routes who may be unable to use the ‘UK Immigration: ID Check’ app to facilitate re-use of existing biometrics (and who will therefore be required to enrol biometrics, paying the £19.20)</li> </ul> <p><b>The SRO has agreed these summary findings of the Equality Impact Assessment.</b></p>	<p><b>Yes</b></p>