

# Impact Assessment, The Home Office

**Title:** Impact assessment for Immigration and Nationality (Fees) Order (Amendment) 2023

**Date:** 23 May 2023

**IA No:** HO 0440

**Stage:** FINAL

**RPC Reference No:** N/A

**Intervention:** Domestic

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

**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 23/24 prices)

**Net Present Social Value NPSV (£m)**

N/A

**Business Net Present Value BNPV (£m)**

N/A

**Net cost to business per year EANDCB (£m)**

N/A

### What is the problem under consideration? Why is government intervention necessary?

A Fees Order sets the scope for the Home Office to change the maximum amount it can charge for visa products. Periodic updates of the Fees Order ensures that the Home Office is able to make amendments to the fees of visa products where current fees are at the maximum level set in a previous Fees Order.

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

The Home Office needs to have flexibility in setting fees at a level sufficient to support the wider objective of a migration and borders system that is substantially self-funded, reducing reliance on the UK taxpayer. The changes proposed will enable the department to ensure that the costs of operating the system can be fully taken into account when considering specific fee levels, and provide additional scope to ensure that the department's charging structure is flexible enough to support evolving pressures and demands within the system.

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

**Option 1:** Do nothing. There is no change to the maximum level at which the Home Office can set fees for visa products.

**Option 2:** Increase the maximum level at which the Home Office can set fees on specified routes (See Annex A). **This is the Government's preferred option** as it is expected to enable the Home Office to achieve its strategic objectives.

### Main assumptions/sensitivities and economic/analytical risks

**Discount rate (%)**

3.5

It is not known when or by how much visa fees will rise in the future, while visa fees may never rise above the level at which they are currently set. Baseline volumes of visa applications are based on Home Office internal planning assumptions. The volumes used are highly uncertain and may not match future published statistics. The analysis used proxies of the price elasticity for visa demand from academic literature. Exchequer impacts are based on assumed expenditure and associated tax contributions.

**Will the policy be reviewed?** Ongoing review.

**If applicable, set review date:** N/A

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

Signed by the responsible Minister

Robert Jenrick

Date:

23 May 2023

# Summary: Analysis & Evidence

# Policy Option 2

Description: Increase the maximum level at which the Home Office can set fees on specified routes

## FULL ECONOMIC ASSESSMENT

Year(s):	Price Base	2023/24	PV Base	2023/24	Appraisal	5	Transition	0
Estimate of Net Present Social Value NPSV (£m)						Estimate of BNPV (£m)		
Low:	N/A	High:	N/A	Best:	N/A	Best BNPV	N/A	

COSTS, £m	Transition Constant Price	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low	N/A	N/A	N/A	N/A	N/A
High	N/A	N/A	N/A	N/A	N/A
Best Estimate	N/A	N/A	N/A	N/A	N/A

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

There is no impact of the Fee Order itself. Indicative costs of fee increases from the current maxima to the proposed maxima in the central scenario are: **Indirect: UK Exchequer:** reduction in tax revenue **£327m**, **Education sector:** loss of tuition fee income **£50m**, **Home Office:** lost revenue due to lower application volumes **£68m** and loss in Premium Service revenue **£11m**, **Department for Health and Social Care:** Reduction in Immigration Health Surcharge (IHS) revenue **£7m**.

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

There is no impact from the Fee Order itself. Indicative wider costs of a fee increase to the proposed maxima arising from a reduction in immigration could involve wider indirect impacts.

BENEFITS, £m	Transition Constant Price	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low	N/A	N/A	N/A	N/A	N/A
High	N/A	N/A	N/A	N/A	N/A
Best Estimate	N/A	N/A	N/A	N/A	N/A

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

There is no impact of the Fee Order itself. Indicative benefits of fee increases from the current maxima to the proposed maxima across the routes in scope in the central scenario are: **Direct: Home Office:** increase in revenue from visa fees **£3,403m**. **Indirect: UK Exchequer:** Lower public service provision costs **£153m**, **UK Visa & Immigration:** Lower visa processing costs **£12m** and Lower CoS/CAS processing costs **£1m**, **Home Office:** Lower IHS and Immigration Skills Charge (ISC) processing costs **£0.3m**.

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

There is no impact from the Fee Order itself. Indicative wider benefits of a fee increase to the proposed maxima arising from a reduction in immigration, could include reduced housing costs and reduced transport congestion. Such impacts are expected to be small.

## BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m: N/A										
Cost, £m	N/A	Benefit, £m	N/A	Net, £m	N/A					
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	N	Medium	N	Large	N
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/A	Are there any impacts on particular groups?	N/A
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## **A. Strategic objective and overview**

### **A.1 Strategic objective**

1. The strategic objective is to enable the legitimate movement of people and goods to support economic prosperity. The Home Office needs to have flexibility in setting fees at a level sufficient to support the wider objective of a migration and borders system that is substantially self-funded, reducing reliance on the UK taxpayer. The changes proposed will enable the department to ensure that the costs of operating the system can be fully taken into account when considering specific fee levels, and provide additional scope to ensure that the department's charging structure is flexible enough to support evolving pressures and demands within the system.

### **A.2 Background**

2. The Government aims to move towards a substantially self-funded immigration system, where the costs of front-line migration and borders operations are recovered through fees paid by those who use and benefit from the system. Currently, if fee income is insufficient to fund operating costs, the remainder is met from general taxation. To ensure that the system is sustainable, the Government believes it is fair that those who use and benefit directly from the UK migration system make an appropriate contribution to meeting its costs, thereby reducing the burden on UK taxpayers.
3. The Immigration and Nationality (Fees) Order 2016 (the 2016 Fees Order) sets the framework for 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. Since implementation of the 2016 Fees Order, a number of changes have been made through further secondary legislation to maintain the framework. The Government is now planning to increase the maximum fee level of a number of immigration and nationality products through an amendment to the 2016 Fees Order where current fees are at or close to the maxima, and to ensure continued alignment between product categories where relevant. These increases are required so that there is sufficient flexibility for the Home Office to increase fees, if approved by HM Treasury and Parliament at a point in the future, and continue to support its ambition of a migration and borders system that is funded by those who use it.
4. Fee levels are set within strict financial limits and are agreed with HM Treasury, cross-government departments and approved by Parliament via separate fees regulations. 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.
5. Within these criteria the Government will continue to consider the impact on the economy of changes to routes which promote economic growth and continue to attract those migrants and visitors who add significant value to the UK economy. This helps protect the economy, ensures migrants contribute towards the resources needed to fund the migration and borders system, and minimises the burden on the taxpayer. There is a sensitive balance between setting fee levels to support economic growth whilst ensuring that the immigration system is properly funded.
6. Some visa fees are set above the cost of delivery, to reflect the value of the product or the wider costs of the immigration system, and to ensure that the Home Office can set some fees at below cost. Some fees are also charged at cost to reflect the cost of delivery (or unit cost). A change to the Fees Order only sets the boundary by which a fee may be set up to, with changes to actual fees charged requiring a further amendment to the Immigration and Nationality (Fees) Regulations 2018.

### **A.3 Groups affected**

7. The main groups affected are those migrants wishing to come to or extend their stay in the UK under one of the routes where the fee maxima is increasing, or who are making an application for a nationality product or service affected by the changes. The fee migrants will pay will not be changing via the Fees Order

amendment. This Impact Assessment (IA) explores the indicative impact of increases were they to reach the proposed fee maxima.

#### **A.4 Consultation**

8. 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.
9. Fee proposals are assessed in the context of broader government objectives by officials from all relevant government departments. They consider a range of factors including the UK's attractiveness in key markets (such as tourism, business, and education) to ensure a balance is maintained between keeping fees at fair and sustainable levels and the Home Office's need to recover its operating costs to move towards a self-funded system. The proposals contained in this IA have been agreed with other government departments.

### **B. Rationale for intervention**

10. 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 migration and borders system, as agreed as part of the Home Office's Spending Review settlement in 2015. The Home Office has continued to adopt this approach as a planning assumption to underpin the 2021 Spending Round settlement.
11. The financial constraints on public spending mean the Home Office needs to continue to keep fees under review to ensure sufficient revenue is generated to forward its aims of reducing the taxpayer's contribution to the running of the migration and borders system, maintaining public confidence, and ensuring that migration is managed for the benefit of the UK.

### **C. Policy objective**

12. 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 2014.

### **D. Options considered and implementation**

13. Two options have been considered:

#### **Option 1 – Do nothing**

14. Under **Option 1** (do nothing), fees maxima would remain at their current level and not be increased. This option could mean the Home Office is unable to consider reasonable increases to certain fees to support the sustainable funding of the migration and borders system, potentially requiring additional taxpayer funding to address funding gaps, or putting increased pressure on other fee routes where greater flexibility exists.

## Option 2 – Increase visa fee maxima

15. Under **Option 2** there would be an increase in the maxima for the following routes (the rationale for the level of increase proposed is also set out; a summary can be found in Annex A):

- Entry clearance or limited leave as a student – from £490 to £600. This increase is being pursued as certain student fees (for example, leave to remain as a student) are already set at the current maxima, with an increase of around 20 per cent proposed to provide a reasonable degree of flexibility to consider fee increases in future years.
- Entry clearance or limited leave as a sponsored worker, where a CoS has been issued – from £1,500 to £2,000. This increase is being pursued as certain sponsored worker fees (for example, applications made in the UK for leave as a Skilled Worker for more than three years) are now close to the current maxima, providing limited flexibility to consider future increases. In terms of the level of increase being pursued, this is to bring the fee maxima for a sponsored worker to the same level as is currently set for an unsponsored worker, helping to support consistency and coherence across the fees structure.
- Entry clearance as a visitor for a period of six months or less – from £130 to £140. This increase is being pursued as the estimated unit cost for processing an application for entry clearance as a visitor for six months or less is (as of the most recent publication of unit costs in April 2022) higher than the fee maxima, meaning the department is unable to consider increasing the fee to a level that reflects the cost of processing to the department. The proposed level of increase to the maxima will provide flexibility in this respect.
- Entry clearance as a visitor for a period of six to twelve months – from £200 to £250. This increase is being pursued as fees from the relevant application types for these visas (Visiting Academic, Private Medical Treatment Visa) are already set at the current maxima level of £200, meaning there is no flexibility to consider further increases. An increase of around 25 per cent is proposed to provide a reasonable degree of flexibility in this respect.
- Entry clearance as a visitor for a period of more than twelve months – from £200 per annum to £250 per annum. This increase is being pursued to maintain alignment between this maxima level and the proposed maxima for entry clearance as a visitor for a period of six to twelve months, given the similar nature of the product categories and to support consistency and coherence across the fees structure.
- Leave to remain in the United Kingdom as a visitor – from £1,000 to £1,200. This increase is being pursued as the fee for the relevant application type (Visitor Extension) is already set at the current maxima. An increase of around 20 per cent is proposed to provide a reasonable degree of flexibility to consider increases to the fee in future.
- Entry clearance or limited leave where the basis upon which that leave is given may (after one or more subsequent periods of leave on the same basis) lead to a grant of indefinite leave to remain – from £3,250 to £3,600. This increase is being pursued as certain entry clearance fees (Route to Settlement – other dependent relative) are already set at the current maxima. An increase of around 10 per cent is proposed to provide a reasonable degree of flexibility to consider increases in future.
- Indefinite leave – from £3,250 to £3,600. This increase is being pursued to maintain alignment between this maxima level and the proposed maxima for entry clearance or limited leave where the basis upon which that leave is given may (after one or more subsequent periods of leave on the same basis) lead to a grant of indefinite leave to remain. This is due to the similar nature of the product categories and to support consistency and coherence across the fees structure.
- Arrangements for expediting the processing (or any element of the processing) of an application or claim in connection with immigration or nationality – from £1,000 to £1,200. This increase is being pursued as fees for certain applications for expedited processing (for example, overseas applications for the Super Priority Visa service) are close to the current maxima. An increase of 20 per cent is proposed to provide a reasonable degree of flexibility to consider increases to these fees in future.

- Review of a decision connected with immigration or nationality, renunciation of British citizenship – from £400 to £450. This increase is being pursued as the estimated unit cost for some applications in this product category (as of the most recent publication of unit costs in April 2022) is currently higher than the maxima. The proposed level of increase will provide sufficient flexibility to allow the department to consider setting the fee for relevant products at a level to reflect cost in future.
  - Amending or supplying a copy of the certificate of registration or naturalisation as a British Citizen – from £250 to £400. This increase is being pursued as the estimated unit cost for some applications in this product category (as of the most recent publication of unit costs in April 2022) is currently higher than the maxima. The proposed level of increase will provide sufficient flexibility to allow the department to consider setting the fee for relevant products at a level to reflect cost in future.
  - Arrangement of a citizenship ceremony – from £100 to £150. The current fee for a citizenship ceremony (£80) is currently set at the estimated unit cost for delivery of the service, with that cost currently under review. In anticipation of potential future changes to that estimated unit cost, the department is seeking to take this opportunity to provide further flexibility in respect of the fee so that it is able to consider continued alignment of the fee with the cost of delivery in future.
16. **This is the Government’s preferred option** as it best meets the Government’s objectives, in particular that the department has sufficient flexibility to ensure that those who use and benefit directly from the system contribute towards its costs, reducing the contribution of the taxpayer.

## E. Appraisal

17. This 2023 Fees Order (Amendment) IA sets out the economic costs and benefits of the proposed changes to the maximum level at which visa fees can be set by the Home Office, henceforth referred to as **Option 2**:
- Entry clearance or limited leave as a student – from £490 to £600.
  - Entry clearance or limited leave as a sponsored worker, where a CoS has been issued – from £1,500 to £2,000.
  - Entry clearance as a visitor for a period of six months or less – from £130 to £140.
  - Entry clearance as a visitor for a period of six to twelve months – from £200 to £250.
  - Entry clearance as a visitor for a period of more than twelve months – from £200 to £250.
  - Leave to remain in the United Kingdom as a visitor – from £1,000 to £1,200.
  - Entry clearance or limited leave where the basis upon which that leave is given may (after one or more subsequent periods of leave on the same basis) lead to a grant of indefinite leave to remain – from £3,250 to £3,600.
  - Indefinite leave – from £3,250 to £3,600.
  - Review of a decision connected with immigration or nationality, renunciation of British citizenship – from £400 to £450.
  - Amending or supplying a copy of the certificate of registration or naturalisation as a British Citizen – from £250 to £400.
  - Arrangement of a citizenship ceremony – from £100 to £150.
18. The new maximum fee levels proposed under **Option 2** should not be interpreted as the fee levels that will be set by the Home Office. The changes proposed in this amendment will not directly lead to increases in the actual visa fees charged; instead, the legislation increases the maximum level at which visa fees could be charged in the future. Any actual changes to fees are set through Fees Regulations Amendments, and are reviewed and appraised on an ongoing basis.

19. The analysis produces an estimate of a net present social value (NPSV) under a theoretical scenario where visa fees could increase from the current to the proposed maxima. This is purely to estimate the potential impact of the proposed legislation. The analysis uses the Home Office's central scenarios of: future visa demand volumes; responsiveness of applicants to changes in visa fees (price elasticity of demand); public spending per migrant; and fiscal revenue collected per migrant. A low and a high scenario are generated around the central case using low and high elasticity assumptions.
20. Section **E.10** on sensitivity analysis outlines further ranges around the central estimate by varying assumptions on application volumes, public spending per migrant and fiscal revenue collected per migrant. It also includes experimental sensitivities on foregone visitor spending attributable to the UK economy and environmental impacts associated with reduced visa demand.
21. Premium services such as Priority Service visa and Super Priority Service Visa are optional services which are not expected to impact overall application volumes. The proposal to increase the fee for arrangements for expediting the processing (or any element of the processing) of an application or claim in connection with immigration or nationality, from £1,000 to £1,200, has therefore been excluded from the analysis.

## **E.1 General assumptions and data**

### **E.1.1 Analytical approach**

22. The analysis includes the estimated costs and benefits derived from an increase in the maximum fee level the Home Office can charge for visas on routes listed under **Option 2**. It considers the estimated impact following a hypothetical increase in visa fees from the current maximum fees to the proposed maxima. This is an illustrative example of the total impact of the legislation.
23. It should be noted that visa fees may never be set past the level mandated by the previous Fees Order (2016) up to the proposals in **Option 2**. If visa fees were to increase in the future, it is unlikely that they will be set at their proposed maxima within a single amendment to the Fees Regulations. Any future (incremental) increases in visa fees will be evaluated in a separate IA at the point of legislation.
24. Many routes for which a new maximum is proposed are yet to reach their current maxima. For such routes, the analysis appraises the impact from the increase of the fee level from the current maxima to the level proposed under **Option 2**. The process of uplifting the fee to the current maxima and then to the proposed maxima is discussed in section **E.1.3**.
25. In line with previous Home Office analysis and following recommendations made by the Migration Advisory Committee (MAC),<sup>1</sup> this IA considers the impact of the options on the welfare of the UK resident population. Besides the effect on government revenue and processing costs due to changes in visa fees, the NSPV calculation includes the effect of changes in contributions to direct and indirect taxes, the effect on consumption of public services and on tuition fees paid by international students, where possible.
26. As the MAC acknowledges, the resident population is not simple to define. In this IA, the resident population is considered to be UK nationals, and migrants at the point of application for naturalisation as British citizens. For the purpose of this IA, applicants for entry clearance, leave to remain (LTR) or indefinite leave to remain (ILR) products are not considered as part of the resident population.

### **E.1.2 Appraisal period**

27. The theoretical impact of this IA covers a five year appraisal period. As the legislation takes effect from summer 2023, the appraisal period spans between Q2 2023/24 and Q1 2028/29. Actual visa fees can be amended annually, so it is unreasonable to assume that this would not happen at least once over the specified appraisal period. Therefore, a shorter appraisal period has been used to avoid increased uncertainty over the longer time horizon.
28. The estimates presented in this IA assume that visa fees are set at the proposed fee maxima and remain at this level throughout the appraisal period. This should not be interpreted as the fee level that will be set

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<sup>1</sup> Migration Advisory Committee, Analysis of the Impact of Migration (January 2012)  
<https://www.gov.uk/government/publications/analysis-of-the-impacts-of-migration>

in future Fee Regulations as part of the yearly review of visa fees, or that further Fee Orders will not be proposed in the meantime.

### **E.1.3 Baseline volumes**

#### **Step 1 – Internal Home Office application estimates**

29. The baseline volume of applicants for each visa product is based on Home Office internal estimates of expected applications over the appraisal period (Q2 2023/24 to Q1 2028/29). The volumes are used as the baseline against which the impact of proposed changes in visa fee maxima are assessed. The estimates of future migrant demand for visa products are estimated up to the end of the 2024/25 financial year, from which point demand is assumed to hold constant for all routes apart from the student route. The student volumes include estimates up to the end of the 2025/26 financial year, from which point they are assumed to hold constant until the end of the appraisal period. Home Office internal estimates of future application demand are indicative in nature and should be interpreted as such. This is due to uncertainty around the assumed behaviour of future visa applicants, particularly due to any lasting impact of Covid-19 and the associated recovery of visa volumes.
30. These volume estimates were last updated in March 2023 and do not reflect any immigration policy changes beyond that date.

#### **Step 2 – Adjustment for revised salary thresholds**

31. On the 23<sup>rd</sup> March 2023, the Home Office introduced legislation to increase the salary threshold on several work visa routes (Skilled Worker, Health and Care and Global Business Mobility).<sup>2</sup> Higher salary thresholds raise the visa requirements on these routes, and could, in turn, impact the volume of applicants beyond the internal Home Office estimate.
32. To estimate the impact of **Option 2**, the baseline estimates have been supplemented with the behavioural response set out in the salary threshold IA to reflect the latest estimate of visa demand. The behavioural response is the responsiveness of demand to an increase in visa fees and detailed in section E.1.8. The policy outcome has provided updated annual estimates of visa demand on these routes.

#### **Step 3 - Adjustment to the current fee maxima**

33. As mentioned in paragraph 24, fees on some routes in scope of this legislation are yet to reach their current maxima. An adjustment is made to account for the behavioural response to an increase in the fee levels on these routes from the current level to the current maximum level outlined in the Fees Order 2016. The change in application volumes, as a result of the behavioural response to an increase in the fee level, is applied to the baseline. As with the estimates in this IA, the impact of this adjustment is small.

#### **Resulting baseline volumes**

34. Table 1 outlines the estimated volume of applicants affected by the proposed change in the maximum fee level outlined under **Option 2**, grouped by wider immigration category following the adjustments set out above. The volumes reflect both main applicants and their dependants. The volumes do not represent all immigration products issued by the Home Office as routes which are not impacted by the legislation are not included.

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<sup>2</sup> Home Office, Impact Assessment to accompany salary updates in April 2023 Immigration Rules, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1146120/Home\\_Office\\_Impact\\_Assessment\\_HO0443\\_-\\_Immigration\\_Rules\\_April\\_2023\\_-\\_Salary\\_changes.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1146120/Home_Office_Impact_Assessment_HO0443_-_Immigration_Rules_April_2023_-_Salary_changes.pdf)



**Table 1: Estimated baseline visa application volumes for the period Q2 2023/24 to Q1 2028/29, 000's**

Visa type		2023/24*	2024/25	2025/26	2026/27	2027/28	2028/29**
<b>Out of country</b>	Visit visas	1,897,000	2,872,000	2,873,000	2,873,000	2,874,000	718,000
	Sponsored skilled work visas	302,000	408,000	409,000	409,000	409,000	102,000
	Temporary work visas	~	1,000	1,000	1,000	1,000	~
	Study visas	551,000	892,000	991,000	991,000	991,000	248,000
	Family visas	56,000	74,000	74,000	74,000	74,000	19,000
<b>In country</b>	Visit visas	1,000	2,000	2,000	2,000	2,000	~
	Sponsored skilled work visas	235,000	431,000	435,000	436,000	436,000	109,000
	Study visa	65,000	117,000	138,000	138,000	138,000	34,000
	Settlement and ILR	86,000	108,000	108,000	108,000	108,000	27,000
	Nationality and Citizenship	1,000	2,000	2,000	2,000	2,000	~

Source: Internal Home Office planning assumptions, rounded to the nearest thousand. ~ denotes an impact of fewer than 500 applications, \* Appraisal period starts Q2, \*\* Appraisal period ends Q1

#### E.1.4 Grant rates

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

#### E.1.5 Fee maxima, fee levels, and unit costs

36. The analysis measures the impact of increasing the fee maxima on the routes set out in paragraph 17 and **Annex A** (proposed fee maxima column). **Annex A** also lists the current actual and maximum visa fee levels along with published estimates of unit costs for each visa category. Unit costs are assumed to remain unchanged across the appraisal period.

37. Visa and immigration products prices, although referred to as “fees”, are compulsory and unrequited charges; therefore, they have been classified as a tax by the ONS.<sup>3</sup> Prices for visa charges are set deliberately at a level that results in global revenue received by the Home Office exceeding the global cost of providing the service. The resulting surplus is used for activities including securing the UK border against Class A drugs and preventing people-smuggling. As a result, there is an element of redistribution, where a surplus from the original payment (for legally entering the UK) is spent on activities which are unrelated to the administrative costs of providing a given visa. As the Fee Order does not implement any change to the actual fee level and only increases the maximum level of fees the Home Office can charge, it is not subject to HMT’s Managing Public Money framework.<sup>4</sup> An actual uplift in visa fees is also not in scope.

<sup>3</sup> Taxes and fees for sales of service: how they differ and why it is important - Office for National Statistics (ons.gov.uk): <https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/articles/taxesandfeesforsalesofservicehowtheydifferandwhyitisimportant/2019-05-31>

<sup>4</sup> Managing public money - GOV.UK: <https://www.gov.uk/government/publications/managing-public-money>

### E.1.6 Immigration Health Surcharge (IHS)

38. The Immigration (Health Charge) Order 2015 requires temporary migrants who make an immigration application to come to the UK for more than six months, or who apply to extend their stay in the UK, to make a direct contribution to the NHS via payment of an immigration health charge (often referred to as the IHS). The total amount surcharge payers are liable for is dependent on the duration of their visa. The full amount is payable upfront and in line with other fees as part of the visa application, although unsuccessful applicants receive a refund.<sup>5</sup>
39. Since July 2020, the rate has been set at £624 per person per year, with a concessionary rate of £470 for students and their dependants, children under the age of 18, and Youth Mobility Scheme applicants. The level of the IHS is assumed to remain unchanged across the appraisal period.

### E.1.7 Immigration Skills Charge (ISC)

40. Employers sponsoring migrant workers under Skilled Worker, Global Business Mobility, Health and Care, and Shortage Occupation List visa products are subject to pay the ISC<sup>6</sup> for every employee who is assigned a CoS when applying to work in the UK for six months or more. ISC is applicable to overseas hires (out-of-country applicants), visa extensions and visa switches (in-country applicants). For the first 12 months of the length of employment stated on the CoS, current ISC fees are set at £364 for small or charitable sponsors, or at £1,000 for medium or large sponsors. Each additional six month period of time is charged at £182 for small or charitable sponsors, or at £500 for medium or large sponsors. The level of the ISC is assumed to remain unchanged across the appraisal period.

### E.1.8 Price elasticity of demand

41. A future increase in visa fees, enabled by the proposal to increase the fee maxima as per **Option 2**, may deter potential migrants from applying to enter or remain in the UK. In the theoretical example of uplifting the maximum level the Home Office can charge for visas under the routes listed in **Option 2**, an increase in the fee level will represent a rise in the overall cost of moving to (or remaining in) the UK, or a reduction of the associated benefit of doing so. This IA applies estimates on the responsiveness of demand for visas to the proposed change in visa fee (price elasticity of demand for visa products) to quantify impact higher fees may have on application for each visa product.
42. There is very limited academic research on the price elasticity of demand for visas. Home Office internal research has not found any evidence of a statistically significant relationship between small changes in visa fees and application volumes for visa products. Absence of evidence does not necessarily imply that application volumes are independent from visa fees.
43. To avoid the risk of under-estimating the impact of the changes, the analysis approximates the price elasticity of demand for visas to estimates from academic literature developed in similar contexts. Further detail can be found in the Home Office's *(A) review of evidence relating to the elasticity of demand for visas in the UK* published in March 2020.<sup>7</sup>
44. The elasticity assumptions used to estimate the impact on application volumes from an increase in visa fees across immigration products are detailed in Table 2. The elasticities identified for each visa category are used to produce a range around the NPSV impact of the proposed fee maxima in **Option 2**. These are discussed below.

### Visit visas

45. For visit visas, the analysis uses estimates of price elasticity of demand for airfares 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 airfares is the responsiveness of the demand for air travel to changes in the price of air travel.

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<sup>5</sup> "Pay for UK healthcare as part of your immigration application", GOV.UK: <https://www.gov.uk/healthcare-immigration-application/refunds>

<sup>6</sup> Some exemptions may apply. Exemptions are set out in UK visa sponsorship for employers: Immigration skills charge - GOV.UK: <https://www.gov.uk/uk-visa-sponsorship-employers/immigration-skills-charge>

<sup>7</sup> A review of evidence relating to the elasticity of demand for visas in the UK – GOV.UK: <https://www.gov.uk/government/publications/a-review-of-evidence-relating-to-the-elasticity-of-demand-for-visas-in-the-uk>

46. The estimate of airfares used in this analysis is a weighted average of the average cost of airfares for ordinary and business visits. This is a revision to the methodology of previous IAs, which used the estimate for visitor airfares only. 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.
47. The central NPSV scenario uses an elasticity estimate of -0.35, based primarily on Department for Transport (DfT) estimates of price elasticity of demand to changes in airfares for foreign leisure and business sectors.<sup>8</sup> The low scenario uses an estimate of zero; the high scenario uses an estimate of -0.7, double the central case. The change in the price of a visit visa has been applied to the typical airfare paid by visitors coming to the UK from visa-paying countries.

### **Work-related visas**

48. Estimates for the wage elasticity of labour supply are applied to approximate the price sensitivity of applicants for work-related visas (sponsored skilled work). Wage elasticity of labour supply measures the responsiveness of an individual's willingness to work (in essence, supply labour) to changes in wages. This is applied to expected migrant earnings (over the whole duration of the visa) to estimate any impact on migrant volumes arising from the proposed increase to the maximum fee levels. Increases in visa fees are considered as equivalent to a reduction in the overall benefit of working in the UK (representing a pay cut) and are thus estimated to reduce labour supply and, in turn, application volumes.
49. The central NPSV scenario assumes a relatively small inelastic reduction in the aggregate willingness to supply labour as a result of changes in visa fees, applying an elasticity of -0.3. This is within the range of the most relevant UK study by Blundell, Bozio and Laroque (2011), who estimated an elasticity of -0.3 to -0.44.<sup>9</sup> 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.

### **Study visas**

50. Student visa products allow applicants to purchase education in the UK. The price sensitivity of international students can be estimated using the price elasticity of demand for higher education. This is applied to the overall costs of undertaking higher education in the UK to estimate any changes in application volumes from individuals entering the UK for study-related reasons as a result of changes to study-related visa fees.
51. A central NPSV scenario assumes an inelastic reduction in the demand for higher education as a result of changes in visa fees. The elasticity value was chosen from a study consistent with international students coming to the UK (Conlon, Ladher and Halterbeck, 2017)<sup>10</sup> where a weighted average of -0.4 was calculated as a central estimate. A low scenario assumes a zero response to the change in price, while the high scenario assumes that the response is twice as strong as the central scenario, with a value of -0.8.

### **Settlement, indefinite leave to remain, and nationality visas**

52. The price sensitivity of settlement and nationality applicants is assumed to be similar to that of migrants supplying labour. The majority of applicants under those routes would have been in the UK for longer than five years before becoming eligible to apply for ILR or nationality. Therefore, it is likely that they have either been in work or have wanted to work over the qualifying time period.
53. A wage elasticity of -0.3 is applied to the central scenario. It is possible that that the true elasticity would be closer to zero, as applicants 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.

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<sup>8</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>9</sup> Blundell, Richard, Antoine Bozio, and Guy Laroque. 2011. "Labor Supply and the Extensive Margin." *American Economic Review*, 101 (3): 482-86. <https://www.aeaweb.org/articles?id=10.1257/aer.101.3.482>

<sup>10</sup> Conlon, G.P., Ladher, R., Halterbeck, M. (2017) The determinants of international demand for UK higher education: <https://www.hepi.ac.uk/wp-content/uploads/2017/01/Hepi-Report-91-Screen.pdf>

## **Family visas**

54. The price sensitivity of applicants under the family route is assumed to be similar to that of applicants for settlement and nationality products (that of migrants supplying labour). Family visas grant permission to undertake paid work, therefore it is reasonable to assume that applicants under the route are likely to either search for or undertake paid work.
55. A wage elasticity of -0.3 is applied to the central scenario. It is possible that that the true elasticity would be closer to zero, as applicants are joining family members rather than applying for strictly economic reasons such as to work. The analysis uses an elasticity range of 0 to -0.6 reflecting the available evidence, uncertainty, and range of possible deterrence risks.

## **Dependants of migrants**

56. Overseas individuals applying to join family members who are in the UK with a valid work or study visa are assumed to have the same price sensitivity as main applicants under those routes. The wage elasticity of labour supply would apply for dependants of work-related visa holders, whereas the price elasticity of demand for higher education would be applicable to dependants of students. The low, central, and high NPSV scenarios use the same values discussed in paragraphs 46 and 48.
57. Individuals applying to remain in the UK as a dependant under their family member's visa are assumed to have the same price sensitivity as the main applicant. Although in-country dependants are already in the country, their decision on whether to renew the visa they currently hold is conditional on the main applicant's leave to remain in the UK. The wage elasticity of labour supply would apply for dependants of work-related visa holders, whereas the price elasticity of demand for higher education would be applicable to dependants of students. The low, central, and high NPSV scenarios use the same values discussed in paragraphs 46 and 48.

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

Elasticity type	Justification	Applicable immigration product	Magnitude		
			Low	Central	High
Price elasticity of demand for air travel	The airfare elasticity of demand is used as a proxy for price elasticity of demand for a trip to the UK.	Visit 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 and dependants	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 sponsored skilled work, and temporary work visas; and their dependants	0	-0.3	-0.6
	The price sensitivity of long-term migrants is assumed to be similar to that of migrants supplying labour. The majority of applicants would have been in the UK for longer than five 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, Family route			

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

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

## E.2 VOLUMES

58. Applying the central elasticity assumptions to a theoretical uplift of visa fees from their current to proposed maximum levels on the routes in scope produces the estimated net reduction in visa applications submitted by individuals.

### E.2.1 Impact on application volumes

59. Table 3 outlines the estimated effect of price elasticity of demand on visa applications under a theoretical appraised increase of fees. An uplift to the proposed maximum level is anticipated to have a relatively small impact on visa applications and visas granted. This is due to the cost of a visa product representing a small proportion of the financial incentive of individual applicants to come or remain in the UK as a worker, the cost of travel for visitors, or the overall costs and/or benefits of education for students. Visa fees arguably represent an even smaller proportion of the overall associated benefit individuals derive from being in the UK to join family members or to settle permanently in the country.

60. In the first three quarters of 2023/24, the illustrative example considered in **Option 2** could result in:

- An estimated 0.5 per cent reduction in the total number of visit visa applications.
- An estimated 0.2 per cent reduction in the total number of sponsored skilled work visa applications.
- An estimated 0.05 per cent reduction in the total number of study visa applications.
- An estimated 0.2 per cent reduction in the total number of temporary work visa applications.

- An estimated 0.4 per cent reduction in the total number of family visa applications.
- An estimated 0.3 per cent reduction in the total number of settlement visa applications.

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

		Baseline applications 2023/24	Estimated change in applications compared to the baseline					
			2023/24*	2024/25	2025/26	2026/27	2027/28	2028/29**
<b>Out of Country</b>	Visit visas	1,897,000	-10,200	-15,300	-15,100	-14,900	-14,800	-3,700
	Sponsored skilled work visas	302,000	-700	-900	-900	-900	-900	-200
	Temporary Work Visas	500	~	~	~	~	~	~
	Study visas	551,000	-250	-400	-450	-450	-450	-150
	Family visas	56,000	-200	-250	-250	-250	-250	-50
<b>In Country</b>	Visit visas	1,000	-50	-50	-50	-50	-50	~
	Sponsored skilled work visas	235,000	-450	-800	-800	-750	-750	-200
	Study visas	65,000	-50	-50	-50	-50	-50	~
	Settlement and ILR visas	86,000	-300	-350	-350	-350	-350	-100
	Nationality and citizenship	1,000	~	~	~	~	~	~

Source: Home Office analysis Baseline volumes rounded to the nearest thousand, estimated change in applications for visit visas rounded to the nearest 100, all other routes rounded to the nearest 50, ~ denotes a change of fewer than 50 applications, \* Appraisal period starts Q2, \*\* Appraisal period ends Q1

## E.2.2 Impact on visa grants volumes

61. Table 4 sets out the corresponding effect on visas granted to individuals using central elasticity assumptions, by applying the grant rates for each visa route listed in Annex B, to the estimated change in application volumes in Table 3.

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

		Estimated change in visas granted compared to the baseline						
		Baseline grants 2023/24	2023/24*	2024/25	2025/26	2026/27	2027/28	2028/29**
<b>Out of Country</b>	Visit visas	1,544,000	-8,700	-13,000	-12,800	-12,700	-12,600	-3,100
	Sponsored skilled work visas	280,000	-650	-850	-800	-800	-800	-200
	Temporary work visa	500	~	~	~	~	~	~
	Study visas	528,000	-250	-400	-450	-450	-400	-150
	Family visas	47,000	-150	-200	-200	-200	-200	-50
<b>In country</b>	Visit visas	1,000	-50	-50	-50	-50	-50	~
	Sponsored skilled work visas	217,000	-400	-750	-750	-700	-700	-150
	Study visas	64,000	-50	-50	-50	-50	-50	~
	Settlement and ILR visas	85,000	-300	-350	-350	-350	-350	-100
	Nationality and citizenship	1,000	~	~	~	~	~	~

Source: Home Office analysis Baseline volumes rounded to the nearest thousand, estimated change in applications for visit visas rounded to the nearest 100, all other routes rounded to the nearest 50, ~ denotes a change of fewer than 50 grants, \* Appraisal period starts Q2, \*\* Appraisal period ends Q1

## E.3 COSTS

### E.3.1 Set-up costs

62. There are no set-up costs identified to arise in association to **Option 2**. This is assumed to hold true throughout the appraisal period, at a point at which fees are uplifted to their maxima. Transitional impacts are assumed to be, and to remain, negligible. No capital investment is required to implement future changes.

### E.3.2 Ongoing and total costs

#### Indirect costs

##### *Loss of visa application revenue to the Home Office from the non-resident population*

63. If fee levels are increased from their current maxima to the proposed levels outlined under **Option 2**, a reduction in visa applications (as a consequence of the assumed behavioural responses of migrants to the increase in visa prices) is assumed to result in lost Home Office revenue. This is quantified by multiplying the estimated reduction in the volume of applications granted per type of visa by the associated current fee maxima. Changes in revenue collected through CoS, CAS, and ISC fees are not captured and neither are changes in revenue generated from nationality or naturalisation applications, as this revenue is a transfer between two parties in the resident population; these impacts are discussed in section **E.5**.

64. An uplift of fees from the current to the proposed maximum levels set out in **Option 2** could result in loss of Home Office revenue of up to £136.1 million, with a central estimate of £68.1 million (PV, 2023/24 prices) over the five-year appraisal period.
65. In the central scenario, the majority of this impact (68 per cent) is accounted for by the estimated fall in visit visas granted, which is due to the high volume of applications on this route and that these individuals are most responsive to changes in price as their benefit of visiting the UK is lower than the derived benefits of the remaining groups of migrants applying for other types of visas. An additional 17 per cent is associated with the Sponsored Skilled Worker route, followed by family, settlement and other visas (14 per cent).

#### *Loss of Immigration Health Surcharge revenue*

66. If, over time, visa fees are increased to the proposed maximum, this may result in a reduction in IHS revenue collected by the Home Office from prospective migrants, which is attributed to the Department for Health and Social Care. A future loss of IHS revenue is calculated as the product of the change in visas issued on eligible routes (sponsored skilled work, study, family, settlement and ILR), the prevailing IHS level (as set out in section **E.1.6**), and internal Home Office data on average length of visas granted per individual route (as per Annex C).
67. In the theoretical example considered under **Option 2**, the cost to the Government from the reduction in IHS revenue due to the change in visa volumes is estimated to amount to up to £14.2 million, with a central estimate of £7.1 million (PV, 2023/24 prices) over the five-year appraisal period.
68. If the Home Office raises visa fees to the proposed maximum level outlined under **Option 2**, in the central scenario, work visas account for 50 per cent of the loss of Immigration Health Surcharge revenue. Study visas account for 28 per cent of the impact, while family, settlement and other visas account for the remaining 22 per cent.

#### *Loss of tax revenue to the Exchequer*

69. Any reduction in the number of migrants may result in a loss to the Exchequer in the form of reduced fiscal contributions, due to a reduction in direct and indirect tax payments made by fewer individuals in the UK. The Exchequer loss is calculated as the change in granted volumes as a result of a future change in fee up to the proposed maxima, multiplied by the average fiscal revenue contributions for each visa route. This is derived using a bottom-up approach to estimate the expected contribution to direct and indirect taxes from migrants based on individual characteristics and data on their earnings and spending patterns. The methodology and assumptions follow the approach set out in previous Fee Regulations I<sup>11</sup>, with the estimated per migrant revenue impacts (central assumption) updated to 2023/24 prices.
70. If, over time, visa fees increased to the proposed maximum levels set out in **Option 2**, the resulting loss to the Exchequer is estimated to be up to £654.1 million, with a central estimate of £327.0 million (PV, 2023/24 prices) over the five-year appraisal period.
71. If visa fees listed under **Option 2** are all increased to the proposed maximum fee level, work visas would account for 52 per cent of the loss in tax revenue to the Exchequer. A further 25 per cent of the impact is accounted for by family, settlement and other visas, followed by visit visas which account for 17 per cent of the impact.

#### *Loss of tuition fee revenue*

72. If over time, visa fees are increased to the proposed maximum, the subsequent fall in the number of international students would lead to a fall in revenue for domestic education institutions collected from tuition fees. This impact is quantified by considering the average tuition fee per annum for international students (estimated at £17,532 in 2024/25 prices).<sup>12</sup>

<sup>11</sup> such as The Immigration and Nationality (Fees) (Amendment) (No. 3) Regulations 2020 Impact Assessment [https://www.legislation.gov.uk/ukia/2020/48/pdfs/ukia\\_20200048\\_en.pdf#page=23](https://www.legislation.gov.uk/ukia/2020/48/pdfs/ukia_20200048_en.pdf#page=23)

<sup>12</sup> Table 6 – Tuition fees and education contracts analysed by HE provider, domicile, mode, level, source and academic year 2016/17 to 2021/22: <https://www.hesa.ac.uk/data-and-analysis/finances/table-6>



73. If visa fees are increased to the proposed maxima outlined under **Option 2**, the cost to the education sector is estimated at up to £99.8 million, with a central estimate of £49.9 million (PV, 2023/24 prices) over the five-year appraisal period.

#### *Loss of Premium Service revenue*

74. It is assumed that as a result of the policy, there is no change in the proportion of applicants applying for Priority or Super Priority services. As a result of a future reduction in standard application volumes, there is estimated to be a corresponding fall in the absolute number of visa applicants using the Priority and Super Priority service, which could lead to a reduction in Home Office revenue. The current Priority Visa service fee for settlement visas is £573, while for non-settlement visas it is £250. The fee for the Super Priority Visa service is £956.
75. If over time, visa fees are increased to the proposed maximum, the loss in premium service revenue under **Option 2** is estimated to amount up to £21.9 million, with a central estimate of £10.9 million (PV, 2023/24 prices) over the five-year appraisal period.
76. In the central scenario, if the Home Office raise fee levels to the proposed maximum levels, the majority of the loss (84 per cent) in premium service revenue would be from the estimated reduction in visit visa applications. This is followed by sponsored skilled work applications (10 per cent) and student visa applications (4 per cent).

## **E.4 BENEFITS**

### **E.4.1 Set-up benefits**

77. There are no set-up or transitional benefits identified to arise from the proposed increases in the maximum fee level charged on various visa routes.

### **E.4.2 Ongoing and total benefits**

#### **Direct benefits**

##### *Increase in Home Office revenue from the non-resident population*

78. If over time, visa fees are increased to the proposed maximum outlined under **Option 2**, Home Office revenue is expected to increase, as higher fees are expected to generate an increase in revenue collected from the visa applications from prospective migrants who are not dissuaded by the increase in the price of visas.
79. This benefit is calculated as the change in visa fee, between the current maximum level to the proposed maxima outlined under Option 2, for each immigration route multiplied by the baseline visa volume minus any reduction in volumes as a result of the change in fee. Changes in revenue resulting from higher fees for nationality and naturalisation immigration products are not included as part of this effect; these impacts are discussed as transfers in section **E.5**.
80. The benefit to the Home Office from increases in fee revenue is estimated to be between £3,387.2 million and £3,418.6 million, with a central estimate of £3,402.9 million (PV, 2023/24 prices) over the five-year appraisal period.
81. If the Home Office raises fees on migration routes listed under **Option 2** to the proposed maximum fee level, the majority (56 per cent) of the increase in revenue is attributable to applications for work visas. A further 19 per cent is attributable to applications for visit visas and a further 16 per cent to student visas.

#### **Indirect benefits**

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

82. If over time, visa fees are increased to the proposed maximum, there would be a lower number of applications as a result of increasing the fee levels from their current maxima to the proposed maximum levels. This would lead to a fall in visa processing costs incurred by the Home Office. This impact is quantified by multiplying the published unit cost for each visa product (as set out in **Annex A**) by the potential change in applicants following the behavioural response.

83. The administrative saving to the Home Office is estimated to be up to £24.5 million, with a central estimate of £12.3 million (PV, 2023/24 prices) over the five-year appraisal period.
84. Following an increase in visa fees to the proposed maximum levels listed under **Option 2**, the majority of this benefit (77 per cent) could occur as a result of the reduction in processing cost associated with visit visas. The remaining impact is associated with a fall in family, settlement and other visas (11 per cent), followed by sponsored skilled work visas (8 per cent).

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

85. Home Office incurs a cost of processing CoS and CAS applications per eligible worker and per international student, respectively. As with visa processing costs, this impact is calculated by multiplying the CoS and CAS unit costs by the estimated change in applications by individuals under these routes.
86. The administrative benefit to the Home Office resulting from a hypothetical uplift of visa fee to the proposed maximum under **Option 2** could amount to up to £2.0 million, with a central estimate of £1.0 million (PV, 2023/24 prices) over the five-year appraisal period.
87. Following an increase in visa fees to the proposed maximum levels listed under **Option 2**, the majority of this benefit (95 per cent) would occur as a result of the reduction in processing cost associated with work visas, while the remaining 5 per cent is associated with a fall in student visa applications.

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

88. A final set of administrative benefits to the Home Office could result from a fall in processing costs for applications on routes in scope of the ISC and/or the IHS, discussed in sections **E.1.6** and **E.1.7**. The impact on the fall in ISC processing costs is calculated by multiplying internal Home Office estimates of ISC by the estimated reduction in applicants on eligible routes. The impact on the fall in IHS processing costs is calculated in a similar manner but accounting for the average length of visas issued on each IHS-liable route (as set out in **Annex C**). The payment of ISC and IHS applications is processed by a third party.
89. A reduction in ISC and IHS processing costs resulting from an increase in fee levels from their current maxima to the proposed maximum levels proposed in **Option 2**, could result in benefits of up to £0.6 million, with a central estimate of £0.3 million (PV, 2023/24 prices) over the five-year appraisal period.
90. Under the central scenario, the majority (71 per cent) of the hypothetical reduction in ISC and IHS processing costs could occur as a result of the estimated fewer sponsored skilled work visa applications. A reduction in the number of student visa applications leads to a further 16 per cent of this impact while a reduction in family, settlement and other visas account for 13 per cent.

#### *Reduction in public expenditure*

91. Any reduction in the number of future prospective migrants due to potentially increasing visa fees from their current maxima to the level proposed under **Option 2** would result in an Exchequer gain from lower public service provision costs, such as healthcare and education, as the UK population eligible for public services could be lower. This is calculated by multiplying the average annual use of public services of each route by the reduction in volumes following the behavioural response. The methodology and assumptions follow the approach set out in previous Fee Regulations IAs<sup>13</sup> with the estimated per migrant revenue impacts (central assumption) updated to 2023/24 prices.
92. Under **Option 2**, the benefit to the Exchequer from lower public service expenditure is estimated at up to £306.2 million, with a central estimate of £153.1 million (PV, 2023/24 prices) over the five-year appraisal period.
93. If the Home Office raises visa fees on all routes listed under **Option 2** to the proposed maximum fee level, under the central scenario, the majority (53 per cent) of the reduction in public expenditure will occur as a result of fewer granted work visa applications. A reduction in granted family, settlement and other visas

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<sup>13</sup> Such as The Immigration and Nationality (Fees) (Amendment) (No. 3) Regulations 2020 Impact Assessment: [https://www.legislation.gov.uk/ukia/2020/48/pdfs/ukia\\_20200048\\_en.pdf#page=23](https://www.legislation.gov.uk/ukia/2020/48/pdfs/ukia_20200048_en.pdf#page=23)

results in a 32 per cent of the reduction in public expenditure while student visas account for 15 per cent of the impact.

## **E.5 TRANSFERS**

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

### *Immigration Skills Charge liability*

95. Domestic businesses sponsoring workers under ISC-liable routes could face a reduction in costs (a benefit) from a future fall in visas, resulting from an increase in fees up to a new maxima. This is a transfer between domestic business and the government as a reduction in ISC cost to business is a fall in Home Office revenue from the ISC. This is calculated by multiplying the weighted average ISC fee by the estimated reduction in eligible visas granted. The reduction in ISC liability represents a direct transfer of revenue from the public sector to business at scale of up to £14.7 million, with a central estimate of £7.4 million (PV, 2023/24 prices) over the five-year appraisal period.

### *CoS and CAS liability*

96. Domestic businesses sponsoring workers and education institutions sponsoring international students may incur lower costs from a future decrease in applications across sponsored work routes and the study route. This is a transfer between these parties and the government, as a fall in costs for businesses and education institutions represents a fall in Home Office revenue from CoS and CaS collections. This is quantified as the product of the CoS or CAS fee and the change in granted visas. The direct benefit to organisations represents a transfer of revenue from the public sector at a magnitude of up to £1.7 million, with a central estimate of £0.8 million (PV 2023/24 prices) over the five-year appraisal period.

### *Resident population fee revenue*

97. Migrants who have indefinite leave to remain or settled status in the UK are considered part of the UK resident population, an increase in the cost of nationality visa products such as a nationality certificate or naturalisation procedure, are therefore incurred by two domestic parties. The direct benefit to HMG from higher fee contributions from the UK resident population amounts to £0.8 million (PV 2023/24 prices) over the five year appraisal period. An increase in Home Office revenue from the non-resident population, as a result of a future increase in visa fees, is a direct benefit and discussed in section **E.4.2**, and lost revenue from the non-resident population as a result of the behavioural response to a future increase in visa fees is discussed as a cost in section **E.3.2**.

## **E.6 Summary of results**

### **E.6.1 NPSV**

98. The overall theoretical economic and social impacts of hypothetically raising visa fees from their current maxima to the proposed levels are summarised in Table 5 below; the figures presented may not sum up due to rounding. All estimates are subject to uncertainty and should be treated as indicative of the scale of impacts, not precise predictions of actual magnitude.
99. The central estimate for the NPSV of the theoretical example is estimated at of £3,106 million (PV 2023/2024 prices) over the five-year appraisal period.

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

<b>Present values (2023/2024 prices)</b>	<b>Year 1 2023/24*</b>	<b>Year 2 2024/25</b>	<b>Year 3 2025/26</b>	<b>Year 4 2026/27</b>	<b>Year 5 2027/28</b>	<b>Year 6 2028/29**</b>	<b>NPSV</b>
<b>Benefits</b>							
Additional Home Office visa revenue	478	716	707	683	660	159	3,403
Reduction in Home Office visa processing costs	2	3	3	2	2	1	12
Reduction in Home Office CoS and CAS processing costs	~	~	~	~	~	~	1
Reduction in Home Office IHS and ISC processing costs	~	~	~	~	~	~	~
Exchequer gain from lower public service provision	9	26	35	36	37	9	153
<b>Total Benefits (PV)</b>	<b>489</b>	<b>745</b>	<b>745</b>	<b>722</b>	<b>699</b>	<b>169</b>	<b>3,570</b>
<b>Costs</b>							
Reduction in Home Office fee revenue	-10	-15	-14	-13	-13	-3	-68
Reduction in IHS revenue	-1	-2	-1	-1	-1	0	-7
Exchequer loss from reduction in tax revenue	-20	-54	-74	-77	-81	-21	-327
Reduction in tuition fee revenue	-3	-9	-12	-12	-11	-3	-50
Reduction in Premium Service revenue	-2	-2	-2	-2	-2	0	-11
<b>Total Costs (PV)</b>	<b>-35</b>	<b>-82</b>	<b>-104</b>	<b>-106</b>	<b>-109</b>	<b>-27</b>	<b>-463</b>
<b>Net Impact (NPSV)</b>	<b>454</b>	<b>663</b>	<b>641</b>	<b>616</b>	<b>591</b>	<b>142</b>	<b>3,106</b>

Source: Home Office analysis, rounded to the nearest million, ~ indicates impact lower than £1 million, figures may not sum up due to rounding, \* Appraisal period starts Q2, \*\* Appraisal period ends Q1

100. Table 6 shows the distribution of the total appraised costs and benefits to illustrate the impact of the policy by immigration routes outlined in **Option 2**. The largest share of the hypothetical benefits is estimated to arise through the sponsored skilled work visa route, at 56 per cent.

101. Conversely, the largest share of the total potential costs is associated with the underlying impacts across the sponsored skilled work route (41 per cent), family, visit visas (24 per cent) and family, settlement, and other visas (20 per cent).
102. Overall, in the hypothetical impact of **Option 2**, the sponsored skilled work route could account for the largest share of the net impacts (58 per cent), followed by the impacts on visit visas (18 per cent).

**Table 6: Distribution of costs and benefits and NPSV of Option 2 by underlying immigration route over a 5-year appraisal period**

	Visit visas	Sponsored skilled work visas	Study visas	Family, settlement, and other visas
Additional Home Office visa revenue	19%	56%	16%	9%
Reduction in Home Office visa processing costs	77%	8%	4%	11%
Reduction in Home Office CoS and CAS processing costs	0%	95%	5%	0%
Reduction in Home Office IHS and ISC processing costs	0%	71%	16%	13%
Exchequer gain from lower public service provision	0%	53%	15%	32%
<b>Total Benefits (PV)</b>	<b>18%</b>	<b>56%</b>	<b>16%</b>	<b>10%</b>
Reduction in Home Office fee revenue	68%	17%	2%	14%
Reduction in IHS revenue	0%	50%	28%	22%
Exchequer loss from reduction in tax revenue	17%	52%	6%	25%
Reduction in tuition fee revenue	0%	0%	100%	0%
Reduction in Premium Service revenue	84%	10%	4%	2%
<b>Total Costs (PV)</b>	<b>24%</b>	<b>41%</b>	<b>16%</b>	<b>20%</b>
<b>Net Impact (NPSV)</b>	<b>18%</b>	<b>58%</b>	<b>16%</b>	<b>8%</b>

Source: Home Office internal analysis

103. Table 7 presents the hypothetical NPSV of **Option 2** under the low, central and high elasticity scenarios. Under the low elasticity scenario, where individuals are not price sensitive to a future increase in the fee level, the NPSV of the policy increases to £3,419 million (PV 2023/24 prices) over the five-year appraisal period. This impact is driven solely by the higher fee revenue collected by the Home Office.
104. Under the high elasticity scenario, where individuals are more price sensitive to a possible future increase in visa fees to the proposed maximum fee level, the potential NPSV of the policy decreases to £2,794 million (PV 2023/24 prices) over the five-year appraisal period.

**Table 7: Comparison of costs and benefits and NPSV of Option 2 under low, central, and high elasticity assumptions over a 5-year appraisal period (£ million)**

<b>Present values (2023/2024 prices)</b>	Low elasticity scenario	Central elasticity scenario	High elasticity scenario
<b>Benefits</b>			
Additional Home Office visa revenue	3,419	3,403	3,387
Reduction in Home Office visa processing costs	-	12	25
Reduction in Home Office CoS and CAS processing costs	-	1	2
Reduction in Home Office IHS and ISC processing costs	-	0.3	1
Exchequer gain from lower public service provision	-	153	306
<b>Total Benefits (PV)</b>	<b>3,419</b>	<b>3,570</b>	<b>3,720</b>
<b>Costs</b>			
Reduction in Home Office fee revenue	-	-68	-136
Reduction in IHS revenue	-	-7	-14
Exchequer loss from reduction in tax revenue	-	-327	-654
Reduction in tuition fee revenue	-	-50	-100
Reduction in Premium Service revenue	-	-11	-22
<b>Total Costs (PV)</b>	<b>-</b>	<b>-463</b>	<b>-926</b>
<b>Net Present Social Value (NPSV)</b>	<b>3,419</b>	<b>3,106</b>	<b>2,794</b>

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

105. As discussed in section E.5, transfer impacts represent a reduction in cost to domestic sponsors of migrants and the resident population (from the estimated decrease in visa demand) and a reduction in benefit to central government through a fall in revenue. Total hypothetical transfer to the public sector is estimated to amount to £7.4 million (PV 2023/24 prices) over the five-year appraisal period in the central case. Transfers are not included in the NPSV as the net impact of such costs and benefits is zero.

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

<b>Present values (2023/2024 prices)</b>	<b>Year 1 2023/24*</b>	<b>Year 2 2024/25</b>	<b>Year 3 2025/26</b>	<b>Year 4 2026/27</b>	<b>Year 5 2027/28</b>	<b>Year 6 2028/29**</b>	<b>Total</b>
Reduction in ISC revenue	-1	-2	-2	-1	-1	~	-7
Reduction in CoS/ CAS revenue from behavioural response	~	~	~	~	~	~	-1
Resident population fee revenue	~	~	~	~	~	~	1
<b>Total change in transfers to the government</b>	<b>-1</b>	<b>-2</b>	<b>-2</b>	<b>-1</b>	<b>-1</b>	<b>~</b>	<b>-7</b>

Source: Home Office analysis, rounded to the nearest million, ~ indicates impact lower than £1 million, figures may not sum up due to rounding, \* Appraisal period starts Q2, \*\* Appraisal period ends Q1

### **E.6.2 BNPV**

106. A potential increase in visa fees to the proposed maxima could lead to a reduction in costs to businesses and education institutions in the form of reduced ISC and CoS/CAS liability payable, as discussed in section **E.5**. Education institutions face an additional cost as the estimated fall in study visa grants would lower tuition fee revenue. These costs and benefits are indirect as they arise as a secondary impact linked to the behavioural response to the increase in fees.
107. Table 9 outlines the estimated magnitude of the hypothetical costs and benefits incurred by businesses and education institutions. The estimated reduction in ISC and CoS/CAS liability are indirect transfers and these components of the BNPV are not included in the NPSV values presented in Tables 5 and 7.
108. The estimated reduction in tuition fee revenue to domestic education institutions is not a transfer, it is an indirect cost and is therefore included in the theoretical NPSV of Option 2.

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

Present values (2023/2024 prices)	Year 1 2023/24*	Year 2 2024/25	Year 3 2025/26	Year 4 2026/27	Year 5 2027/28	Year 6 2028/29**	BNPV
<b>Benefits</b>							
Reduction in CoS/CAS liability	~	~	~	~	~	~	1
Reduction in ISC liability	1	2	2	1	1	~	7
<b>Total benefits</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	~	<b>8</b>
<b>Costs</b>							
Reduction in tuition fee revenue	-3	-9	-12	-12	-11	-3	-50
<b>Total costs</b>	<b>-3</b>	<b>-9</b>	<b>-12</b>	<b>-12</b>	<b>-11</b>	<b>-3</b>	<b>-50</b>
<b>Net business impact</b>	<b>-2</b>	<b>-7</b>	<b>-11</b>	<b>-10</b>	<b>-10</b>	<b>-2</b>	<b>-42</b>

Source: Home Office analysis, rounded to the nearest million, ~ indicates impact lower than £1 million, figures may not sum up due to rounding, \* Appraisal period starts Q2, \*\* Appraisal period ends Q1

109. The hypothetical Business Net Present Value (BNPV) of the policy is estimated to be between zero under the low elasticity scenario and -£83.4 million under the high elasticity scenario, with a central estimate of -£41.7 million (PV, 2023/2024 prices) over the five-year appraisal period. Table 10 presents the theoretical BNPV over the three elasticity scenarios.

**Table 10: Comparison of costs and benefits and NPSV BNSV of Option 2 under low, central, and high elasticity assumptions over a 5-year appraisal period (£ million)**

Present values (2023/2024 prices)	Low elasticity scenario: High BNPV	Central elasticity scenario: Central BNPV	High elasticity scenario: Low BNPV
<b>Benefits</b>			
Reduction in Cos/CAS liability	0	1	2
Reduction in ISC liability	0	7	15
<b>Total benefits</b>	<b>0</b>	<b>8</b>	<b>16</b>
<b>Costs</b>			
Reduction in tuition fee revenue	0	-50	-100
<b>Total costs</b>	<b>0</b>	<b>-50</b>	<b>-100</b>
<b>Net business impact</b>	<b>0</b>	<b>-42</b>	<b>-83</b>

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

## E.7 Value for money (VfM)

110. Under the central scenario, the theoretical benefit-cost ratio (BCR) of **Option 2** is 7.7. The potential BCR falls to 4.0 in the high elasticity scenario and is undefined under the low elasticity scenario (due to total



costs being null). This indicates that the hypothetical benefits of the proposed policy package exceed the costs regardless of the range of price sensitivity of visa demand.

## **E.8 Place-based analysis**

111. The proposals in **Option 2** increase the maximum fee level the Home Office can charge for visa products. The policy does not change the actual fee that is currently levied. As the fees faced by applicants are unchanged, there is no place-based impact of the legislation.

112. A visa does not impose a restriction on the geographic region in which an individual could reside. The main quantified impacts of migration accrues to central government. In the theoretical example of increasing visa fees to the maxima proposed in **Option 2**, it is estimated that the subgroup that will experience the greatest change in visa demand as a result to the behavioural response is visitors applying for visit visas. It is likely that areas which receive a large number of visitors could see a disproportional change in migrants as a result of the proposals in **Option 2**. In 2021, around 50 per cent of visitors in England were in London, which accounted for 46 per cent of total UK visits for that year.<sup>14</sup>

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

113. As there is no change to the actual fee level under the Fees Order legislation, there is no estimated impact on micro, small and medium sized businesses as a result of the policy proposal outlined under **Option 2**. A future increase in visa fees to the proposed maximum levels outlined under **Option 2** is estimated to result in a relatively small change in application volumes.

114. Micro-sized institutions have fewer than 10 employees, small organisations are defined as those employing between 10 and 49 full-time equivalent (FTE) employees, whereas medium businesses hire between 50 and 249 people on a full-time basis.

115. In the central scenario of the 2023 salary threshold IA, it was assumed that around 43 per cent of people sponsored under the Skilled Worker route, 38 per cent of people sponsored under the Health and Care route and 22 per cent of people sponsored under the Global Business Mobility route are estimated to be sponsored by medium, small or micro businesses. The visa fees listed under **Option 2** do not include fees levied at businesses. Micro, small and medium-sized businesses are not disproportionately impacted by a reduction in granted applications on the Sponsored Skilled Worker routes.

116. The resulting impact on micro, small and medium-sized businesses, across all visa routes, is estimated to be negligible.

## **E.10 Sensitivity analysis**

117. The hypothetical NPSV estimates discussed in section **E.6** are constructed under central estimates of application volumes, public service provision per migrant and the fiscal contribution of migrants. This subsection incorporates a set of sensitivity measures around each of those three assumptions. The analysis is applied around the central elasticity scenario and only varies one additional assumption at a time, keeping the remaining two constant. There are also additional sensitivities on lost visitor spend collected by UK institutions and environmental impacts.

### **E.10.1 Volumes**

118. Sensitivity analysis has been carried out to estimate how the potential NPSV of the policy could change if baseline application volumes were lower and higher than those used in the central case. This is due to the uncertainty around the future volume of applicants who could be affected by such future increases, and that there is no current timeframe for potential increases in the fee level to the proposed fee maxima.

119. The low volume scenario is constructed under the assumption of baseline volumes being 25 per cent lower than in the central case. In a similar manner, the high volume scenario assumes that baseline volumes are 25 per cent above the central level. Tables 11 and 12 below outline each scenario.

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<sup>14</sup> Travel trends estimates: overseas residents in the UK - Office for National Statistics (ons.gov.uk):

<https://www.ons.gov.uk/peoplepopulationandcommunity/leisureandtourism/datasets/overseasresidentsvisistotheuk>

Note: not all visitors require a visit visa

**Table 11: Estimated visa application volumes for the period Q2 Year 1 to Q1 Year 6 of the appraisal period, low volume scenario**

Visa type		Year 1 *	Year 2	Year 3	Year 4	Year 5	Year 6**
<b>Out of country</b>	Visit visas	1,423,000	2,154,000	2,155,000	2,155,000	2,155,000	539,000
	Sponsored skilled work visas	226,000	306,000	307,000	307,000	307,000	77,000
	Temporary work visas	~	~	~	~	~	~
	Study visas	413,000	669,000	743,000	743,000	743,000	186,000
	Family visas	42,000	56,000	56,000	56,000	56,000	14,000
<b>In country</b>	Visit visas	1,000	1,000	1,000	1,000	1,000	~
	Sponsored skilled work visas	176,000	324,000	327,000	327,000	327,000	82,000
	Study visas	49,000	88,000	103,000	103,000	103,000	26,000
	Settlement and ILR visas	64,000	81,000	81,000	81,000	81,000	20,000
	Nationality and citizenship	1,000	1,000	1,000	1,000	1,000	~

Source: internal Home Office planning assumptions, rounded to the nearest thousand, ~ denotes an impact of fewer than 500 applications, \* Appraisal period starts Q2, \*\* Appraisal period ends Q1

**Table 12: Estimated visa application volumes for the period Q2 Year 1 to Q1 Year 6 of the appraisal period, high volume scenario**

Visa type		Year 1 *	Year 2	Year 3	Year 4	Year 5	Year 6**
Out of country	Visit visas	2,372,000	3,590,000	3,591,000	3,592,000	3,592,000	898,000
	Sponsored skilled work visas	377,000	510,000	512,000	512,000	512,000	128,000
	Temporary work visas	1,000	1,000	1,000	1,000	1,000	~
	Study visas	689,000	1,115,000	1,239,000	1,239,000	1,239,000	310,000
	Family visas	69,000	93,000	93,000	93,000	93,000	23,000
In country	Visit visas	1,000	2,000	2,000	2,000	2,000	~
	Sponsored skilled work visas	293,000	539,000	544,000	544,000	544,000	136,000
	Study visas	81,000	147,000	172,000	172,000	172,000	43,000
	Settlement and ILR visas	107,000	135,000	135,000	135,000	135,000	34,000
	Nationality and citizenship	2,000	2,000	2,000	2,000	2,000	1,000

Source: internal Home Office planning assumptions, rounded to the nearest thousand, ~ denotes an impact of fewer than 500 applications, \* Appraisal period starts Q2, \*\* Appraisal period ends Q1

120. Assuming baseline volumes are equivalent to the low scenario presented in Table 11:

- The central elasticity estimate of the hypothetical NPSV falls by £779 million, from £3,106 million to £2,327 million (PV, 2023/24 prices).
- The majority of this change is driven by the revenue collected by the Home Office from visa applications, which falls from £3,403 million to £2,552 million.
- Transfers (foregone revenue transferred to the Home Office) could increase by £1.8 million, from -£7.4 million to -£5.5 million (PV, 2023/24 prices). By definition, transfers are not included in the NPSV.

121. Assuming baseline volumes are equivalent to the high scenario presented in Table 12:

- The central elasticity estimate of the potential NPSV increases by £779 million, from £3,106 million to £3,886 million (PV, 2023/24 prices).
- The majority of this change is driven by visa application revenue collected by the Home Office, which increases from £3,403 million to £4,254 million.
- Transfers (foregone revenue transferred to the Home Office) would fall by £1.8 million, from -£7.4 million to -£9.2 million (PV, 2023/24 prices). By definition, transfers are not included in the NPSV.

### E.10.2 Public service provision

122. The level of average cost of public service provision to migrants is uncertain, so sensitivity analysis tests how various estimates of the value of average public service consumption by migrants affect the hypothetical NSPV. The difference between the low and high scenario is the inclusion of pure public goods and welfare costs in the estimate; the central case does not include pure public goods and includes half of the estimated welfare cost, as not all migrants may be eligible to receive welfare payments.

123. Assuming public spending at the low scenario, the NPSV of **Option 2** falls by £68 million, from £3,106 million to £3,038 million (PV, 2023/24 prices). This result implies that the Government will save less as a result of migrants being deterred from entering or remaining in the UK by the higher visa fees.
124. Assuming public spending at the high scenario, the NPSV of **Option 2** increases by £41 million, from £3,106 million to £3,147 million (PV, 2023/24 prices). This result implies that the Government will save more as a result of migrants being deterred from entering or remaining in the UK by the higher visa fees.

### E.10.3 Fiscal revenue

125. The level of the average fiscal revenue collected from migrants is also uncertain, so sensitivity analysis has been carried out to generate a range around the estimated impact on the Exchequer. All scenarios include estimated contributions of foreign nationals to income tax, national insurance, indirect tax (such as VAT), council tax, and corporation tax. The central scenario incorporates business rates, and the high scenario adds gross operating surplus and other taxes.
126. Assuming fiscal revenue collection at the low scenario, the NPSV of **Option 2** increases by £8 million, from £3,106 million to £3,115 million (PV, 2023/24 prices). This result implies that the Government will lose less tax revenue as a result of prospective migrants being deterred from entering or remaining in the UK by the higher visa fees.
127. Assuming fiscal revenue collection at the high scenario, the NPSV of **Option 2** falls by £59 million, from £3,106 million to £3,047 million (PV, 2023/24 prices). This result implies that the Government will forego more tax revenue as a result of prospective migrants being deterred from entering or remaining in the UK by the higher visa fees.

### E.10.4 Visitor spend

128. The hypothetical NPSV of **Option 2** only accounts for visitors' contributions to fiscal revenue (through indirect taxes such as VAT) and to Home Office revenue. As tourism is an export and individuals with a visit visa spend money earned abroad on goods and services provided in the UK, an estimated future fall in visit visas and associated visitor spend could have wider economic impacts. However, it is highly uncertain what goods and services visitors consume, and how many of those are provided by domestic businesses and could be attributable to the UK economy.
129. A set of indicative sensitivity analysis around the central scenario is carried out to indicate how the NPSV could be impacted by the estimated fall in granted visit visas as a result of increasing fees from the current to the proposed maxima. Table 13 illustrates the assumed proportion of visitor spend collected by domestic businesses.

**Table 13: Remaining visitor spend (after accounting for taxation) attributed to the resident population, as a proportion of average visitor spend per trip to the UK**

Scenario	Visitor spend to the UK (%)
Low	20%
Central	60%
High	100%

Source: Home Office assumptions

130. The cost to the UK from the foregone visitor spend collected by domestic institutions is calculated by considering average expenditure reported by the ONS TraveIpac in 2021<sup>15</sup> and subtracting the estimated contribution to fiscal revenue through indirect taxes. The remaining proportion is multiplied by the average number of trips to the UK per type of visit visa,<sup>16</sup> and the assumed share attributable to the UK in each sensitivity scenario.
131. The estimated fall in visit visas due to the higher proposed fees could result in the central NPSV of **Option 2** to decline by between £50 million and £263 million (PV, 2023/24 prices), to between £3,057 million (PV, 2023/24 prices) and £2,843 million (PV, 2023/24 prices), over the appraisal period. In the central sensitivity assumption, foregone visitor spend is estimated at £150 million (PV, 2023/24 prices), representing a 0.7 per cent decrease in spend when compared to baseline visitor spend in the absence of the policy and a 4.6 per cent fall in the central NPSV estimate.

### E.10.5 Environmental impacts

132. The estimated decrease in visas granted following a theoretical rise in fees from the current to the proposed maxima, albeit proportionally small when compared to the wider immigration system, could be interpreted as a reduction in the demand for travel to the UK, resulting in fewer carbon dioxide equivalent (CO<sub>2</sub>e) emissions. For simplicity, this sensitivity only considers changes in visas from applicants wishing to come to the UK (out-of-country applicants) and assumes those are equivalent to an equal number of fewer undertaken inbound journeys.
133. This impact is estimated by considering the weighted average distance between visa applicants' home countries (indicated by their nationality) and the UK. Assuming that all journeys to the UK are completed by air travel, the weighted average distance per immigration category is multiplied by estimates of the average grams of CO<sub>2</sub>e emitted per kilometre travelled per passenger on an international long haul flight. The resulting decrease in CO<sub>2</sub>e emissions is monetised using the low, central, and high carbon prices set by the Department for Energy Security and Net Zero.
134. The estimated future reduction in emissions could result in a net benefit of between £5.5 million and £16.5 million (PV, 2023/24 prices) over the appraisal period. Under the central carbon price, the estimated fall in CO<sub>2</sub>e emissions is valued at £10.6 million (PV, 2023/24 prices).

## F. Proportionality

135. The analysis presented in this IA builds on analysis produced as part of the Immigration and Nationality (Fee) Order 2016 IA,<sup>17</sup> Immigration Health Surcharge 2020 IA<sup>18</sup> and the Immigration and Nationality (Fees) (Amendment) (No.3) Regulations 2020 IA.<sup>19</sup> The impacts of uncertain assumptions have been tested using low and high scenarios around the central assumptions, and additional sensitivity analysis has been carried out to test for uncertainties in volumes, public service provision per migrant, fiscal revenue collected per migrant and foregone visitor spend and environmental impacts.

## G. Risks

<sup>15</sup> TraveIpac: travel to and from the UK - Office for National Statistics (ons.gov.uk): <https://www.ons.gov.uk/peoplepopulationandcommunity/leisureandtourism/datasets/travelpac>

<sup>16</sup> Individuals with a visit visa valid for 6 months (short-term visit visas and visit visa extensions) are assumed to make one trip to the UK, in the year the visa was granted. 2 year visit visa holders are estimated to make two trips per year. Individuals whose visit visa is valid for 5 years are assumed to make two trips to the UK in the first two years, and then one trip per year for the remaining three years of their visa. 10 year visit visa holders follow a similar trajectory to 5 year visit visa holders, and make one additional trip for the remaining five years of their visa. Source: Home Office assumptions

<sup>17</sup> Home Office, Impact Assessment for the Immigration and Nationality (Fees) Order 2016: [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>18</sup> Home Office: Updating the Immigration Health Surcharge, 2020: [https://www.legislation.gov.uk/ukia/2020/30/pdfs/ukia\\_20200030\\_en.pdf](https://www.legislation.gov.uk/ukia/2020/30/pdfs/ukia_20200030_en.pdf)

<sup>19</sup> Home Office, The Immigration and Nationality (Fees) (Amendment) (No. 3) Regulations 2020: [https://www.legislation.gov.uk/ukia/2020/48/pdfs/ukia\\_20200048\\_en.pdf](https://www.legislation.gov.uk/ukia/2020/48/pdfs/ukia_20200048_en.pdf)

## **G.1 Volumes**

136. There is no indication as to when a future increase in visa fee could occur nor the number of increases it will take for visa fees to reach the proposed maximum levels outlined under **Option 2**. This casts significant uncertainty on future application volumes, and their relevance to a theoretical increase in visa fees. Visa fees on the routes outlined in **Option 2** may be set at their proposed maximum fee levels within the five-year appraisal period, in more than five years' time or they may never reach the proposed maxima. All results, including the calculated changes in the volumes of granted visas and NPSV estimates, are indicative and should be treated with caution.

## **G.2 Behavioural response**

137. Internal Home Office analysis has not found evidence of a significant relationship between small increases in fees and visa demand. Absence of evidence does not necessarily imply there is no relationship and setting the fees at the proposed maximum levels on certain routes under **Option 2** may represent a larger rise in the price of these visas than historic changes. The estimates of a potential negative effect on visa demand are presented; however, these estimates may overstate the actual impact.
138. The analysis quantifies the impact of potential increases in visa fees using proxies of the price elasticity for visa demand available in the academic literature. The IA uses estimates of elasticity (summarised in section **E.1.8**) which are the closest approximations available and do not represent the responsiveness of individual migrants to changes in fees. Therefore, results are uncertain and should be considered indicative.

## **G.3 Fiscal impact**

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

## **G.4 Wider assumptions**

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

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

141. There are no direct costs or benefits to business of this policy. The BNPV and the EANDCB are both zero.

## I. Wider impacts

142. In “The UK’s future skills-based immigration system”, the Government set out a framework for assessing the impact of migration policy.<sup>20</sup>
143. 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).
144. 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.
145. While not negligible, the expected reduction in visas granted as a result of these changes is small compared to the total number of visas granted. Therefore, the macroeconomic effects as well as labour market and spill-over impacts on resident population are likely to be small. Additionally, the MAC acknowledges that the wider dynamic effects and congestion impacts are not possible to quantify, so this IA does not attempt to measure them, but it is assumed they would be small due to the small numbers involved.
146. Economic output is a function of labour used and capital employed and can be measured impartially by GDP. Each worker is a unit of labour and contributes to the creation of economic output. If all else is equal, higher work immigration means more workers in the economy and therefore higher economic output. Equally, a very small decrease in migration volumes caused by the increase in visa fees may have some impact in reducing economic output but this is unlikely to be significant. Whilst aggregate economic output is an important measure, when considering the economic impact of immigration, it is also important to consider GDP per capita / per person. On this measure, particularly in the short run, impacts will be small on aggregate as increased economic output are shared across a larger population. In line with MAC advice, it is important to note that although migration may affect GDP per head (by a small amount) mainly due to higher pay and employment rates of migrants compared to natives, it is the immigrants, rather than the resident population, who are the main gainers/losers. Therefore, it is important to focus on the impact migration has on the GDP of residents through dynamic effects on productivity and innovation and this is dependent on the skill level of the migrants.

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<sup>20</sup> The UK’s future skills-based immigration system, HMG, 2018:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/766465/The-UKs-future-skills-based-immigration-system-print-ready.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/766465/The-UKs-future-skills-based-immigration-system-print-ready.pdf)

## J. Trade Impact

147. Under **Option 2**, as there are no changes to visa fees, there are no direct impacts to trade and investment. The Fee Order enables future increase in visa fees above their current maximum level, which may lead to an indirect impact on trade and investment from a potential lower number of business visitors to the UK.
148. Research suggests that business visits have a positive impact on trade and investment.<sup>21</sup> However, the impact would only affect visitors from countries that require a visit visa to enter the UK.<sup>22</sup> Internal Home Office analysis of 2018 International Passenger Survey data suggests that over 90 per cent of business visits to the UK in 2018 came from non-visa nationals. Business visitors' resident in EEA countries make most visits to the UK, with only the US in the top 10 countries of residence for number of business visitors.<sup>23</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 IA on the airfare elasticity of demand.<sup>24</sup>

## K. Monitoring and evaluation plan

149. 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>21</sup> Oxford Economics, The value of international business travel – A report for GMTTC, 2016  
<https://ukevents.org.uk/component/phocadownload/category/5-industry-research?download=329:the-value-of-international-business-travel>

<sup>22</sup> <https://www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-v-visitor-rules>

<sup>23</sup> International Passenger Survey (IPS) travelpac 2018

<sup>24</sup> UK Aviation Forecasts; Department for Transport; 2017



## L. Annexes

### Annex A: Increasing fee maxima in the Fees Order

#### Recommendations for increasing fee maxima:

Type of application	Current fee maxima	Recommended fee maxima	Further details below
Student	£490	£600	Table 1
A sponsored worker	£1,500	£2,000	Table 2
Visit visa -up to 6 months	£130	£140	Table 3
Visit visa – more than 6 months and up to and including 12 months	£200	£250	
Visit visa for 2, 5 and 10 years	£200 per annum	£250 per annum	
Indefinite leave (settlement)	£3,250	£3,600	Table 4
Premium service	£1,000	£1,200	Table 5
Review of a decision connected with immigration or nationality, renunciation of British citizenship	£400	£450	Table 6
Amending or supplying a copy of the certificate of registration or naturalisation as a British Citizen	£250	£400	
Arrangement of a citizenship ceremony	£100	£150	

#### Student visas:

Table 1: Student visa

Route	In or out-of-country	Current fee	Unit Cost	Current fee maxima	Recommended fee maxima
Student and Child student	In-country	£490	£221	£490	£600
	Out-of-country	£363	£223		

## Visas for sponsored workers:

Table 2: Sponsored Worker (Skilled Worker and Global Business Mobility) visas

Route	In or out-of-country	Current fee	Unit Cost	Current fee maxima	Recommended fee maxima
Skilled Worker (< 3 years)	Out-of-country	£625	£117	£1,500	£2,000
	In-country	£719	£154		
Skilled Worker (> 3 years)	Out-of-country	£1,235	£117		
	In-country	£1,423	£154		
Global Business Mobility Senior Managers & Specialists (< 3 years)	Out-of-country	£625	£117	£1,500	£2,000
	In-country	£719	£154		
Global Business Mobility Senior Managers & Specialists (> 3 years)	In-country	£1,235	£154	£1,500	£2,000
	Out-of-country	£1,423	£117		
Global Business Mobility – Other routes	In-country	£259	£154	£1,500	£2,000
	Out-of-country	£259	£117	£1,500	£2,000

## Visit visas:

Table 3: Visit visa

Route	Current fee	Unit Cost	Current fee maxima	Recommended fee maxima
Short Term Visit Visa up to 6 months (STVV)	£100	£135	£130	£140
Visit visa – more than 6 months and up to and including 12 months	£200	£135	£200	£250
2-years visit visa	£376	£135	£200 p.a. x 2 = £400	£250 p.a. x 2 = £500
5-years visit visa	£670	£135	£200 p.a. x 5 = £1,000	£250 p.a. x 5 = £1,250
10-years visit visa	£837	£135	£200 p.a. x 10 = £2,000	£250 p.a. x 10 = £2,500
In-country visit visa extension	£1,000	£241	£1,000	£1,200

**Indefinite leave (settlement):**

Table 4: Settlement route visa fees

Route	Current fee	Unit Cost	Current fee maxima	Recommended fee maxima
Route To Settlement	£1,538	£405	£3,250	£3,600
Route To Settlement- Adult Dependant Relatives	£3,250	£404		
Settlement (Indefinite leave to remain – ILR)	£2,404	£491		

**Premium service fees:**

Table 5: Premium service fees:

Premium service	In or out of country	Current fee	Unit Cost	Current fee maxima	Recommended fee maxima
Priority service	In country	£500	n/a	£1,000	£1,200
Priority visa service (for work study, visit visa)	Out of country	£250	£15		
Priority settlement service	Out of country	£573	£25		
Super priority service	In country	£800	£49		
	Out of country	£956	£49		

**Fees for applications in connection with nationality:**

Table 6: Application and services in connection with nationality

Route	Current Fee	Unit cost	Current fee Maxima	Recommended fee maxima
Amendment of a certificate of registration or naturalisation or confirming a person's nationality status or supplying a copy	£250	£352	£250	£400
Review of an application for a certificate of registration or naturalisation, or for a certificate of entitlement or Registration of a declaration of renunciation of British citizenship	£372	£416	£400	£450
Arrangement of a citizenship ceremony	£80	£80	£100	£150

## Annex B – Visa Grant Rates

Table 1: Weighted average grant rate per visa route and applicant type, based on 2023/24 projected baseline applications under the central scenario

Visa and Applicant Type	
Out of Co unt ry	Visit
	Sponsored skilled work
	Sponsored skilled work
	Study
	Study
	Temporary work
	Temporary work
	Family
	Other
	Settlement
In Co unt ry	Visit
	Sponsored skilled work
	Sponsored skilled work
	Study
	Study
	Settlement
	Family
	Nationality
Other	

**ANNEX C – Weighted average length of stay on IHS liable visa routes under option 2.**

*Table 1: Weighted average length of stay on IHS liable visa routes specified under option 2, based on 2023/24 projected baseline applications under the central scenario*

<b>Visa and Applicant Type</b>	
<b>Out of Country</b>	Sponsored skilled work
	Study
	Temporary work
	Family
<b>In Country</b>	Sponsored skilled work
	Study

<b>Mandatory specific impact test - Statutory Equalities Duties</b>	<b>Complete</b>
<p><b>Statutory Equalities Duties</b></p> <p>The Secretary of State for the Home Department (Home Secretary)'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) Order 2016. As this instrument only amends the maximum amount that can be charged for a visa, and not the fee level itself, the Home Office consider that there will be no impacts on individuals with protected characteristics as a result of this amendment. Any changes to actual fees charged (which would need to be made through a subsequent amendment to the Immigration and Nationality (Fee) Regulations 2018) will be accompanied by a full statement in respect of the Home Secretary's Public Sector Equality Duty.</p> <p><b>The SRO has agreed these summary findings.</b></p>	<p><b>Yes</b></p>