



Expanding the Pacific Labour Scheme

Party:

Australian Labor Party

Summary of proposal:

Component 1

This component would bring the Pacific Labour Scheme (PLS) under the Temporary Work (International Relations) (subclass 403) visa in line with Temporary Skill Shortage (TSS) (subclass 482) visas in terms of treatment of secondary applicants.

PLS secondary applicants would be subject to the following conditions (in line with those for TSS secondary applicants):

- Primary visa holders would be allowed to bring their domestic partners and dependent children to Australia as secondary visa holders.
- Employer sponsors must agree.
- Secondary applicants must meet health and character requirements and have health insurance.
- Secondary visa holders would be entitled to live, work and study in Australia (but would not receive government assistance for studying).

The following visa applications charges (VAC) would apply to PLS secondary applicants:

- Secondary applicants aged 18 and over would be subject to the same VAC as PLS primary visa holders.
- Secondary applicants aged below 18 would be subject to 25% of the VAC for PLS primary visa holders.

The taxation arrangements for secondary PLS visa holders would be same as primary visa holders.

This component would not apply to visa holders in the Seasonal Worker Programme (SWP).

This component would commence 1 January 2023.

Component 2

This component would extend the duration of SWP visas from nine to 11 months to improve flexibility.

This component would commence 1 January 2023.

Component 3

This component would relocate the Agriculture Visa to sit as a third visa stream under the PALM.

This component would commence 1 January 2023.

Component 4

This component would create a new Pacific Engagement Visa for nationals of Pacific Island countries and Timor-Leste. Up to 3,000 visas would be allocated annually by a ballot or lottery process modelled on the New Zealand Pacific Access Resident Category visa.

Places would be allocated from within the overall permanent migration program. Detailed design of the scheme will be undertaken in Government based on the following features of the NZ model:

- Applicants to be aged between 18 and 45 years.
- Applicants can include their partners and dependent children up to 24 years of age.
- Applicants or their partners must have a job offer in Australia.
- English language, character and health tests to be met.
- Applicants selected by ballot have eight months to obtain a full-time job offer.
- Country-specific quotas within an overall quota of up to 3,000 places a year.

Applications will be open to Pacific nationals in their home countries or who are in Australia on a valid temporary visa.

This component would commence 1 July 2023.

Costing overview

This proposal would be expected to increase the fiscal balance by \$79.4 million and increase the underlying cash balance by \$78.2 million over the 2022-23 Budget forward estimates period.

This proposal would have an impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications (including separate PDI tables) over the period to 2032-33 is provided at Attachment A.

The difference between the fiscal and underlying cash balance impacts reflects a timing difference between when the goods and services taxes (GST) are recognised, and they are paid.

The Parliamentary Budget Office (PBO) has determined Component 4 to be unquantifiable. This primarily reflects that decisions on the design of the scheme have not yet been made.

- The revenue impact of this proposal would likely be small but would depend on the following factors.
 - Which subclasses under the migration program would be displaced to implement the Pacific Engagement Visa.
 - The Visa Application Charge for the displaced visas and Pacific Engagement Visa.
 - The economic behaviour of Pacific Engagement Visa holders.

Table 1: Financial implications (\$m)^{(a)(b)(c)}

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	0.5	18.3	28.1	32.5	79.4
Underlying cash balance	0.4	17.7	27.8	32.3	78.2

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

(c) Unquantifiable impacts are not included in totals.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

Component 1

- The projection of 403 visa applications lodged over the period from 2025-26 to 2032-33 would be static (i.e., held equivalent to the estimated number of 403 visa applications in 2024-25).
- The share of primary visas granted under PLS as a proportion of all 403 visas granted would not materially change over the period to 2032-33 in the baseline.
- There would be no significant difference in the grant rates for different streams under 403 visas.
- The ratios between primary and adult secondary applicants and primary and secondary applicants aged under 18 for 403 PLS visas would be the same as the ratios for TSS visas.
- 403 PLS visa applications would be granted in the financial year when they were lodged.
- 93% of 403 PLS secondary visa holders would arrive in Australia. All of them would arrive within the financial year that their visas were granted.
- All 403 PLS secondary visa holders would remain in Australia for 4 years under the terms of 403 PLS visas.
- In 2022-23 half the number of 403 PLS secondary visa holders would arrive in Australia in 2022-23. These visa holders would depart Australia in 2025-26.
- PLS primary and secondary visa holders would be Australian residents for tax purposes.

Component 2

- The number of workers participating in the SWP would return to pre-COVID levels in 2022-23.
- The number of SWP visa numbers issued would grow from 2023-24 such that SWP visas maintain a 5% share of agricultural labour in Australia.
- SWP workers would remain in Australian for the full length of their visa, 9 months under the baseline and 11 months under the proposal.

Component 3

- The relocation of the Agriculture Visa into the PALM would not change the following.
 - The number of Agricultural Visas granted.
 - The duration that Agriculture Visa holders stay in Australia.
 - The VAC for the Agriculture Visa.

- The incomes of Agriculture visa holders.
- Agriculture Visa holders would be Australian residents for tax purposes.

Methodology

Component 1

The departmental cost associated with the additional visas issued under this proposal were estimated based on the departmental expenses for the 2012-13 Budget measure *Seasonal Labour Mobility Program with Pacific Island Countries and East Timor – establishment*.

There would be an increase in departmental expenses for the Department of Home Affairs. This reflects the additional resources required to process the PLS secondary visa applications.

VAC revenue

The financial implications of VAC revenue over the period to 2032-33 were the sum of VAC revenue collected from both PLS adult secondary visa applicants and applicants aged under 18. The estimated VAC revenue for each group was calculated by multiplying the number of applicants in this group each year by the relevant PLS visa price as specified.

The number of secondary visa applicants each year were estimated by multiplying the assumed ratio of primary and secondary applicants by the number of projected primary visa applicants under PLS over the medium term.

Personal income tax and indirect tax revenue

The financial implications of personal income tax and indirect taxes were derived by multiplying the cumulative number of new temporary residents in Australia as result of this proposal by the estimated average level of income and contributions tax, and GST, excises and customs paid by similar migrants.

- The cumulative number of new temporary residents in Australia as result of this proposal was estimated based on the number of PLS secondary visa applications each year, the historical grant rate and arrival rate of 403 visas and the assumed period of stay of PLS secondary visa holders.
- The average estimated income tax and contribution tax, GST, excises and customs per visa holder was based on relevant data provided by the Treasury and updated with economic parameter projections as at the 2022-23 Budget.
- The amount of additional GST that would be paid to the States and Territories is the amount of additional GST collected.

Component 2

The annual estimated seasonal worker population from each of the SWP participating countries was based on the historical number of SWP migrants and the expected increase in the general Australian labour force over the period to 2032-33.

The departmental costs of implementing this proposal would be minimal and could be absorbed from within existing resources.

Personal income tax and indirect tax revenue

The financial implications of personal income tax and indirect taxes were derived by multiplying the cumulative number of new temporary residents in Australia as result of this proposal by the estimated average level of income and contributions tax, and GST, excises and customs paid by similar migrants.

- The annual estimated seasonal worker population from each of the SWP participating countries was based on the historical number of SWP migrants and the expected increase in the general Australian labour force over the period to 2032-33.
- The average estimated income tax and contribution tax, GST, excises and customs per visa holder was based on relevant data provided by the Treasury and updated with economic parameter projections as at the 2022-23 Budget.
- The amount of additional GST that would be paid to the States and Territories is the amount of additional GST collected.

Component 3

This proposal would have no effect on revenue as the volume of visa holders and the length of their stays would be unchanged.

The departmental costs of this proposal would be minimal and could be absorbed from within existing resources.

Component 4

The PBO has determined that this component is unquantifiable as the design of the scheme not yet been finalised.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.¹

Data sources

The Treasury provided economic parameters and labour force forecasts as at the 2022-23 PEFO.

The Department of Home Affairs and the Department of Foreign Affairs and Trade provided the relevant data for estimating the visa application charge revenue for the PLS visa.

The Department of the Treasury provided the relevant data for estimating income tax and contribution tax, GST, excises and customs.

The Department of Education, Skills and Employment provided population and travel data on the SWP for the 2018-19 and 2019-20 financial years.

The ATO provided income and superannuation data of seasonal workers for the 2018-19 and 2019-20 financial years.

Commonwealth of Australia (2012) *2012-13 Budget*, Australian Government.

¹ https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

Attachment A – Expanding the Pacific Labour Scheme – financial implications

Table A1: Expanding the Pacific Labour Scheme – Fiscal balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Revenue													
<i>Component 1 - Personal income tax</i>	0.5	3.6	6.0	8.6	11.1	10.1	10.1	10.1	10.2	10.2	10.2	18.7	90.7
<i>Component 1 - Other indirect tax</i>	0.2	1.6	2.8	3.9	5.1	4.6	4.6	4.6	4.6	4.6	4.6	8.5	41.2
<i>Component 1 - GST</i>	0.6	4.2	7.1	10.1	13.1	11.9	11.9	11.9	11.9	11.9	11.9	22.0	106.5
<i>Component 1 - Visa application charges</i>	0.4	1.0	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.3	1.3	3.6	12.1
<i>Component 2 - Personal income tax</i>	-	10.3	16.0	16.8	17.5	18.3	19.1	20.1	21.2	22.4	23.6	43.1	185.3
<i>Component 2 - Other indirect tax</i>	-	1.4	2.0	2.1	2.1	2.1	2.1	2.1	2.2	2.2	2.2	5.5	20.5
<i>Component 2 - GST</i>	-	3.5	5.2	5.3	5.3	5.4	5.4	5.5	5.6	5.7	5.7	14.0	52.6
<i>Component 4</i>	*	*	*	*	*	*	*	*	*	*	*	*	*
Total – revenue	1.7	25.6	40.2	47.9	55.3	53.6	54.4	55.5	56.9	58.3	59.5	115.4	508.9

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Expenses													
Administered													
<i>Component 1 - GST payments to states and territories</i>	-1.1	-3.9	-6.9	-9.9	-12.8	-12.0	-11.9	-11.9	-11.9	-11.9	-11.9	-21.8	-106.1
<i>Component 2 - GST payments to states and territories</i>	-	-3.2	-5.1	-5.3	-5.3	-5.4	-5.4	-5.5	-5.6	-5.7	-5.7	-13.6	-52.2
Total – administered	-1.1	-7.1	-12.0	-15.2	-18.1	-17.4	-17.3	-17.4	-17.5	-17.6	-17.6	-35.4	-158.3
Departmental													
<i>Department of Home Affairs</i>	-0.1	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.6	-2.0
Total – departmental	-0.1	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.6	-2.0
Total – expenses	-1.2	-7.3	-12.1	-15.4	-18.3	-17.6	-17.5	-17.6	-17.7	-17.8	-17.8	-36.0	-160.3
Total (excluding PDI)	0.5	18.3	28.1	32.5	37.0	36.0	36.9	37.9	39.2	40.5	41.7	79.4	348.6

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

- Indicates nil.

* Unquantifiable – not included in totals.

Table A2: Expanding the Pacific Labour Scheme – Underlying cash balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Receipts													
<i>Component 1 - Personal income tax</i>	0.5	3.6	6.0	8.6	11.1	10.1	10.1	10.1	10.2	10.2	10.2	18.7	90.7
<i>Component 1 - Other indirect tax</i>	0.2	1.6	2.8	3.9	5.1	4.6	4.6	4.6	4.6	4.6	4.6	8.5	41.2
<i>Component 1 - GST</i>	0.5	3.9	6.9	9.9	12.8	12.0	11.9	11.9	11.9	11.9	11.9	21.2	105.5
<i>Component 1 - Visa application charges</i>	0.4	1.0	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.3	1.3	3.6	12.1
<i>Component 2 - Personal income tax</i>	-	10.3	16.0	16.8	17.5	18.3	19.1	20.1	21.2	22.4	23.6	43.1	185.3
<i>Component 2 - Other indirect tax</i>	-	1.4	2.0	2.1	2.1	2.1	2.1	2.1	2.2	2.2	2.2	5.5	20.5
<i>Component 2 - GST</i>	-	3.2	5.1	5.3	5.3	5.4	5.4	5.5	5.6	5.7	5.7	13.6	52.2
<i>Component 4</i>	*	*	*	*	*	*	*	*	*	*	*	*	*
Total – receipts	1.6	25.0	39.9	47.7	55.0	53.7	54.4	55.5	56.9	58.3	59.5	114.2	507.5
Payments													
Administered													
<i>Component 1 - GST payments to states and territories</i>	-1.1	-3.9	-6.9	-9.9	-12.8	-12.0	-11.9	-11.9	-11.9	-11.9	-11.9	-21.8	-106.1
<i>Component 2 - GST payments to states and territories</i>	-	-3.2	-5.1	-5.3	-5.3	-5.4	-5.4	-5.5	-5.6	-5.7	-5.7	-13.6	-52.2
Total – administered	-1.1	-7.1	-12.0	-15.2	-18.1	-17.4	-17.3	-17.4	-17.5	-17.6	-17.6	-35.4	-158.3
Departmental													
<i>Department of Home Affairs</i>	-0.1	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.6	-2.0
Total – departmental	-0.1	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.6	-2.0
Total – payments	-1.2	-7.3	-12.1	-15.4	-18.3	-17.6	-17.5	-17.6	-17.7	-17.8	-17.8	-36.0	-160.3
Total (excluding PDI)	0.4	17.7	27.8	32.3	36.7	36.1	36.9	37.9	39.2	40.5	41.7	78.2	347.2

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

* Unquantifiable – not included in totals.

Table A3: Expanding the Pacific Labour Scheme – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Fiscal balance	..	0.2	0.7	1.4	2.3	3.3	4.4	5.6	7.0	8.6	10.4	2.3	43.9
Underlying cash balance	..	0.2	0.7	1.3	2.2	3.1	4.2	5.5	6.8	8.4	10.1	2.2	42.5

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the table above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary².

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

.. Not zero but rounded to zero.

- Indicates nil.

² [Online budget glossary – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)