



Australian Government

Australian Government Actuary

Note to Calculation of Contributory Parent Visa Composite Index for 2005/06

The document titled "Calculation of Contributory Parent Visa Composite Index for 2005/06" and dated 11 April 2005 supersedes a document posted on this website on 23 March 2005.

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Peter Martin

Australian Government Actuary

11 April 2005



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Calculation of Contributory Parent Visa Composite Index for 2005/06

Background

Under Section 6 of the *Migration (Visa Application) Charge Act 1997*, the visa application charge limit for contributory parent visas is to be adjusted by the Contributory Parent Visa Composite Index using the following formula:

$$\text{Previous charge limit} \times \left(1 + \frac{\text{Contributory Parent Visa Composite Index}}{100\%} \right)$$

where:

the Contributory Parent Visa Composite Index is as published by the Australian Government Actuary for a financial year.

Relevant sections of the *Migration (Visa Application) Charge Act 1997* are set out in Attachment A.

Contributory Parent Visa Composite Index for 2005/06

For financial year 2005/06, the value of the Contributory Parent Visa Composite Index is 5.2%.

Method of Calculation – 2005/06

For financial year 2005/06, the Composite Index is calculated as:

$$5\% \times \text{CPI Increase} + 35\% \times \text{Age Pension Increase} + 60\% \times \text{Health Expenditure Increase}$$

where:

CPI Increase is the percentage increase in the All Groups Consumer Price Index, published by the Australian Bureau of Statistics, during the year ending in December 2004;

Age Pension Increase is the percentage increase in the maximum single age pension rate from 20 March 2004 to 20 March 2005; and

Health Expenditure Increase is the estimated percentage increase in per capita Commonwealth health expenditure from financial year 2001/02 to financial year 2002/03, derived from figures published by the Australian Institute of Health and Welfare in "Health Expenditure Australia 2002-03".

Using the definitions given above, the relevant components of the Composite Index for 2005/06 are:

CPI Increase	2.6%
Age Pension Increase	2.6%
Health Expenditure Increase	6.9%

For 2005/06 the index is calculated as:

$$(5\% \times 2.6\%) + (35\% \times 2.6\%) + (60\% \times 6.9\%) = 5.2\%$$

The percentage weightings of the three index components are unchanged from the 2004/05 calculations. They were derived from projections of Commonwealth expenditure on immigrants under the Contributory Parent Visa program over a 60 year period. These projections were based upon data provided by the Department of Health and Ageing, data from the Australian Institute of Health and Welfare and a number of actuarial assumptions. Based upon these projections, health costs were estimated to account for about 60% of total costs, social security pensions about 35% of total costs, with the remaining 5% attributable to a number of miscellaneous costs.



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Attachment A

Section 3A and Section 6 of the *Migration (Visa Application) Charge Act 1997* follow:

“ Section 3A. Definitions

In this Act, unless the contrary intention appears:

contributory parent visa means a permanent or temporary visa included in a class of visas under regulations made under the *Migration Act 1958*, being a class that has the words “contributory parent” or “contributory aged parent” in its title.

Contributory Parent Visa Composite Index means the Contributory Parent Visa Composite Index, expressed as a percentage, published by the Australian Government Actuary for a financial year.”

“ Section 6. The visa application charge limit - contributory parent visas

Financial year beginning 1 July 2002

6. (1) The charge limit in relation to a visa application for a contributory parent visa made during the financial year beginning on 1 July 2002 is \$26,745.

Later financial years

(2) The charge limit for a later financial year is the amount worked out under subsection (3) or (5), depending on the amount of the Contributory Parent Visa Composite Index for the later financial year.

Contributory Parent Visa Composite Index more than zero

(3) If the Contributory Parent Visa Composite Index for the later financial year is more than zero, the charge limit for that financial year is the amount worked out using the following formula, then rounded under subsection (4):

$$\text{Previous charge limit} \times \left\{ 1 + \frac{\text{Contributory Parent Visa Composite Index}}{100\%} \right\}$$

where:

previous charge limit

means the charge limit for the financial year before the later financial year.

(4) If an amount worked out under the formula in subsection (3) is not a multiple of \$5, the amount is to be rounded as follows:

(a) if the amount exceeds the nearest lower multiple of \$5 by \$2.50 or more - round the amount up to the nearest higher multiple of \$5;

(b) in any other case - round the amount down to the nearest lower multiple of \$5.

Contributory Parent Visa Composite Index zero or less

(5) If the Contributory Parent Visa Composite Index for the later financial year is zero or less, the charge limit for that financial year is the same as the charge limit for the financial year before the later financial year.”