



Australian Government

Australian Government Actuary

Calculation of Contributory Parent Visa Composite Index for 2020/2021

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 the Attachment.

Contributory Parent Visa Composite Index for 2020/21

For financial year 2020/21, the value of the Contributory Parent Visa Composite Index is 1.9%.

Method of Calculation – 2020/21

For financial year 2020/21, the Composite Index is calculated as:

$$1\% \times \text{CPI Increase} + 30\% \times \text{Age Pension Increase} + 60\% \times \text{Health Expenditure Increase} + 9\% \times \text{AWOTE Increase}$$

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 2019;

Age Pension Increase is the percentage increase in the maximum single base age pension rate from 20 March 2019 to 20 March 2020; and

Health Expenditure Increase is the estimated percentage increase in per capita Commonwealth health expenditure from financial year 2016/17 to financial year 2017/18, derived from figures published by the Australian Institute of Health and

Welfare in “Health Expenditure Australia 2016-17” published in 2018 and “Health Expenditure Australia 2017-18” published in 2019; and

AWOTE Increase is the percentage increase in the Full-Time Adult Ordinary Time Earnings (Original Series) for persons, published by the Australian Bureau of Statistics, during the year ending November 2019.

Using the definitions given above, the relevant components of the Composite Index for 2020/21 are:

CPI Increase	1.8%
Age Pension Increase	2.0%
Health Expenditure Increase	1.7%
AWOTE Increase	3.2%

For 2020/21 the index is calculated as:

$$(1\% \times 1.8\%) + (30\% \times 2.0\%) + (60\% \times 1.7\%) + (9\% \times 3.2\%) = 1.9\%$$

The percentage weightings of the four index components have been derived from projections of estimated Commonwealth expenditure on immigrants under the Contributory Parent Visa program over a 60 year period carried out during 2007/08. The projections took account of the most recent available expenditure and utilisation data at that time as well as the demographic characteristics of those who had entered Australia on the Contributory Parent Visa since its introduction. Based on the projections, health costs account for about 60% of total costs, with aged care accounting for a further 9% of the total costs, social security pensions about 30% of total costs, and the remaining 1% attributable to a number of miscellaneous costs.

Guy Thorburn
Australian Government Actuary
28 April 2020

Attachment

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."