Parliamentary Budget Office

ECR-2025-2038

Permanent migration program - reduction	
Party:	The Coalition
Summary of proposal: The proposal would reduce the planning levels for the permanent Migration Program from 185,000 places to 140,000 places for 2025-26 and 2026-27, then 150,000 places in 2027-28 and 160,000 places in 2028-29 (ongoing). The proposal would start on 1 July 2025.	

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by around $3.4 billion over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects a decrease in revenue from personal income tax and the visa application charge (VAC), partially offset by a decrease in expenditure on government benefits and services.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2035-36 is provided at Attachment A.

Table 1: Permanent migration program - reduction – Financial implications ($m)[a][b]

	2025-26	2026-27	2027-28	2028-29	**Total to 2028-29**
Fiscal balance	-309.0	-625.0	-1,040.0	-1,412.0	**-3,386.0**
Underlying cash balance	-309.0	-625.0	-1,040.0	-1,412.0	**-3,386.0**

(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.

Uncertainties

The financial impacts of this proposal are uncertain and highly sensitive to assumptions on:

- the composition and number of visas granted both in the baseline and under the proposal
- incomes and consumption patterns for migrants
- the broader economic impacts of reducing migration and therefore population growth.

In producing this costing, the Parliamentary Budget Office (PBO) has attempted to quantify the first round or direct impacts of reduced migration, including:

- decreased revenue from income taxes and visa application charges
- decreased expenditure on areas such as social security and healthcare

- decreased indirect and company tax revenue as a result of lower population growth which results in lower levels of household consumption and Gross Domestic Product (GDP).

The PBO has not attempted to quantify second round effects of reduced migration, including but not limited to:

- the impact on the composition of the labour market, wages, births, the demand for infrastructure and the housing market
- the flow-on impacts on productivity and GDP growth.

For simplicity, the PBO has assumed that the impacts of changes to net overseas migration (NOM) on some smaller government programs would be negligible.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- The baseline long-run NOM rate would return to around 225,000 by 2026-27, as forecast in the 2025-26 Budget.[1]
  - The baseline permanent migration program planning level would be fixed at 185,000 placements from 2025-26.
- Other migrant program caps (for example, humanitarian) would not be impacted by the proposal.
- Under the proposal, changes to the permanent migration planning level would result in a corresponding decrease in permanent visa arrivals, such that the overall level of NOM falls.
- The ratio of onshore to offshore permanent visa grants would be consistent with the 2023 Population Statement projections.
- There would be no changes to births, deaths, or departures as a result of changes in NOM.
- The impact on expenses resulting from changes to permanent migration would be different to changes to temporary migration. This is because permanent migrants have greater access to government benefits and services.
  - Given the waiting periods between permanent visas being awarded and migrants becoming eligible for government benefits, the average expense impact of permanent migrants would be relatively constant across different cohorts of permanent migrants.
- On average, incomes and consumption patterns of migrants are consistent with the broader Australian population.
  - Incomes and consumption patterns, and thus the revenue impact, would vary between permanent migrant cohorts.[2]
- In the absence of the proposal, the age distribution of migrants would be consistent with recent historical trends.

---

[1] Budget 2025-26, *Budget Paper No. 3*, p.130.

[2] Variation in the revenue implications of permanent migrant cohorts is based upon Varela et al. (2021), The Lifetime Fiscal Impact of the Australian Permanent Migration Program.

Methodology

The PBO has modelled the financial impact of this proposal using a modified version of the PBO's Build Your Own Budget (BYOB) tool. While BYOB is not a costing model and is not generally used for costings, it has been used for this proposal as it allows some of the broader first round economic effects of migration to be quantified under the '3 Ps' framework for economic growth (Participation, Productivity, Population). Under the framework, migration, through its impact on the population, affects long-term GDP growth. This in turn affects government revenue and expenses such as visa charges, personal income tax, Medicare benefits and family tax benefits. We considered that the benefits of the whole-of-system analysis from BYOB offsets its limitations from simplified modelling of individual component programs.

In BYOB the relationship between population and GDP is modelled at an aggregate level. Baseline policy settings and levels for population components such as births, deaths and NOM are modelled against the proposal, with changes flowing through to different revenue and expense models depending on what inputs are changed. The difference between the baseline and the proposal is presented in terms of total revenue, expenses and fiscal balance, including some major revenue and expense subcategories.

Visa application charge revenue implications are calculated based on similar previous budget measures.

Financial implications were rounded consistent with the PBO's rounding rules.[3]

Data sources

Centre for Population (2025) 2024 Population Statement | Centre for Population, accessed 28 May 2025.

Commonwealth Government (2022) 2022-23 October Budget, Budget Paper No. 2, accessed 28 May 2025.

Commonwealth Government (2023) Mid-Year Economic and Fiscal Outlook Budget 2023-24, accessed 28 May 2025.

Commonwealth Government (2025) Budget 2025-26, Budget Paper No. 3, accessed 28 May 2025.

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025,* Commonwealth of Australia.

Parliamentary Budget Office (2025) Build your own budget, internal working version.

Varela et al (2021) Treasury Paper: The lifetime fiscal impact of the Australian permanent migration program, accessed 28 May 2025.

[3] https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules

Attachment A – Permanent migration program - reduction – Financial implications

Table A1: Permanent migration program - reduction – Fiscal and underlying cash balances ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Revenue													
Tax revenue													
Visa application charge revenue	*-219.0*	*-225.0*	*-180.0*	*-132.0*	*-135.0*	*-138.0*	*-142.0*	*-145.0*	*-149.0*	*-153.0*	*-156.0*	***-756.0***	***-1,774.0***
General revenue	*-160.0*	*-680.0*	*-1,390.0*	*-2,050.0*	*-2,600.0*	*-3,180.0*	*-3,790.0*	*-4,450.0*	*-5,160.0*	*-5,930.0*	*-6,770.0*	***-4,280.0***	***-36,160.0***
Total – revenue	**-379.0**	**-905.0**	**-1,570.0**	**-2,182.0**	**-2,735.0**	**-3,318.0**	**-3,932.0**	**-4,595.0**	**-5,309.0**	**-6,083.0**	**-6,926.0**	**-5,036.0**	**-37,934.0**
Expenses													
General expenses	*70.0*	*280.0*	*530.0*	*770.0*	*1,010.0*	*1,270.0*	*1,540.0*	*1,810.0*	*2,080.0*	*2,380.0*	*2,620.0*	***1,650.0***	***14,360.0***
Total – expenses	**70.0**	**280.0**	**530.0**	**770.0**	**1,010.0**	**1,270.0**	**1,540.0**	**1,810.0**	**2,080.0**	**2,380.0**	**2,620.0**	**1,650.0**	**14,360.0**
Total (excluding PDI)	**-309.0**	**-625.0**	**-1,040.0**	**-1,412.0**	**-1,725.0**	**-2,048.0**	**-2,392.0**	**-2,785.0**	**-3,229.0**	**-3,703.0**	**-4,306.0**	**-3,386.0**	**-23,574.0**

(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. 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.

Table A2: Permanent migration program - reduction – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances ($m)[(a)(b)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Fiscal balance	*-10.0*	*-30.0*	*-70.0*	*-120.0*	*-200.0*	*-290.0*	*-400.0*	*-540.0*	*-700.0*	*-890.0*	*-1,110.0*	***-230.0***	***-4,360.0***
Underlying cash balance	*-10.0*	*-20.0*	*-60.0*	*-110.0*	*-180.0*	*-270.0*	*-380.0*	*-510.0*	*-660.0*	*-840.0*	*-1,060.0*	***-200.0***	***-4,100.0***

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals 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 glossary[4].

(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.

---

[4] Online budget glossary – Parliamentary Budget Office (pbo.gov.au)