

Attracting Talent and Capital for a Future Made in Australia



*Evaluating the case for a stream of the National
Innovation Visa for established entrepreneurs
and business talent*



Table of Contents

1	EXECUTIVE SUMMARY.....	03
2	INTRODUCTION.....	05
	• Data Sources.....	05
3	SIGNIFICANT INVESTOR VISA (SIV).....	07
	• SIV cumulative investments in the Australian economy.....	08
	• New jobs created by SIV funding.....	08
	• Tax revenue paid by SIV investors as permanent residents.....	09
4	NATIONAL INNOVATION VISA (NIV).....	10
	• Established Talent Stream.....	10
	• Mandatory and voluntary investments in Australian economy.....	10
	• Jobs creation and support to Australian businesses.....	13
	• Contribution to R&D and economic growth.....	14
	• Tax revenue from NIV investors as permanent residents.....	15
	• Reduction in carbon emissions.....	16
5	TECHNICAL APPENDIX.....	18
6	REFERENCES.....	22

1 Executive Summary

The Australian Government's Future Made in Australia Plan (FMA) has the potential to transform Australia into a globally competitive, highly productive, and clean energy economy. The Government's new Migration Strategy can help accelerate the achievement of these objectives. This initiative will however require significant private

sector involvement including the attraction of local and foreign capital. Foreign capital which is long-term, non-controlling and without strategic objectives will be critical to the FMA's success.

Globally, investment migration programs have proven to be highly effective ways for Governments to raise billions of dollars of long-term investment capital. The Australian Significant Investor Visa (SIV) was introduced in 2012 and successfully delivered over \$15bn in direct complying investments and further \$20bn in additional investment¹ in return for an average of only 300 primary visas² per annum.

The Government recently announced that it would launch a new National Innovation Visa (NIV)³ by the end of 2024 and close the existing Global Talent Visa and Significant Investor Visa (SIV) programs. Final details of the NIV are subject to further consultation.

The policy objective of the NIV is to attract talented migrants to drive innovation. A successful innovation ecosystem requires a number of ingredients including great ideas, technical and research capabilities, experience in commercialisation, experience in managing successful and scalable businesses and risk capital.

The NIV could be designed to spread the "net" wide as possible to capture talent at all levels of the innovation ecosystem. To do so, it is proposed that the NIV target different types of migrants via two sub-classes:

► Emerging Talent; and

► Established Talent.

The Established Talent sub-class would, amongst other things, require migrants to bring both proven entrepreneurial and business growth experience and also to commit risk capital which can be invested in venture capital and/or FMA initiatives.

Pragmatic Policy Group (PPG) was commissioned by a coalition of organisations who support attracting successful entrepreneurs and business talent to Australia to evaluate the case for including an 'Established Talent Stream' as part of the NIV, in order to attract significant amounts of investment capital into Australia which can be deployed into national priorities.

We conclude that an 'Established Talent Stream' of the NIV will help deliver over **\$49 billion** in patient, long-term capital over the next decade to be invested in Australian national priorities. These funds could be invested in small business innovation, FMA initiatives or, alternatively, projects which increase the supply of affordable housing in Australia. This outcome is achieved in return for only 300 primary visas a year (consistent with the prior SIV program) which would represent a negligible part – around 0.17%⁴ – of Australia's annual migration intake.

In this report, we start by evaluating the impact of the existing SIV program on the Australian economy, and then use these results to forecast the economic, fiscal, and environmental outcomes from the introduction of an NIV 'Established Talent Stream'. In each section, we

¹ Estimate based on data from market participants

² Department of Home Affairs Statistics

³ Department of Home Affairs, 2024

⁴ Australia's mean annual migration intake since 2012-13 has been a little over 173K, Department of Home Affairs, 2023a. 300 visas represents 0.17% of this annual average.

summarise the results of our economic modelling. Our conclusions are entirely our own, based on our independent analysis of the data.

THE KEY INSIGHTS FROM OUR ECONOMIC MODEL ARE:



NIV Established Talent Stream generates significant long-term capital inflows

We forecast an NIV Established Talent Stream could attract an additional **\$4.9 billion** annually in capital into Australia. Of this, some **\$1.8 billion** annually could be directed to mandatory investments to support small and medium sized businesses, in initiatives to deliver on the FMA strategy, or in projects to increase the supply of affordable housing across Australia.



NIV Established Talent Stream would create jobs and support small businesses

We estimate that an NIV Established Talent Stream could conservatively support at least **78** small- and medium-sized Australian businesses every year, by injecting over **\$900 million** annually in new venture capital investment, directly creating around **4,500** jobs every year.

We project the creation of an additional **1,100** jobs annually in advanced manufacturing and university research from new investments in FMA priorities.



New economic activity will deliver greater tax revenues

We conservatively forecast that investments made under the NIV Established Talent Stream could directly add upwards of **\$2.5 billion** per year to Australia's economic growth⁵, generating at least **\$690 million** annually in steady-state tax revenues for the Federal Government, depending on the Australian Government's ability to process permanent residency applications in a timely manner once applicants are eligible.



Investments in Future Made in Australia projects will contribute significantly to Australia's Net Zero transformation

We estimate that upwards of **\$900 million** annually in additional capital could be invested in FMA priority projects – including in Net Zero industries. We project that the total inflow of global capital will lead to a reduction in Australia's contribution to climate change by an average of **3,400 tonnes** of CO2 emissions every year – equivalent to taking **2,300 cars** off Australia's roads every year.



More R&D will yield greater productivity and innovation in Australia

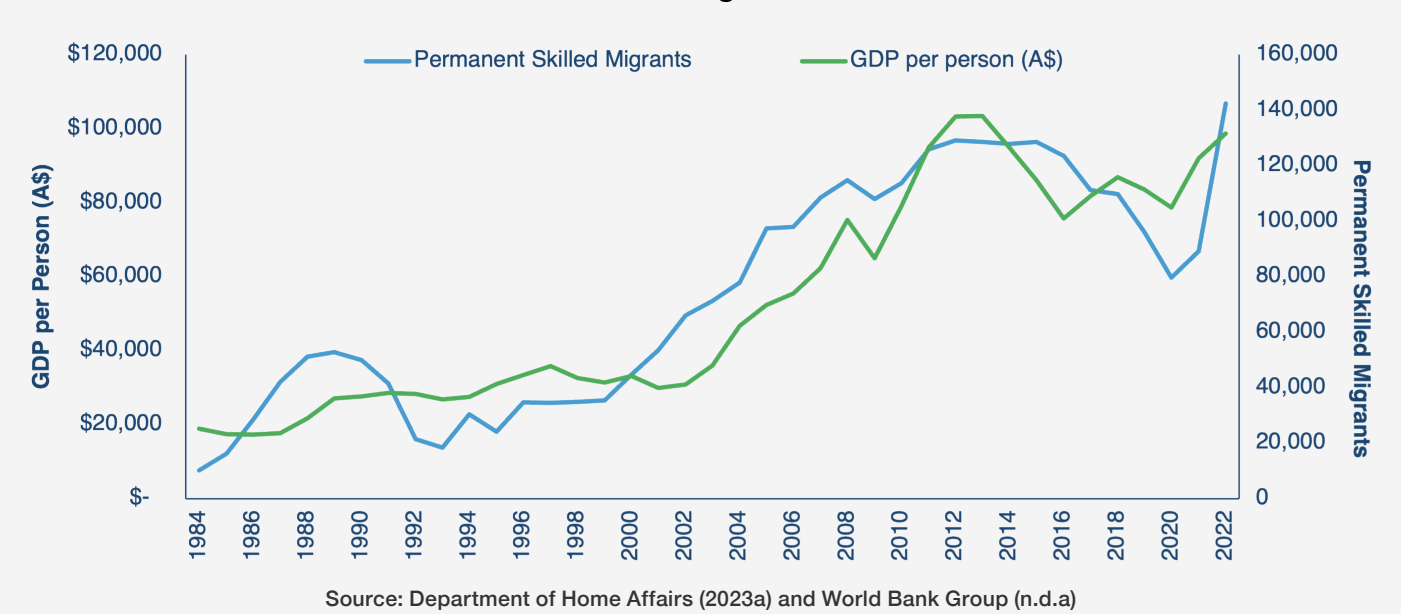
Our modelling suggests that an NIV Established Talent Stream could raise an additional **\$46 million** in funding every year exclusively for research and development which, based on CSIRO's methodology, could yield more than **\$161 million** annually in economy-wide benefits.

⁵ Change in Gross Domestic Product (GDP).

2 Introduction

The impact of migration on Australia’s economy has been extensively studied in economic literature. The Australian Government Centre for Population⁶ and the Organisation for Economic Co-operation and Development (OECD) have found that migration boosts labour productivity⁷, employment⁸, and innovation⁹ in Australia. In **Figure 1**, thirty years of historical data demonstrates a strong positive correlation between higher inflows of permanent skilled migrants – like those Australia hopes to attract through the NIV – and higher economic output per person in Australia. These two variables demonstrate a very high statistical correlation of over 90%.¹⁰

Australian incomes rise with the inflow of skilled migrants Figure 1



2.1 Data Sources

In this report, we have sourced a wide range of public Australian economic data, together with proprietary industry data, to evaluate the economic benefits of the SIV program. Using these results as a baseline, we then forecast the economic, fiscal and environmental benefits of the proposed NIV Established Talent Stream. We used the following public data:

⁶ Centre for Population, 2024
⁷ Organisation for Economic Co-operation and Development (OECD), 2023a.
⁸ OECD, 2023b.
⁹ As measured by patenting, OECD, 2024.
¹⁰ We also conducted an Engle-Granger co-integration test to check for long-run relationship between these time series when transformed into percentage changes. The results establish a statistically significant correlation between the two variables over the long-term (at a 1% critical value). Hence, GDP per Australian person is statistically and positively associated with the inflow of skilled migrants.

Australian Bureau of Statistics (ABS) historical data on macroeconomic indicators.	Department of Home Affairs (DHA) statistics on migration and visa programs.	Parliamentary Budget Office (PBO) Budget data and macroeconomic statistics.	NSW Treasury industry-wise input-output multipliers of Australian economy.	Department of Industry Science and Resources (DISER) statistics on investment and venture capital.
Department of Foreign Affairs and Trade (DFAT) data on foreign direct investment.	Australian Taxation Office (ATO) income brackets and tax calculation formulas.	World Bank Development Indicators.	Department of Climate Change, Energy, the Environment and Water (DCCEE) and Federal Chamber of Automotive Industries (FCAI) environment- and energy measures.	

We summarise our calculations and methodology throughout this report and provide a more detailed explanation in the Technical Appendix.



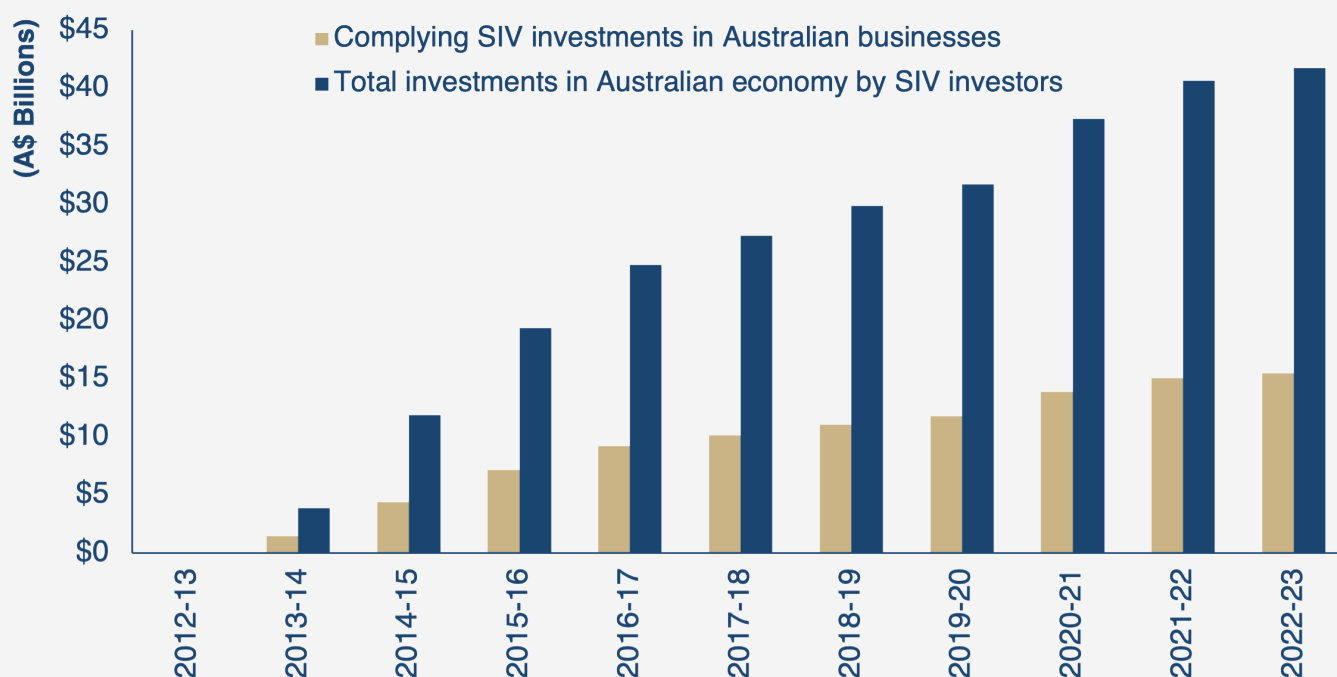
3 Significant Investor Visa (SIV)

In 2012, the Australian Government introduced the SIV as a stream of the Business Innovation and Investment Program (BIIP) to attract successful entrepreneurs and business people who were willing to make a commitment to invest capital in productive areas of the Australian economy.

From 2012 to 2023, a very modest number of primary SIVs were granted –an average of 300 per annum, representing only 0.17% of the 173,000 visas issued each year allowing migrants to live in Australia. Despite the small number of SIVs issued, the program directly delivered over **\$15 billion** in complying investments in Australia over the 11-year period. This figure rises to approximately **\$42 billion**¹¹ when we account for additional capital that was voluntarily committed by SIV investors to other complying investments and other investments in Australia. **Figure 2** shows cumulative investment in the Australian economy under the SIV program.

SIV cumulative investments in the Australian economy

Figure 2



Upon consultation with Austrade, the SIV complying investment rules were amended in 2015 to require that 10 percent of the mandatory investment go into venture capital. This proportion was increased further to 20 percent in 2021. By 2021-22, over **\$684 million**¹² in complying investment

¹¹ Industry data reveals that SIV migrants on average invest at least a further \$5m direct into business and investments in Australia. They also invest an additional 70% (of mandatory capital) with their investment manager. In our analysis, we extrapolate these trends across the entire industry.

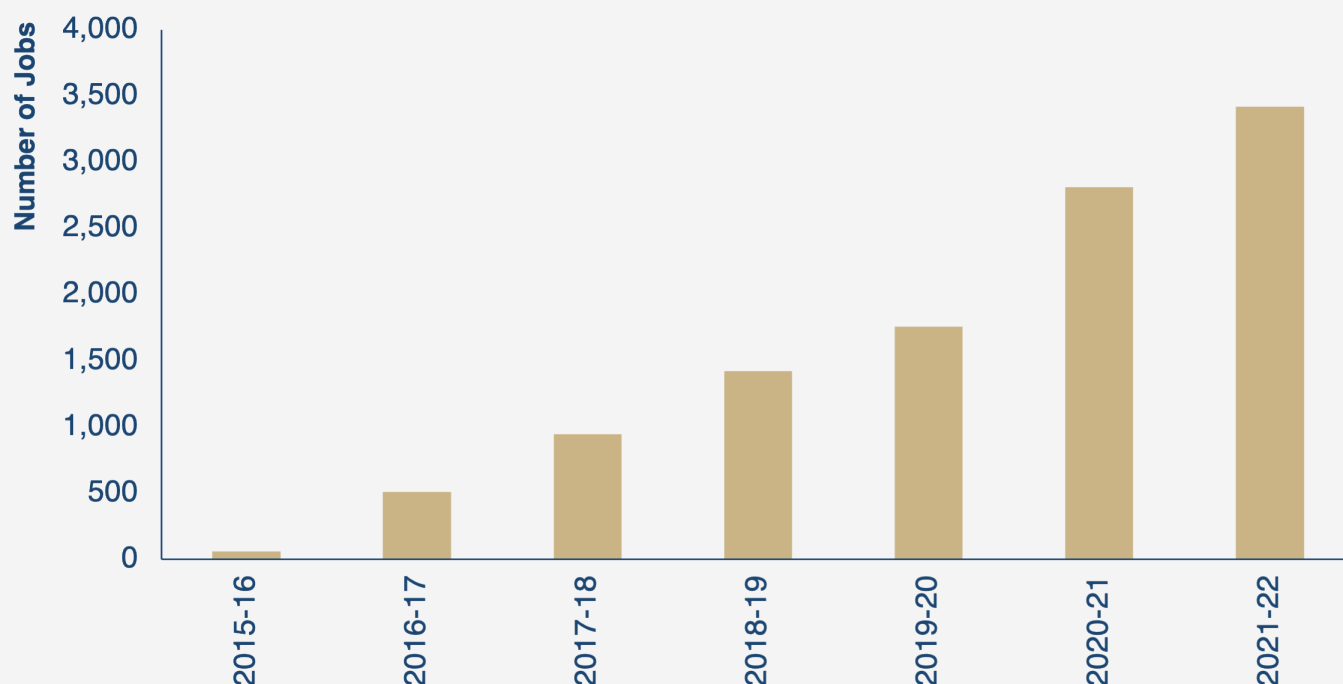
¹² Calculated based on Department of Home Affairs statistics to 30 June 2022 which showed a total of 1,368 primary SIVs had been granted to 30 June 2022 under the complying investment rules put in place from June 2015.

was directed to Australian small- and medium-sized businesses via venture capital. This infusion of capital directly created at least **3,420¹³** jobs by 2021-22.

Figure 3 shows cumulative job creation from SIV investments over this period. We believe this to be a conservative figure for total job creation as we are not factoring in the knock-on effect of spending throughout the economy.

Cumulative creation of jobs in Australian businesses by SIV funding in venture capital between 2015 and 2022

Figure 3



We scrutinised the available data on tax paid by SIV investors once they become permanent residents and show our results in **Table 1**. Our analysis is grounded on some assumptions derived from the Commonwealth Treasury's Fiscal Impact of New Australians (FIONA) model, supplemented by industry data. The FIONA model – while estimating the lifetime fiscal Net Present Value (NPV) benefit of permanent migrants belonging to different visa classes – does not include investment income, which is significant in the case of SIV cohort given the \$5 million complying investment required to be made. Recognising the economic significance of the base complying investment, we have incorporated it into our analysis to assess the tax contributions of SIV investors as permanent residents. We also provide an explanation of our assumptions in the Technical Appendix.

¹³ Analysis of investment experiences and outcomes of c.20% of all SIV investors, applied to entire industry.

Table 1

Tax Paid by an SIV Investor as Permanent Resident

	Low ¹	Base ²	High ³
Total worldwide assets	\$8M	\$15M	\$55M
Annual income yield	5%	5%	5%
Annual income ⁴	\$400,000	\$750,000	\$2,750,000
Annual tax paid ⁵ in 2017-18 ⁶	\$153,547	\$311,047	\$1,211,047
Annual tax paid during 2018-2020	\$153,097	\$310,597	\$1,210,597
Annual tax paid during 2020-2023	\$150,667	\$308,167	\$1,208,167

¹ Low Case – Investor with total of \$3m in worldwide assets, on top of their \$5m complying SIV investment

² Base Case – Investor with total of \$10m in worldwide assets, on top of their \$5m complying SIV investment

³ High Case – Investor with total of \$50m in worldwide assets, on top of their \$5m complying SIV investment

⁴ Investor earns only 5% on worldwide income which is conservative and consistent with the FIONA model

⁵ Investor pays individual marginal tax rate on investment income, assuming no other income.

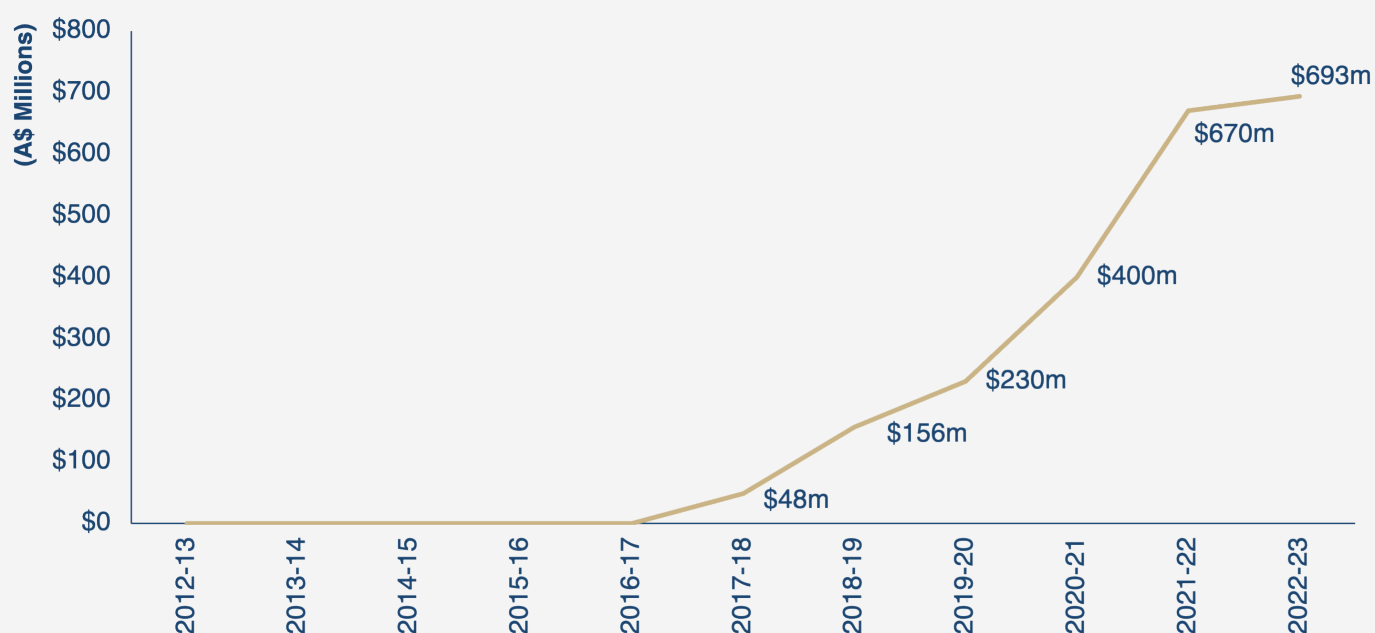
⁶ Calculated using Australian resident tax rates provided by Australian Taxation Office (ATO).

Given the variability of tax paid annually in our low, base and high cases – and the possible diversity in the cluster of SIV investors – we take an equally-weighted average between the cases. Our estimates show that, by 2022-23, up to **\$2.2 billion** of taxes were paid cumulatively by SIV holders after they were granted permanent residence status, despite permanent residency only becoming available to the first cohort of SIV holders in FY 2017-2018 (due to the mandatory temporary visa period and long permanent residency processing times). By 2022-23, only 1,250 SIV families had been granted permanent residency.

Figure 4 shows the total estimated tax revenue paid in Australia by all permanent resident SIV holders increased each year as more became permanent residents. This calculation remains conservative, as it excludes tax paid by SIV holders as temporary residents.

Estimate of annual tax revenue from SIV investors as permanent residents

Figure 4



4 National Innovation Visa (NIV)

4.1 Established Talent Stream

The NIV can build on the significantly positive outcomes demonstrated by the SIV. The Independent Panel, appointed by the Minister for Home Affairs and chaired by Dr. Martin Parkinson AC, in their Review of the Migration System specifically noted that: “...outcomes for the small Significant Investor stream have been stronger than for the remainder of the BIIP. If there is a desire to retain some element of the BIIP, consideration could be given to drawing on the relative strength of this stream in designing a niche investment visa product, much more sharply targeted to select migrants able to drive innovative investments or play a valuable role in the venture capital industry”.¹⁴

Our research suggests that the NIV program can achieve this by including an Established Talent Stream to attract talented migrants who drive innovation and make substantial investments in projects that will help deliver on the FMA strategy and a greater supply of affordable housing across Australia.

4.2 Visa Quota

We forecast the impacts of an NIV Established Talent Stream assuming the continuation of the status quo allocation of annual visas for the SIV, which averaged a modest **300** primary visas¹⁵ each year.

4.3 Investments

Our central forecast is that NIV Established Talent Stream investors make mandatory complying investments equal to **\$6 million** per investor (up from \$5 million per investor for the SIV), divided into two parts:

1. **\$3 million** to fund early stage and growth companies through investments in Venture Capital Limited Partnerships (VCLP) and Early-Stage Venture Capital Limited Partnerships (ESVCLP),
2. **\$3 million** to fund projects of national importance, through managed funds investing in projects consistent with either:
 - a. The Future Made in Australia Act, or
 - b. Increasing the supply of affordable housing.

Available data on SIV investors suggests that they tend to voluntarily invest an average of an additional 70% of their mandatory complying investment in similar managed funds, plus an additional 100% of their mandatory complying investment directly into other businesses and investments in Australia.

¹⁴ Department of Home Affairs, 2023b

¹⁵ In the last ten years, on average 309 primary SIVs were granted per annum.

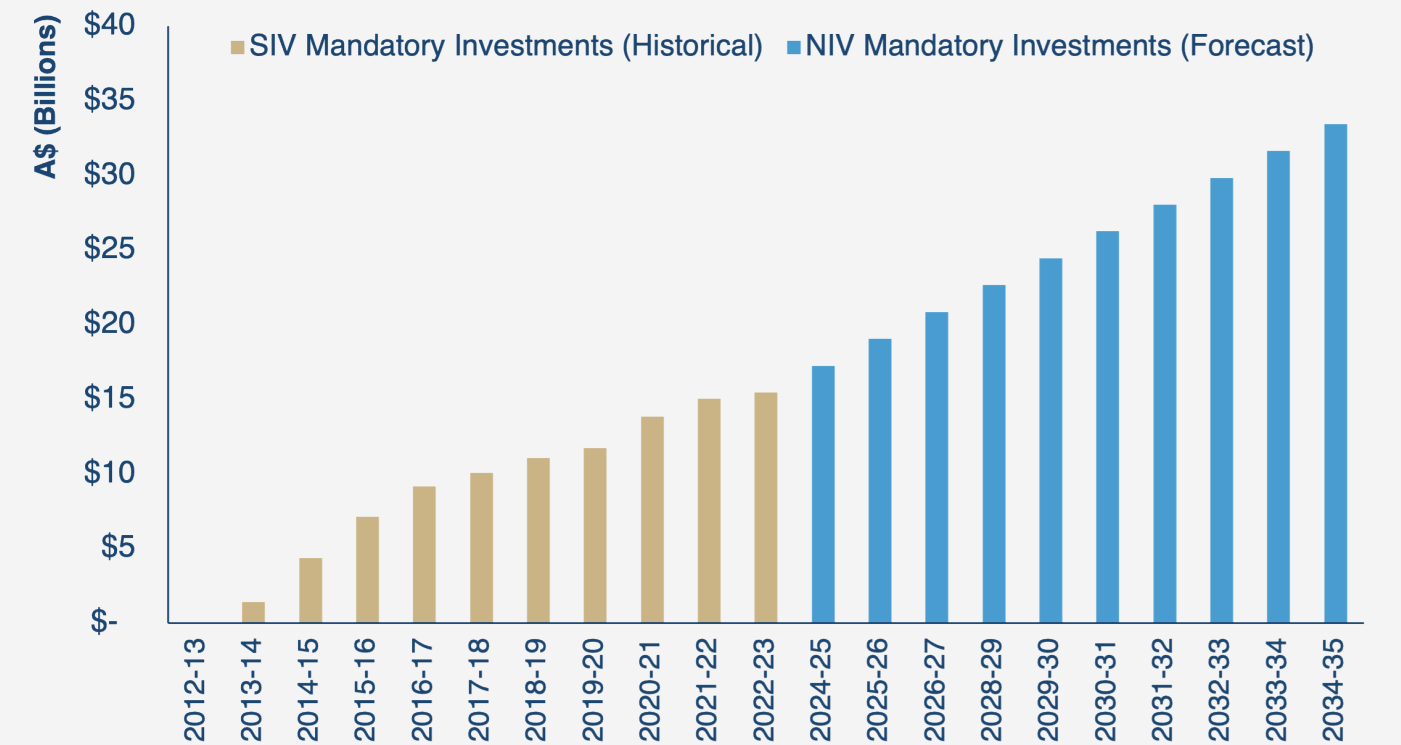
Using the SIV data as our baseline and assuming the same number of visas will be issued each year, on average, we forecast that an NIV Established Talent Stream could bring around **\$49 billion** in long-term capital into Australia over the next 10 years. Of this, over **\$18 billion** could be mandatorily directed to venture capital investments dedicated to supporting small and medium sized businesses, as well as projects consistent with the FMA strategy or an increase in the supply of affordable housing. Our results are summarised in **Table 2** below.

NIV Established Talent Stream Investments over Next Decade (assuming only 300 primary visas per year) **Table 2**

All currency figures in A\$	TOTAL
Mandatory investments in:	
<i>Small and medium sized businesses</i>	\$9.0B
<i>Future Made in Australia or Affordable Housing projects</i>	\$9.0B
Investments in similar businesses or projects	\$12.6B
Investments elsewhere in Australia	\$18.0B
TOTAL	\$48.6B

In **Figure 5**, we project the total value of NIV Established Talent Stream mandatory complying investments (excluding all additional voluntary investments), building on historical investments under the SIV program.

Mandatory NIV Established Talent Stream investments in Australia **Figure 5**
(Assuming only 300 primary visas per year)



4.4 Venture Capital

Australia lags in venture capital funding for innovative companies needing fresh capital to grow and thrive. In 2024, Australia is ranked **17th** globally for venture capital funding – even after adjusting for the size of our population. On a per person basis, Australia has around **85%** less early-stage funding available than Singapore, **81%** less than the United Arab Emirates, and **79%** less than the United States.¹⁶

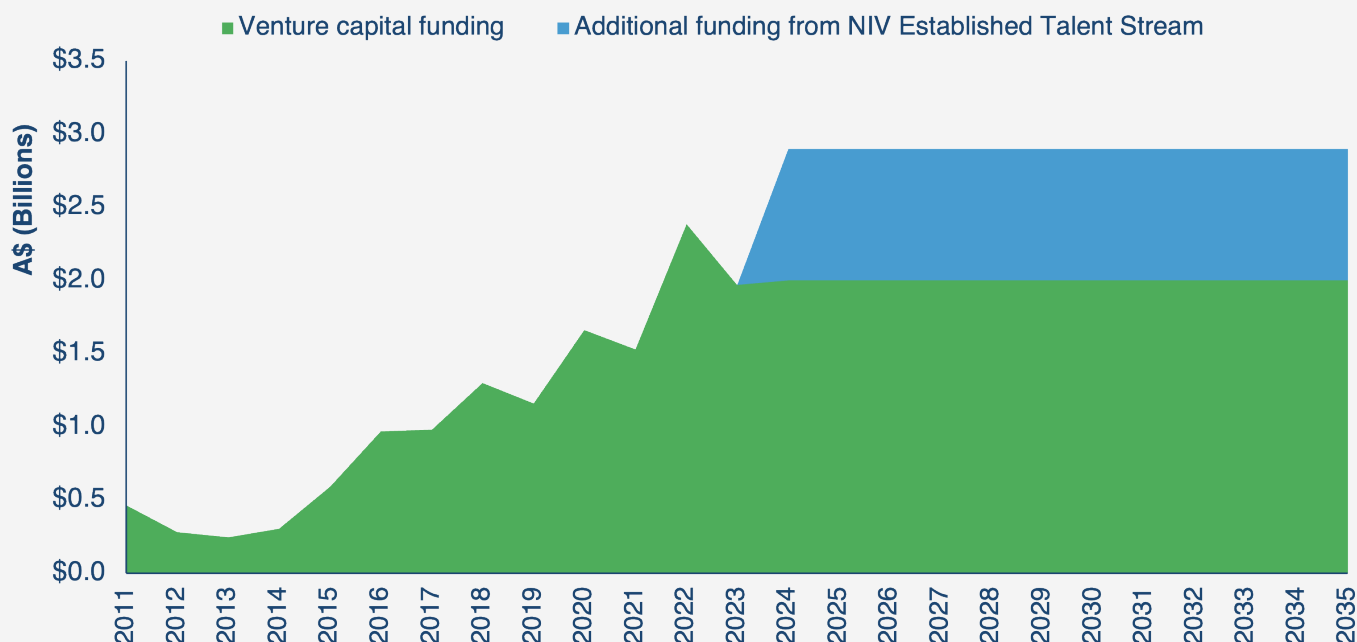
In 2022-2023, Australian small and medium sized businesses received close to **\$2 billion** in total venture capital funding.¹⁷ Between 2017 and 2022, the SIV program is estimated to have contributed between **23%** and **35%** of total compliant venture capital funding in Australia.¹⁸

We have assumed the NIV Established Talent Stream would allocate **50%** of investments to venture capital, adding on average **\$900 million** per year to the funding support available to Australian small and medium sized businesses, as shown in **Figure 6**. Assuming the total venture capital funding in Australia to remain constant at \$2bn in the coming years, the additional \$900 million coming in through the NIV Established Talent Stream would represent around **31%** of total compliant venture capital funding in Australia.¹⁹

NIV Established Talent Stream investments in small and medium-sized businesses would represent 31% of total compliant venture capital funding in Australia

Figure 6

(Assuming only 300 primary visas per year)



¹⁶ Dealroom, 2024

¹⁷ Department of Industry, Science and Resources, Venture Capital Dashboard FY 2022/23

¹⁸ Industry data analysis

¹⁹ Calculation: \$0.9bn represents a 31% share of the total \$2.9bn (\$2bn + \$0.9bn).

4.5 Jobs Creation & Support to Businesses

JOBS CREATED

In the SIV program, between 2015-16 and 2021-22, over **\$684 million** of complying investment went into venture capital to be invested in small to medium sized businesses. This infusion of capital directly resulted in **3,420** new jobs being created by 2021-22. Mathematically, therefore, every \$200,000 of additional funding helped create one new job.²⁰ We use this assumption to estimate the number of jobs that will be directly created by the NIV Established Talent Stream.

There are also knock-on effects for any direct impact on the Australian economy, which are acknowledged in the economic literature and evaluated using the Australian Input-Output Employment Multipliers.²¹ However, in our analysis, we forecast direct impacts only to remain conservative. We estimate that the venture capital channel of the NIV Established Talent Stream could create over **4,500** jobs annually in Australian small and medium-sized businesses. These results are several orders of magnitude larger than the number of jobs created by the SIV between 2015 and 2022, primarily because the higher mandatory allocation to venture capital under the NIV (50% share) than the SIV (10% then 20% share) would mean the NIV Established Talent Stream will attract a far larger amount of capital to be invested in Australian small and medium sized businesses.

Two sectors of the economy which we expect would see significant job creation through NIV Established Talent Stream investments in FMA priorities²² are advanced manufacturing and university research. We expect that up to **20%** of funding invested in FMA projects could go to advanced manufacturing projects, helping to create around **900** advanced manufacturing jobs each year. Similarly, we expect around **220** jobs annually can be created in university research by allocating just **5%** of the funding expected to flow to FMA priorities from the NIV Established Talent Stream. We show these results over the next ten years in **Table 3**.

AUSTRALIAN BUSINESSES SUPPORTED

To determine the number of Australian businesses that could be supported over the next decade by investments through the venture capital channel of the NIV Established Talent Stream, we rely on a broader data set published by the Department of Industry, Science and Resources (DISER) in its 2022/23 Venture Capital Dashboard.

DISER reports the amount of capital committed to Australia by all VCLP and ESVCLP funds registered under the Venture Capital Act (2002). This universe of funds is broader than the set of funds we are focused on – that is, those investing under the NIV. We use this DISER data to perform our own narrower calculations.

DISER reports that since 2010-11, some **\$30 billion** in committed capital managed by VCLP and ESVCLP funds has supported investments into **2,636** small and medium-sized Australian businesses.²³ We therefore calculate that the marginal amount of funds required to support one fast-growing Australian business is just over **\$11 million** in venture capital funding.²⁴ While SIV investments have typically been smaller than \$11 million, we believe it is important to use publicly available data, where possible, rather than industry data.

Building on this assumption, we estimate **\$900 million** per annum inflow of venture capital investment under the NIV Established Talent Stream could support around **78** small to

²⁰ Calculation: \$1.4bn divided by 7,000 jobs equals \$200,000 per job.

²¹ NSW Treasury, 2022

²² Assuming 50% of complying investment go into FMA instead of Affordable Housing projects.

²³ Department of Industry, Science Energy and Resources, Venture Capital Dashboard FY 2022/23

²⁴ \$30bn/2,636 equals \$11m

medium-sized Australian businesses each year. In **Table 3**, we summarise these results.

These estimates are conservative; they only capture the direct effects of investment in small and medium sized businesses, and do not include the “multiplier” or “knock-on” effects that we would expect to occur as spending recycles through the economy. Such second- and third-round effects are well understood in economic literature and their impact would be significant and positive.

NIV Established Talent Stream: Job Creation & Businesses Support

Table 3

(through venture capital investments, assuming only 300 primary visas per annum)		TOTAL
Jobs created annually by:		
Venture capital investment in SMEs		4500
Investment in Future Made in Australia priorities:		
New jobs in manufacturing		900
New jobs in university research		220
SMES SUPPORTED ANNUALLY		78

4.6 Contribution to Economic Growth

The NIV Established Talent Stream is expected to introduce long-term capital into productive areas of the Australian economy. Computable General Equilibrium modelling by EY Group estimates that investments under the VC Tax Concession framework²⁵ added at least **\$1.4 billion** to GDP in 2021, while creating **2,514** full-time jobs.²⁶

Using the results of the EY Group modelling, we assume a relationship of two full-time jobs to \$1 million in GDP.²⁷ Applying this assumption to our estimate of **4,500** new full-time jobs every year due to venture capital funding, we forecast that the NIV Established Talent Stream could directly add upwards of **\$2.5 billion** per year²⁸ to Australian economic growth.

Based on historical macroeconomic trends observed by the World Bank, we expect another **\$46 million** in R&D spending can be generated annually.²⁹ The CSIRO finds that \$1 in R&D spending creates an average of \$3.50 in economy-wide benefits³⁰ which, if correct, would produce **\$160 million** annually in additional economic benefit to Australia.

Figure 7 shows the cumulative increase in GDP over the next decade.

²⁵ This framework entails tax incentives and concessions – as defined in the sub-division 118-F of the Income Tax Assessment Act 1997 – for Australia’s venture capital programs such as VCLP, ESVCLP, and AFOF.

²⁶ Commissioned by the Australian Investment Council, 2021

²⁷ Calculation: \$1.4bn/2,514 jobs equals \$560,000 (amount of GDP addition associated with creation of 1 full-time job). For 2 jobs, the associated addition to GDP is thus \$1 million (rounded to the nearest whole number).

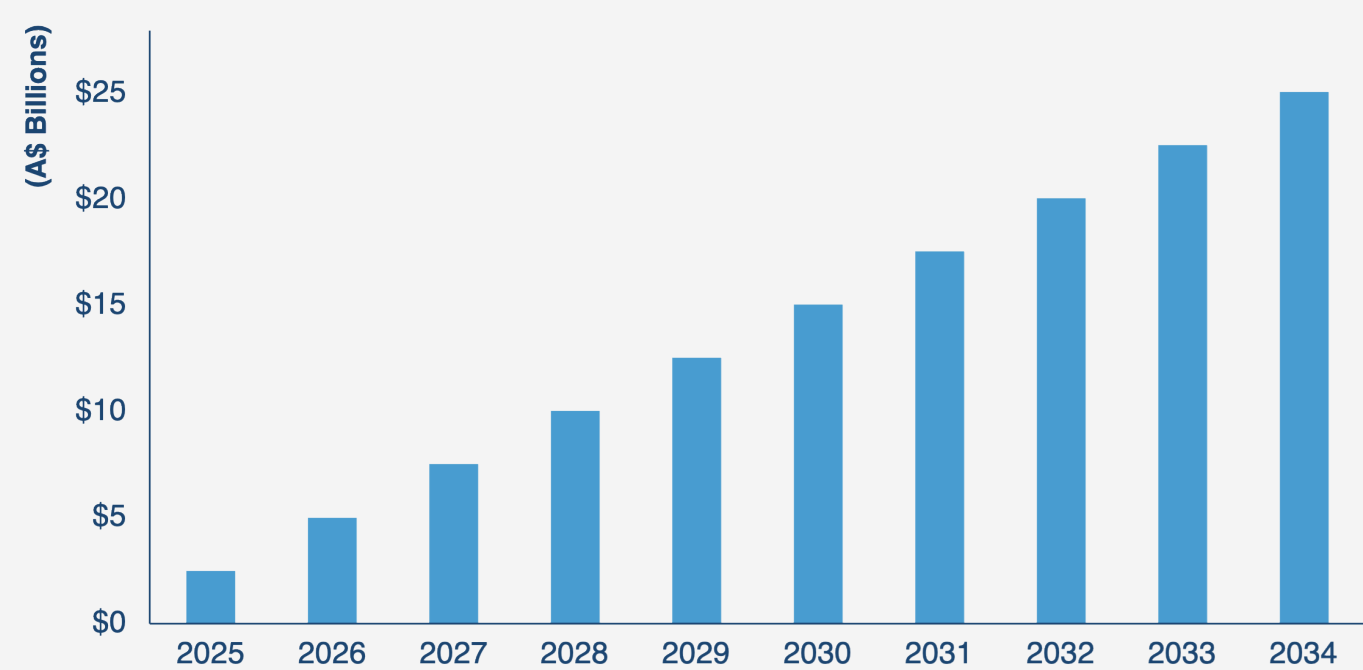
²⁸ Calculation: 4,500 multiplied by \$560,000 (amount of GDP addition associated with creation of 1 full-time job) equals \$2.5bn.

²⁹ World Bank data shows that the proportion of GDP spent on R&D is on average 1.83%.

³⁰ CSIRO (2021).

NIV Established Talent Stream Contribution to Economic Growth
(Assuming only 300 primary visas per year)

Figure 7



4.7 Fiscal Contribution

TAX REVENUE FROM NIV INVESTORS

We have the highest degree of certainty about our ability to capture the potential tax paid by NIV investors when they become permanent tax residents of Australia and therefore liable to the ATO for tax on their worldwide income. This analysis is conservative because it excludes tax revenue generated on the Australian sourced income of NIV investors while they are temporary tax residents or the withholding tax paid when they are non-residents, as well as tax paid by investors’ family members and future generations. We were unable to model these parts of the NIV investor tax journey due to a lack of high-quality data.

Furthermore, we are not including any increase in tax revenues associated with additional economic growth and job creation. This makes our results even more conservative.

To calculate the taxes paid by NIV Established Talent Stream investors, we apply available data on tax paid by SIV investors once they became permanent residents. [Table 4](#) shows our assumptions.

	Table 4		
Tax Revenue from an NIV Investor as Permanent Resident	Low ¹	Base ²	High ³
Total worldwide assets	\$9M	\$16M	\$56M
Annual income yield	5%	5%	5%
Annual income ⁴	\$450,000	\$800,000	\$2,800,000
Annual tax paid ^{5,6}	\$168,638	\$326,138	\$1,226,138

¹ Low Case – Investor with total of \$3m in worldwide assets, on top of \$6m complying NIV investment
² Base Case – Investor with total of \$10m in worldwide assets, on top of \$6m complying NIV investment
³ High Case – Investor with total of \$50m in worldwide assets, on top of \$6m complying NIV investment
⁴ Investor earns only 5% on worldwide income which is conservative and consistent with the FIONA model
⁵ Investor pays individual marginal tax rate on investment income, assuming no other income.
⁶ Calculated using Australian resident tax rate provided by Australian Taxation Office (ATO) for 2024-25.

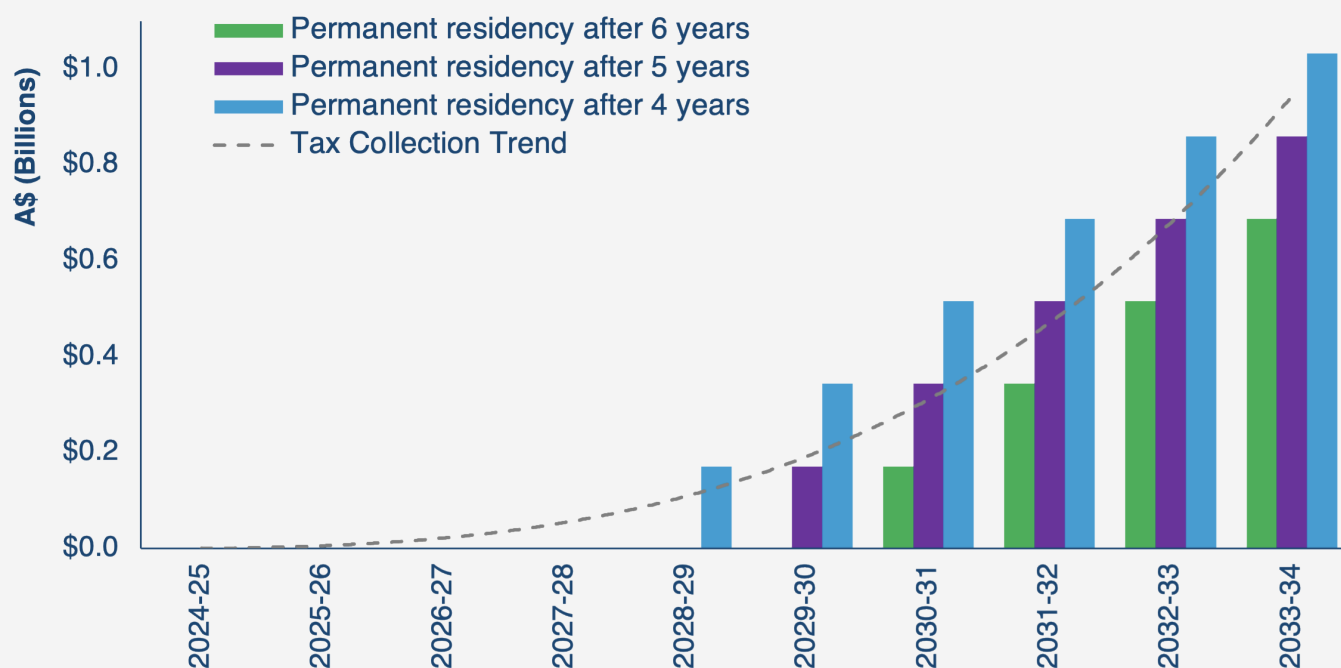
Given the variability of tax paid annually in our low, base and high cases – and the likely diversity in the cluster of NIV investors in the Established Talent Stream – we take an equally-weighted average between the cases. We estimate steady-state tax revenues from NIV investors to be at least **\$690 million** annually, but this could be higher depending on the Australian Government’s ability to process permanent residency applications in a timely manner.

We currently assume permanent residency occurs after 6 years. In **Figure 8**, we demonstrate the full range of different tax revenue outcomes and the overall trend of tax collection from NIV investors, also considering scenarios in which NIV investors could achieve permanent residency in 5 years (or even 4 years).

NIV Investors in an Established Talent Stream would be expected to pay between \$1.7 billion and \$3.6 billion in taxes in Australia over 10 years

(Assuming only 300 primary visas per year)

Figure 8



4.8 Reduction in Carbon Emissions

We have assumed that the NIV Established Talent Stream could require **50%** of each investor’s **\$6 million** in mandatory complying investments to be directed to either FMA projects or projects increasing the supply of affordable housing in Australia. For FMA projects, the National Interest Framework (NIF) identifies two major streams: Net Zero Transformation and Economic Resilience and Security.³¹

The industries given priority under FMA include:

- **Renewable hydrogen**
- **Critical minerals processing**
- **Green metals**

³¹ Commonwealth of Australia, 2024

- ▶ Low-carbon liquid fuels
- ▶ Clean energy manufacturing, including battery/solar panel supply chains

If **50%** of complying investments were allotted directly to these FMA priority industries, the potential contribution into FMA-aligned projects is estimated to be up to **\$900 million** per annum. Our review of the existing academic and empirical literature finds that foreign direct investment (FDI), especially in a high-income country like Australia, is typically associated with a reduction in CO2 emissions. FDI can reduce emissions ‘through the transfer of green technologies across borders.’³² A 1% increase in FDI is associated with 0.08% to 0.20% decrease in CO2 emissions.³³

The baseline level of emissions over the next 10 years has been taken from projections by DCCEEW.³⁴ Total FDI in Australia in 2023 stood at \$1.2 trillion.³⁵ We use this as the stock of FDI upon which investments from NIV Established Talent Stream will build and calculate the resulting change in CO2 emissions in percentage and gross terms.³⁶

We conservatively estimate that the NIV Established Talent Stream could reduce Australia’s contribution to climate change by **3,400 tonnes** of CO2 emissions annually. This is equivalent to removing around **2,300** passenger cars each year from Australia’s roads.³⁷

Table 5

CO2 Emissions Reduction due to NIV Established Talent Stream

	TOTAL
Annual reduction in CO2 emissions	3,400 tonnes
Equivalent # of cars taken off road annually	2,300

³² Demena and Afesorgbor (2020), who controlled for both publication bias and individual heterogeneity in their meta-analysis.

³³ Demena and Afesorgbor (2020): “10% increase in FDI is associated with 2% decrease in CO2 emission.” Wang et al. (2023): “for every 1% increase in FDI, carbon emissions per capita are correspondingly reduced by 0.08%.”

³⁴ Department of Climate Change, Energy, the Environment and Water

³⁵ Department of Foreign Affairs and Trade (2024)

³⁶ The total flow of investments into Australia through the NIV Established Talent Stream is estimated to be \$4.8 billion annually. This would comprise 0.4% of the total FDI in Australia (\$4.8bn/\$1,180bn). Hence, given reduction of CO2 by 0.20% with every 1% increase in FDI, the associated reduction in CO2 emissions with 0.4% rise in FDI stock would be 0.0008% from the current baseline out to 2035 projected by DCCEEW.

³⁷ According to the latest release by Australian Bureau of Statistics (2020), a passenger car on average travelled 11,100 kms. According to FCAI (2023), average CO2 emissions intensity of passenger cars and light SUVs in 2022 was 131 grams/km. Hence, an average passenger car emits approximately (11,100*131)*0.000001 = 1.5 tons of CO2 annually.

Technical Appendix

COMPLYING AND TOTAL INVESTMENTS AND THEIR BREAKDOWN

We calculated the total complying investment under SIV and NIV based on the number of migrants and the base complying investment required per migrant to enter those programs. The number of SIV migrants is public historical data; the quota per year for NIV is assumed to be the average annual number of SIV grants (300 visas annually). Base complying investment required for both, respectively, are:

- \$5m per migrant for SIV, and
- \$6m per migrant for NIV.

In addition to complying investments, the historical industry data we had access to for SIV migrants suggests that they tend to voluntarily invest, on average, an additional 70% of their mandatory complying investment in similar managed funds, plus an additional 100% of their mandatory complying investment directly into other businesses, property and investments in Australia. We extrapolate this trend in industry data to the entire industry and assume this to be the case, on average, for NIV investors as well.

The breakdown of complying investments is calculated via the framework provided by the Australian Government. For SIV, the rules were first amended in 2015 to require:

- 10% into venture capital and private equity,
- 30% in emerging companies/small caps, and
- 60% as balancing investments.

The framework was revised in 2021:

- 20% into venture capital and private equity,
- 30% in emerging companies/small caps, and
- 50% as balancing investments.

For NIV, the proposed framework is:

- 50% in Venture Capital Limited Partnerships (VCLP) and Early-Stage Venture Capital Limited Partnerships (ESVCLP), and
- 50% in either:
 - a. Future Made in Australia projects
 - b. Affordable Housing projects

METHODOLOGY FOR CALCULATING JOB CREATION

According to industry data, \$684m of total SIV investment in venture capital contributed directly to the creation of 3,420 jobs between 2015 and 2022. Using these figures, we calculate that the marginal amount of investment in VC required to create one new job has historically been:

$$\frac{\text{SIV Funding in VC}}{\text{Jobs Created through funding}} = \frac{\$684m}{3,420} = \$0.2m \text{ or } \$200,000$$

We use this assumption to estimate the number of jobs that will be directly created by the NIV Established Talent Stream.

For calculating job creation in advanced manufacturing and university research as FMA priorities, we make the following assumptions:

- 50% of NIV complying investment is allocated to FMA projects (let us call these “FMA funds”),
- 20% of FMA funds go into advanced manufacturing projects, and
- 5% of FMA funds go into Australia’s university research sector.
- Funds required in creating one new job equal \$200,000.

METHODOLOGY FOR QUANTIFYING SUPPORT TO BUSINESSES

DISER reports that since 2010-11, some \$30.2 billion in committed capital managed by VCLP and ESVCLP funds has supported investments into 2,636 small and medium-sized Australian businesses. Using this, we calculated the marginal amount of funds required to support one business as follows:

$$\frac{\text{Total committed capital in VC}}{\text{Total businesses supported}} = \frac{\$30,200m}{2,636} = \$11.5m$$

Building on this assumption, for the annual inflow of \$900 million worth of venture capital investment under NIV, the number of businesses that can be supported each year equals:

$$\frac{\text{Annual NIV funding in VC}}{\text{Marginal funding to support one business}} = \frac{\$900m}{\$11.5m} = 78 \text{ Businesses}$$

METHODOLOGY FOR EVALUATING CONTRIBUTION TO ECONOMIC GROWTH

Computable General Equilibrium modelling by EY Group showed that investments under the VC Tax Concession framework added at least \$1.4 billion to GDP in 2021, while creating 2,514 full-time jobs. We assume this association or correlation between the addition to GDP and job creation to hold constant, on average, over the years for NIV Established Talent Stream. We quantify this correlation as follows:

$$\frac{\text{Total Jobs Created}}{\text{Total Addition to GDP}} = \frac{2,514}{\$1,400m} = 2 \text{ Jobs per } \$1m$$

Alternatively,

$$\frac{\text{Total Addition to GDP}}{\text{Total Jobs Created}} = \frac{\$1,400m}{2,514} = \$0.56m \text{ per } 1 \text{ Job}$$

Given the creation of 4,500 full-time jobs in Australian businesses every year through NIV venture capital funding, we forecast the associated annual addition to GDP to be:

$$\text{Annual Job Creation} * \frac{\text{Total Addition to GDP}}{\text{Total Jobs Created}} = 4,500 * \$0.56m = \$2,510m \text{ or } \$2.5bn$$

World Bank data showed that the proportion of GDP spent on R&D is 1.83% (for 2019). Assuming

this percentage to be the case for coming years, on average, the corresponding proportion of the addition to GDP realised through the NIV Established Talent Stream that will be allocated to R&D initiatives will be:

$$1.83\% * \$2,510m = \$46m$$

CSIRO's research on the return of innovation in Australia finds that \$1 in R&D spending creates an average of \$3.50 in economy-wide benefits which, if correct, would produce the following additional economic benefit to Australia each year:

$$R\&D\ Investment * Return\ on\ Innovation = \$46m * \$3.5 = \$161m$$

METHODOLOGY FOR ESTIMATING TAX REVENUE FOR SIV AND NIV MIGRANTS

- We calculate only the tax revenue generated from SIV or NIV permanent residents of Australia, who are liable to the ATO for tax on their worldwide income.
- We assume investors earn 5% on their worldwide assets, which is consistent with the FIONA model.
- We assume no other income apart from investment income.
- SIV or NIV investors belong to the following cases (divided equally, so 1/3rd belong to first case, 1/3rd to second, and 1/3rd to the last)
 - a. Low Case: Investor with total of \$3m in worldwide assets in addition to their \$5m/\$6m in SIV/NIV complying investments in Australia.
 - I. Has annual income:
 - i. SIV investor: $\$8m * 5\% = \$400,000$
 - ii. NIV investor: $\$9m * 5\% = \$460,000$
 - b. BaseCase: Investor with total of \$10m in worldwide assets in addition to their \$5m/\$6m in SIV/NIV complying investments in Australia.
 - I. Has annual income:
 - i. SIV investor: $\$15m * 5\% = \$750,000$
 - ii. NIV investor: $\$16m * 5\% = \$800,000$
 - c. High Case: Investor with total of \$50m in worldwide assets in addition to their \$5m/\$6m in SIV/NIV complying investments in Australia.
 - I. Has annual income:
 - i. SIV investor: $\$55m * 5\% = \$2,750,000$
 - ii. NIV investor: $\$56m * 5\% = \$2,800,000$
- Based on the Australian resident tax rates provided by Australian Taxation Office:
 - a. We calculate the tax paid by SIV investors according to relevant historical years' corresponding tax rates 5 years
 - b. We calculate potential tax revenue from NIV investors by assuming the tax rate of 2024-25.

METHODOLOGY FOR CALCULATING REDUCTION IN CARBON EMISSIONS

- We assume the stock of total FDI in Australia remains on average equal to its stock in 2023: \$1,180bn.
- We take Australia's emission projections from 2024-25 to 2034-35 as published by the Department of Climate Change, Energy, the Environment and Water.
- We found in economic literature the range of percentage reduction in carbon emissions associated with a corresponding increase in FDI for Australia: 1% increase in FDI correlated with a 0.08% to 0.20% decrease in carbon emissions. We use 0.20% in our analysis.
- Given the total flow of investments into Australia is \$4.8 billion through the NIV Established Talent Stream, we calculate this makes up $\frac{\$4.8bn}{\$1,180bn} * 100 = 0.4\%$ of total FDI stock
- The associated reduction in CO2 emissions would be

$$\% \text{ increase in FDI} * \% \text{ reduction in CO2} = 0.4\% * 0.08\% = 0.0003\%$$

We found the number of passenger cars that produce on average the same amount of emissions as the calculated gross figures by following analysis:

- According to ABS, a passenger car on average travelled 11,100 kms a year (in 2021).
- According to FCAI, average CO2 emissions intensity of passenger cars and light SUVs in 2022 was 131 grams/km.
- An average passenger car, then, emits approximately:

$$KMs \text{ travelled} * Emissions \text{ per car in Kt} = (11,100 * 131) * 0.000001 = 1.5 \text{ tons}$$

The analysis table for reduction in carbon emissions through the NIV Established Talent Stream over 10 years is produced below for the reader's assistance:

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
CO2 Emissions (Kt) (Projections by DCCEE)	459,110	452,150	445,460	430,560	417,920	401,020	386,040	379,460	359,160	338,620
Foreign Investments via NIV (Annual NIV Investment)	\$4,860	\$4,860	\$4,860	\$4,860	\$4,860	\$4,860	\$4,860	\$4,860	\$4,860	\$4,860
Proportion of Total FDI (Investments in NIV/Australian FDI)	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Reduction in Emission via NIV										
(%)	0.0008%	0.0008%	0.0008%	0.0008%	0.0008%	0.0008%	0.0008%	0.0008%	0.0008%	0.0008%
(Kt)	3.8	3.7	3.7	3.5	3.4	3.3	3.2	3.1	3.0	2.8
Cumulative Kt	4	8	11	15	18	21	25	28	31	34
Number of Passenger Cars Emitting that Amount of CO2										
Annual	2,600	2,561	2,523	2,438	2,367	2,271	2,186	2,149	2,034	1,918
Cumulative	2,600	5,160	7,683	10,121	12,488	14,759	16,945	19,094	21,128	23,045

Appendix Table 1

References

- Australian Bureau of Statistics. (2020). Survey of motor vehicle use, Australia.
<https://www.abs.gov.au/statistics/industry/tourism-and-transport/survey-motor-vehicle-use-australia/latest-release>
- Australian Bureau of Statistics. (2024). Average weekly earnings, Australia.
<https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/average-weekly-earnings-australia/nov-2023>
- Australian Investment Council. (2021). Sept 2021: AIC and EY submission – VC Tax Concessions Review.
<https://aic.co/common/Uploaded%20files/Submissions/FINAL%20VC%20Tax%20Concession%20Submission%2010%2009%202021%20with%20Appendices.pdf>
- Australian Taxation Office. (2024). Tax rates – Australian resident.
<https://www.ato.gov.au/tax-rates-and-codes/tax-rates-australian-residents>
- Commonwealth of Australia. (2024). Budget strategy and outlook [Budget paper no. 1].
https://budget.gov.au/content/bp1/download/bp1_2024-25.pdf
- Centre for Population. (2024). OECD: Findings on the effects of migration on Australia’s economy.
<https://population.gov.au/publications/research/oecd-findings-effects-migration-australias-economy>
- CSIRO. (2021). Quantifying Australia’s returns to innovation [Working Paper]. Commonwealth Scientific and Industrial Research Organisation.
<https://www.csiro.au/en/news/all/articles/2021/november/value-innovation-investment>
- Dealroom. (2024). The State of Global VC. <https://dealroom.co/guides/global>
- Demena, B. A., & Afesorgbor, S. K. (2020). The effect of FDI on environmental emissions: Evidence from a meta-analysis. *Energy policy*, 138, 111192.
- Department of Foreign Affairs and Trade. (2024). Australian industries and foreign direct investment.
<https://www.dfat.gov.au/trade/trade-and-investment-data-information-and-publications/foreign-investment-statistics/australian-industries-and-foreign-investment>
- Department of Home Affairs. (2023a). Historical Migration Statistics.
<https://www.homeaffairs.gov.au/research-and-statistics/statistics/visa-statistics/live/historical-migration>
- Department of Home Affairs. (2023b). Review of the migration system [Final report 2023].
<https://www.homeaffairs.gov.au/reports-and-pubs/files/review-migration-system-final-report.pdf>
- Department of Home Affairs. (2024). Business Innovation and Investment Program (BIIP).
<https://immi.homeaffairs.gov.au/news-media/archive/article?itemId=1209>
- Department of Industry, Science and Resources. (2023). Venture capital dashboard FY2022/23.
<https://www.industry.gov.au/sites/default/files/2020-02/venture-capital-dashboard.pdf>
- FCAI. (2023). FCAI Releases 2022 Brand CO2 Emissions Data. Federal Chamber of Automotive Industries. <https://www.fcai.com.au/fcai-releases-2022-brand-co2-emissions-data/>

- NSW Treasury. (2022). AUS input-output employment multipliers.
<https://www.treasury.nsw.gov.au/sites/default/files/2022-03/aus-io-model-28022022.xlsx>
- OECD. (2023a). Migration and regional productivity: Evidence from individual wages in Australia. OECD Regional Development Papers, 60. <https://doi.org/10.1787/7bc64c78-en>
- OECD. (2023b). The impact of migration on regional labour markets in Australia. OECD Regional Development Papers, 64. <https://doi.org/10.1787/d72110b5-en>
- OECD. (2024). Migration and regional innovation in Australia. OECD Regional Development Papers, 66. <https://doi.org/10.1787/6d6ff472-en>
- Parliamentary Budget Office. (2024). Historical fiscal data.
<https://www.pbo.gov.au/publications-and-data/data-and-tools/data-portal/historical-fiscal-data>
- Wang, Q., Yang, T., Li, R., & Wang, X. (2023). Reexamining the impact of foreign direct investment on carbon emissions: does per capita GDP matter?. Humanities and Social Sciences Communications, 10(1), 1-18.
- World Bank Group. (n.d.a). GDP per capita (current US\$) – Australia.
<https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=AU>
- World Bank Group. (n.d.b). Research and development expenditure (% of GDP) – Australia.
<https://data.worldbank.org/indicator/GB.XPD.RSDV.GD.ZS?locations=AU>

Pragmatic Policy Group LLC strives to ensure that the information in this publication is accurate and up-to-date but does not represent or guarantee that it is accurate, reliable, current, complete or suitable. You should independently evaluate and verify the accuracy, reliability, currency, completeness and suitability of the information, before you rely upon it. The information in this publication is not legal or other professional advice. You should obtain independent legal or professional advice that is tailored to your circumstances if you have concerns. To the maximum extent permitted by law, Pragmatic Policy Group LLC excludes liability for any loss, however caused (including by negligence), relating to or arising directly or indirectly from using or relying on any content in this publication. Pragmatic Policy Group LLC asserts copyright over this publication. No part of this document may be reproduced in any manner without the written permission of Pragmatic Policy Group LLC.

Oliver Browne

Chief Economist

pragmaticpolicygroup.com

oliver@pragmaticpolicygroup.com

+1 646 265 3758