

Call for Evidence

The economic impact of the Tier 1
(Investor) route

Migration Advisory Committee

October 2013



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1. Introduction

1.1 Tier 1 of the Points Based System provides a means by which the highest value migrants can come to the UK. There are four routes within Tier 1: Entrepreneur; Graduate Entrepreneur; Investor; and Exceptional Talent. The Tier 1 (Investor) route has been in existence since the introduction of the Points Based System (PBS) in 2008, replacing the previous Investor route. The minimum level of investment has been set at £1 million since the early part of the 1990s. The Government has asked the Migration Advisory Committee (MAC) to review the minimum level of investment for the Tier 1 (Investor) route.

1.2 The Minister for Immigration has asked the MAC to consider the following question and report back by 7 February 2014:

“At present, the minimum level of investment for the Investor category is £1 million but accelerated settlement status can be achieved by investing either £5 million or £10 million. Migrants may use money loaned to them by UK banks when making their investment. The MAC is asked to consider whether the investment thresholds are appropriate to deliver significant economic benefits for the UK, in particular the minimum £1m threshold?”

2. Call for evidence

2.1 The MAC is gathering views and evidence from partners to help inform its response to the Government’s question. This document sets out the type of information the MAC would find most helpful to receive and provides details of where to submit evidence. We would like to hear from any interested party including financial institutions, legal representatives, consultancy firms, academics and, in particular, Tier 1 investors. Please circulate this document to anyone you think may have an interest. It is also available on the MAC [website](#).

2.2 We are keen to discuss the questions set out in this document and hear your views. A meeting to discuss the evidence partners could provide and to hear partners’ views will be hosted by the MAC at 2 Marsham Street, London, SW1P 4DF on the morning of Monday 11 November 2013.

2.3 Partners who would like to attend this meeting should get in touch with the MAC secretariat at mac@homeoffice.gsi.gov.uk and they will be notified of the timings and agenda for the meeting. All partners must notify the MAC in advance of attending the event and must bring photo ID with them to obtain entry to 2 Marsham Street.

2.4 If partners would like to meet with the MAC or its secretariat or can offer to host an event at which the MAC could engage with a number of partners, please contact the secretariat at the above email address. The MAC would also be interested to hear about any upcoming meetings, conferences or

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forums which would provide good opportunities to engage with wider groups.

- 2.5 The deadline for submitting evidence to the MAC in response to this call for evidence is **29 November 2013**.

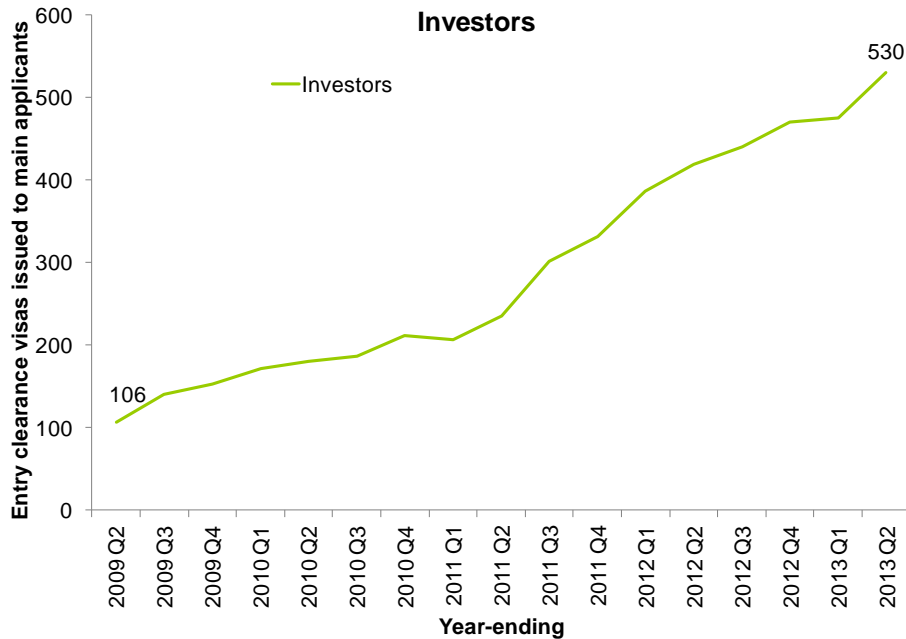
3. Context

- 3.1 There was a net inflow of 176,000 long term international migrants in the year to December 2012. According to International Passenger Survey estimates, inflows for work-related reasons¹ stood at 175,000 in the same period, of which non-European Union work-related inflows accounted for 44,000.
- 3.2 The latest Immigration Statistics released by the Home Office show that in the four quarters to 2013 Q2, the total number of Tier 1 visas, issued to main applicants were 1,706, compared to 10,749 visas issued to Tier 2 (General) migrants².
- 3.3 In the four quarters to 2013 Q2, 530 Tier 1 (Investor) main applicant entry clearance visas and 1038 Tier 1 (Investor) dependant visas were issued. An extension of stay was granted for 373 main applicants of the Tier 1 (Investor) route over the same period.
- 3.4 In the period since the introduction of the Points Based System in 2008, to 2013 Q2, 1,470 entry clearance visas were granted for Tier 1 (Investor) main applicants. Figure 1 summarises the number of entry clearance visas issued to main applicants under the Tier 1 (Investor) route since the route was opened, to the year ending 2013 Q2.
- 3.5 In the four quarters to 2013 Q2, of the 576 applications that were made for entry clearance visas by Tier 1 (Investor) main applicants, 55 or 9.5 per cent were refused. In the same period, 1,106 applications for entry clearance visas were made by Tier 1 (Investor) dependents and 111 or 10 per cent of applications were refused.

¹ Work-related includes “definite job” and “looking for work”.

² Excluding Intra Company Transfers.

Figure 1: Entry clearance visas issued to main applicant Tier 1 investors, year ending 2009 Q2 to 2013 Q2



Notes: Non-European Economic Area nationals require an entry clearance visa before they are permitted to enter the UK. The figures above provide an indication of the number of investors with non-EEA nationality coming to the UK in a given period, however, they might not directly equate to flows of migrants into the UK. Although entry clearance may be granted, the individual might subsequently decide not to migrate to the UK or might not remain in the UK for a period longer than one year. The figures also do not include migrants who entered the UK in another route and subsequently switched into the Tier 1 (Investor) route.
Source: Home Office Immigration Statistics (May 2013)

Tier 1 (Investor)

- 3.6 The Tier 1 (Investor) route is for high net-worth individuals who wish to make a substantial financial investment of at least £1 million, in the UK. Investment funds can be either the migrant’s own funds or can be made up from a loan, but only where the applicant holds double the value of investment in personal assets. For example, the applicant can either invest £1 million of their own money in the UK, or borrow £1 million to invest provided they hold £2 million in personal assets.
- 3.7 Investment funds must be invested in UK Government bonds, share capital or loan capital in UK registered trading companies. Investment funds must be held in a UK regulated financial institution at the time of the application, and be disposable in the UK.
- 3.8 Applicants under the Tier 1 (Investor) route are granted an initial period of leave of no more than 3 years and 4 months for out-of-country applicants, and 3 years for in-country applicants. At the end of this period of leave, provided that an applicant can demonstrate that they have invested £1 million within 3 months of entry and have maintained the investment since, an extension can be sought for a further two years.

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- 3.9 There is no maximum limit on the amount which a migrant can invest in the UK. Indeed, higher investment levels can result in shorter periods of qualification for settlement in the UK. For example, an investment of £5 million provides a settlement qualifying period of 3 years rather than 5, whilst an investment of £10 million results in a settlement qualifying period of 2 years. The investor must have been resident in the UK for a minimum of 180 days per annum during the qualifying period. Investment levels have no impact on the qualifying periods for naturalisation as a British citizen. Most investors will be seeking naturalisation under section 6 (1) of the British Nationality Act 1981, which has a five year qualifying period of which at least the last year must have been spent with no conditions attached to the migrant's leave. In practice, this means that investors who settle in 2 or 3 years can qualify for citizenship in 5 years, whereas those who settle in 5 years can qualify for citizenship in 6 years.

4. Existing evidence on the economic impact of migrant investors

- 4.1 Existing research on the economic impacts of high net value migration in general, and the Tier 1 routes in particular, is scarce. This is not entirely surprising given the relatively small number of Tier 1 (Investor) migrants in particular.
- 4.2 Earlier this year, the MAC commissioned the National Institute for Economic and Social Research (NIESR) to investigate the economic and labour market impacts in the UK of migrants using the Tier 1 (Entrepreneur) and Tier 1 (Investor) routes. NIESR submitted their findings to the MAC on 13 May 2013. The report was published on the MAC website on 01 July 2013.
- 4.3 NIESR's research consisted of a review of existing research, both in the UK and internationally; an examination of UK datasets; and qualitative evidence through case study interviews with Tier 1 entrepreneurs and Tier 1 investors.
- 4.4 NIESR found that migrants who enter the Tier 1 (Entrepreneur) and Tier 1 (Investor) routes are likely to be involved in sectors where the UK has "some comparative production advantage" and are likely to reside and operate in large urban areas. Other factors, such as financial resources and host country attitudes and institutions, play a role in attracting skilled migrants to the UK.
- 4.5 The presence of skilled migrants has been linked to increased trade and investment flows between source and destination countries. It is also suggested that the potential gains from trade are greater for country-pairs which have less historical trade experience together and for whom the flow of migrants helps to realise these gains. NIESR also found that the available evidence points to a link between the presence of skilled migrants and innovation by firms, particularly in export-intensive sectors.

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- 4.6 NIESR reported a lack of existing evidence with regards to the specific impacts of Tier 1 entrepreneurs and Tier 1 investors. In order to uncover more about this, NIESR conducted qualitative case studies which indicated that Tier 1 investors tended to be experienced business people who continue to have an involvement in business, in the UK and further afield, to some degree.
- 4.7 Tier 1 investors were found, in the main, to have invested in Government bonds, as this was the most straightforward way in which to satisfy visa requirements. Some of those interviewed told NIESR that they had an interest in entrepreneurial activity, but did not wish to be constrained by the visa requirements associated with the Tier 1 (Entrepreneur) route, so instead applied via the Tier 1 (Investor) route. Many of the Tier 1 investors interviewed by NIESR commented that they intended to make further investments, or establish businesses, in the UK once they had developed a better feel for the UK market.
- 4.8 NIESR also identified concerns among Tier 1 investors that the 180 day residence requirement was too strict and hindered their ability to further their international business interests.
- 4.9 The MAC would value comments from those with experience of using the Tier 1 (Investor) route, and from those with a more general interest, on the findings of the NIESR report. For example, do the findings of the NIESR report reflect your experience of the Tier 1 (Investor) route?

5. Questions

- 5.1 The MAC particularly values the views of Tier 1 investors, and their representatives, in respect of this commission. We also welcome views from the Government, academics, representative bodies, financial institutions and any other interested parties.
- 5.2 The questions below identify some key issues we will be considering. You do not have to answer all the questions.
1. What do you consider to be the net economic benefits to the UK of the Tier 1 (Investor) route? Please provide evidence to support your views, taking into account the following factors:
 - The direct benefits resulting from the migrant's investment in the UK, bearing in mind that such investment may be withdrawn once the migrant obtains indefinite leave to remain;
 - The indirect benefits from wider expenditure by the main Tier 1 applicant and their dependants on goods and services in the UK;
 - The extent to which these benefits may be affected by the migrant's absences from the UK;
 - The timeframe over which these benefits may be realised; and

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- Any direct and indirect costs to the UK economy related to the existence of the Tier 1 (Investor) route and the presence of Tier 1 investors in the UK.
2. How might these benefits and/or costs be affected by the current financial thresholds for the Tier 1 (Investor) route? Can you provide any evidence to demonstrate the potential impact on these benefits and/or costs for the UK should these thresholds be revised (either increased or decreased)? The current financial thresholds are as follows:
 - £1 million for investors seeking settlement after 5 years;
 - £5 million and £10 million for investors seeking settlement after three and two years respectively.
 3. What are the prime motivations for investing in the UK in preference to other countries? How are these motivations affected by:
 - Economic and business factors, such as taxation policies, regulation, the ease of doing business or economic growth prospects; and
 - Non-economic and non-business factors, such as the education system, language spoken, and social and cultural factors?
 4. How might the economic benefits and/or costs of the Tier 1 (Investor) route be affected by the current forms of investment specified by the requirements of that route? Specifying, where possible, how you would measure the relative benefits of different investments and over what time periods, please provide evidence to demonstrate:
 - Any potential increase in economic benefit for the UK should the specified forms of investment be relaxed or further restricted;
 - Alternative forms of investment which may deliver greater economic benefits to the UK.
 - Any potential change in economic benefit for the UK should the requirement for investment to “hold value” be relaxed.

Users of the Tier 1 (Investor) route:

- 5.3** The MAC particularly welcomes evidence from individuals who have made use of the Tier 1 (Investor) route. The questions listed Annex A identify some additional issues that the MAC would like to consider.

6. Contact details

6.1 Please send your responses to the MAC Secretariat at:

mac@homeoffice.gsi.gov.uk

Migration Advisory Committee
2nd Floor
Fry Building
2 Marsham Street
London
SW1P 4DF
Telephone: 020 7035 8117/ 1764

Please submit your evidence by 29 November 2013.

Please note that we may quote evidence received, attributed to the individual or organisation that supplied it, in our published report unless we are explicitly asked not to.

Annex A Users of the Tier 1 (Investor) route

A.1 The MAC particularly welcomes evidence from persons who have made use of the Tier 1 (Investor) route. The questions below identify some additional issues that the MAC would like to consider.

Previous experience and reasons for coming to the UK:

1. Can you summarise your previous experience before coming to the UK using the Tier 1 (Investor) routes? For example, your previous country of residence; your field of expertise or business; investments you have made outside the UK.
2. Why did you choose to use the Tier 1 (Investor) route?
3. What were your reasons for choosing to invest in the UK in preference to other countries?

Your residence in the UK:

4. How long have you been resident in the UK? How long have you been resident in the UK under the Tier 1 (Investor) route?
5. Are you renting, or have you purchased, a property in the UK for you and your family to live in?
6. On average, how many months do (a) you and (b) your dependants spend in the UK each year?
7. What impact does the requirement to be resident in the UK for at least 185 days a year have on you?
8. Ideally, how many months a year would you wish to spend in the UK?
9. What was the value of your investment when applying under the Tier 1 (Investor) route:

£1 million, providing a settlement qualifying period of 5 years;

£5 million, providing a settlement qualifying period of 3 years; or

£10 million, providing a settlement qualifying period of 2 years?

What was your rationale for choosing to invest at the level you did? Does the duration of your investment align with the settlement qualifying periods? Did you source the investment funds via a loan from a UK regulated financial institution?
10. (i) What did you choose to invest in? What was the rationale for your choice of investment?

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(ii) Would you have preferred to invest in alternative instruments to qualify for the Tier 1 (Investor) route? If so, in what instruments would you have preferred to invest?

(iii) Have you invested in alternative instruments in addition to your investment for the purposes of meeting the immigration requirements? If so, how much have you invested in (a) property and (b) other instruments?

(iv) Do you have any other business interests in the UK? (For example the establishment of a new business or a UK branch of your existing business).

Other economic activity in the UK:

11. Has the value of your investment increased during your time in the UK? Do you expect this trend to continue? If so, please say why. If the value of your investment has fallen, have you “topped up” your investment? If so, by what proportion or value?
12. Do you employ anyone in the UK? If so, how many people do you employ and in what roles are they employed (For example, office manager, domestic assistance)?
13. Excluding direct housing costs (rental or mortgage payments), how much do you, and your dependants, spend during an average month on goods and services in the UK? Please select one band for each of column (i), (ii), and (iii) in the table below.

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Table 1

Average monthly expenditure on goods and services in the UK:	(i) When you and your dependants are physically present in the UK.	(ii) When you are not physically present in the UK, but your dependants are.	(iii) When neither you, nor your dependants, are physically present in the UK.
Less than £5,000			
£5,000 - £15,000			
£15,000 - £25,000			
£25,000 – £50,000			
£50,000 – £75,000			
£75,000 - £100,000			
£100,000 – £250,000			
£250,000 - £500,000			
£500,000 - £750,000			
£750,000 - £1 million			
£1 million +			

Your future intentions:

14. Have you, or do you intend to, extend your stay in the UK? If so, do you intend to seek (a) settlement or (b) citizenship for you, and your family, in due course?