

Chapter 1

Introduction

Referral

1.1 On 12 November 2015, the Senate referred the provisions of the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015 (Bill) to the Senate Community Affairs Legislation Committee (committee) for inquiry and report by 30 November 2015.¹

1.2 This inquiry reports on the provisions of the Bill as referred to the committee on 12 November 2015. The committee notes that the House of Representatives agreed to amendments to the Bill on 26 November 2015 removing schedules 1 and 3 and items 1–3 and 5–9 of schedule 2.²

Conduct of the inquiry

1.3 Details of the inquiry, including a link to the Bill and associated documents, were placed on the committee's website.³ The committee also wrote to 84 organisations and individuals, inviting submissions by 20 November 2015. Submissions continued to be submitted after that date.

1.4 The committee received 19 submissions to the inquiry. All submissions are listed at Appendix 1 and published on the committee's website.

1.5 The committee held a public hearing in Canberra on 19 November 2015. A list of witnesses who appeared at the hearing is at Appendix 2, and the Hansard transcript is available through the committee's website.

Background

1.6 In May 2015, the then Minister for Social Services, the Hon Scott Morrison MP, announced a \$3.5 billion *Jobs for Families* childcare package to 'provide greater choice for more than 1.2 million families by providing a simpler, more affordable, more flexible, and more accessible child care system.' This package would provide additional support for low and middle income families through:

- Abolition of the current Child Care Benefit, Child Care Rebate and Jobs, Education and Training Child Care Fee Assistance programmes.
- Introduction of a single means tested *Child Care Subsidy* for all families, subject to a new activity test for up to 100 hours of

1 *Journals of the Senate*, No. 126—12 November 2015, p. 3374.

2 *House of Representatives Votes and Proceedings*, No. 162—26 November 2015, p. 1750.

3 See:

http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Family_Payments (accessed 23 November 2015).

subsidised care per child per fortnight, paid directly to approved care service providers to make it easier for families.

- For family incomes of up to approximately \$65,000 the *Child Care Subsidy* will be 85% per child of the actual fee or a benchmark price, whichever is lower. This will reduce to 50% for family incomes of approximately \$170,000 and above at the time of implementation.
- Families on incomes under \$185,000 will no longer have a cap on the amount of subsidy they receive.
- A cap of \$10,000 per child at the time of introduction will be established for the total value of subsidies for family incomes of \$185,000 and above.⁴

1.7 In his second reading speech on the Bill, the Minister for Social Services, the Hon Christian Porter MP (Minister), noted that the expected savings from the measures in the Bill would offset the childcare package, as well as improving:

...the sustainability of family payments, ensuring that we as a government and as a society can achieve three important goals: first, continue to assist families in raising their children over the long term; second, fund the childcare reforms designed to enable and encourage greater workforce participation; and, third, continue a deservedly needed process of simplifying FTB [family tax benefit], consistent with the recommendations of the McClure review, which highlights the unworkability of a system that maintains 20 main payment types with in excess of 50 supplementary categories.⁵

Key provisions and purpose of Bill

1.8 The Bill seeks to amend the *A New Tax System (Family Assistance) Act 1999*, *A New Tax System (Family Assistance) (Administration) Act 1999* and *Social Security Act 1991* in order to:

- reform family tax benefit (FTB) Part A and at-home under-18 year old youth allowance and disability support pension fortnightly rates;
- reform to FTB Part B; and
- phase out the FTB Part A and Part B supplements.⁶

1.9 This Bill is comprised of three schedules. The committee notes that the amended Bill removes schedules 1 and 3 and most of schedule 2.

4 The Hon Scott Morrison MP, Minister for Social Services, 'Job for Families child care package delivers choice for families', Media Release, 10 May 2015, <http://www.formerministers.dss.gov.au/15859/job-for-families-child-care-package-delivers-choice-for-families/> (accessed 23 November 2015).

5 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 21 October 2015, p. 11 919.

6 Explanatory Memorandum (EM), p. 1.

Schedule 1—Payment Rates

1.10 This schedule proposes to increase the fortnightly rates for FTB Part A by \$10.08 for each FTB child in the family aged up to 19 years of age. An equivalent rate increase (of around \$10.44 per fortnight) would apply to certain youth allowance and disability support pension recipients aged under 18 years of age.⁷

1.11 These increases would commence from 1 July 2018.⁸

Schedule 2—Family tax benefit Part B rate

1.12 This schedule proposes to:

introduce a new rate structure for FTB Part B, and make other amendments to the rules for Part B, to:

- increase the standard rate by \$1,000.10 per year for families with a youngest child aged under one;
- introduce a reduced rate of \$1,000.10 per year for single parent families with a youngest child aged 13 to 16 (currently \$2,737.50), and extend the \$1,000.10 rate to couple grandparents with an FTB child in this age range;
- remove family tax benefit Part B for couple families (other than grandparents) with a youngest child aged 13 or over.⁹

1.13 Item 10 of Schedule 2 specifies that the new criteria for working out the rate of family tax benefit would commence on 1 July 2016. The first indexation of the new amounts outlined in the table in subclause 30(1) of schedule 1 would commence on 1 July 2017.¹⁰

1.14 The committee notes that the amended Bill removes the proposed changes to the standard rates of FTB Part B and retains the proposed measure outlined in item 4 to remove FTB Part B for couple families with a youngest child aged 13 years or older, with the exception of grandparent and great-grandparent carers.¹¹

Schedule 3—Family tax benefit supplements

1.15 This schedule proposes to:

[P]hase out the family tax benefit Part A supplement by reducing it to \$602.25 a year from 1 July 2016, and to \$302.95 a year from 1 July 2017. It will then be withdrawn from 1 July 2018.

7 EM, p. 2.

8 EM, p. 2.

9 EM, p. 6.

10 EM, p. 8.

11 Supplementary EM, p. [1].

The family tax benefit Part B supplement will also be phased out. It will be reduced to \$302.95 a year from 1 July 2016, and to \$153.30 a year from 1 July 2017. It will then be withdrawn from 1 July 2018.¹²

1.16 Part 1 and Part 2 of this schedule provide for the reduction of end-of-year FTB Part A and FTB Part B supplements, to commence on 1 July 2016 and 1 July 2017 respectively. Part 3 of this schedule provides for FTB Part A and FTB Part B supplements to be phased out completely by 1 July 2018.¹³

Financial impact

1.17 The Explanatory Memorandum estimated the following financial impacts for each schedule over the forward estimates of the Bill as referred:

- Schedule 1—cost of \$584.2 million;
- Schedule 2—saving of \$1 361.8 million; and
- Schedule 3—saving of \$4 063.9 million.¹⁴

1.18 The committee notes that the amended Bill is estimated to result in a saving of \$525.5 million over the forward estimates.¹⁵

Consideration of the Bill by other committees

Scrutiny of Bills

1.19 The Senate Standing Committee for the Scrutiny of Bills made no comment on this Bill.¹⁶

Human Rights

1.20 The Parliamentary Joint Committee on Human Rights (PJCHR) considered that the reduction in the rate of FTB Part B and the removal of the supplements to FTB Parts A and B may engage and limit the right to social security and the right to an adequate standard of living. The PJCHR sought advice from the Minister on the justification for these limits.¹⁷ The PJCHR had not published the Minister's response by the time this inquiry had concluded.

Acknowledgement

1.21 The committee thanks those organisations who made submissions to the inquiry and who gave evidence at the public hearing.

12 EM, p. 9.

13 EM, pp 9–10.

14 EM, p. 1.

15 Supplementary EM, p. [1].

16 Senate Standing Committee for the Scrutiny of Bills, *Alert Digest No. 12 of 2015*, 11 November 2015, p. 21.

17 Parliamentary Joint Committee on Human Rights, *Thirtieth report of the 44th Parliament*, 10 November 2015, pp 53–60.

Note on References

1.22 Reference to the committee *Hansard* is to the proof *Hansard*. Page numbers may vary between the proof and the official *Hansard* transcript.

