



### Increasing the Totally and Permanently Incapacitated Payment for Veterans

Party: Australian Labor Party

#### Summary of proposal:

The proposal would increase the Department of Veteran Affairs (DVA) Disability Compensation Payment Special Rate (the Special Rate), also known as the totally and permanently incapacitated pension, by \$1,000 per year.

The proposal is ongoing and would be in effect from 1 January 2023.

### Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by \$97.8 million over the 2022-23 Budget forward estimates period. This impact reflects an increase in administered expenses.

The estimates are largely based on the recipient forecasts by the DVA. The proposal is not expected to have any impact on departmental expenses, as forecasts suggest no growth in the payment population.

The proposal would have an ongoing impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2032-33 is provided at Attachment A.

**Table 1: Financial implications (\$m)<sup>(a)(b)</sup>**

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	-13.4	-27.4	-28.1	-28.9	<b>-97.8</b>
Underlying cash balance	-13.4	-27.4	-28.1	-28.9	<b>-97.8</b>

(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.

### Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal:

- The number of veterans receiving the Special Rate would move in line with the overall number of veterans receiving the DVA disability pension.
  - The number of disability pension recipients is projected to decline at a rate between 0.5% to 1.2% per annum over the period to 2032-33.
  - The proposed fortnightly payments are indexed to Male Total Average Weekly Earnings (MTAWE), which is projected to increase by between 2.8% and 4% per annum over the period to 2032-33.

- There would be no impact on departmental expenses as the proposal is not expected to have an impact on the number of recipients of the Special Rate.

## Methodology

The administered cost of this proposal was calculated by multiplying the number of Special Rate compensation recipients forecast to be present in each year, by the difference between the increased fortnightly Special Rate (proposed rate), and the current rate. The proposed and current rates were indexed by growth in MTAWWE at the beginning of the proposal and over the medium term.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.<sup>1</sup>

## Data sources

Department of Veteran Affairs, 2021. *Pensioner summary statistics September 2021* [data set], <https://www.dva.gov.au/about-us/overview/research/statistics-about-veteran-population#pensioner-summary-statistics-vea-only>, accessed 8 March 2022.

Department of Veteran Affairs, 2021. *Population projections – Executive Summary – June 2021* [data set], <https://www.dva.gov.au/about-us/overview/research/statistics-about-veteran-population#population-projections-executive-summary>, accessed 8 March 2022.

Department of Veteran Affairs, 2022. *Disability Pension Rates & Supplements 20 March 2022*, <https://clik.dva.gov.au/compensation-and-support-reference-library/payment-rates/current-payment-rates/20-march-2022/disability-pension-rates-supplements-20-march-2022>, accessed 11 April 2022.

The Treasury provided economic parameters as at the 2022-23 Budget.

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<sup>1</sup> [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Budget\\_Office/Costings\\_and\\_budget\\_information](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information)

## Attachment A – Increasing the Totally and Permanently Incapacitated Payment for Veterans – financial implications

**Table A1: Increasing the Totally and Permanently Incapacitated Payment for Veterans – Fiscal and underlying cash balances (\$m)<sup>(a)</sup>**

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<b>Expenses</b>													
<i>Administered expenses</i>	-13.4	-27.4	-28.1	-28.9	-29.7	-30.6	-31.5	-32.5	-33.6	-34.7	-35.9	-97.8	-326.3
<b>Total (excluding PDI)</b>	<b>-13.4</b>	<b>-27.4</b>	<b>-28.1</b>	<b>-28.9</b>	<b>-29.7</b>	<b>-30.6</b>	<b>-31.5</b>	<b>-32.5</b>	<b>-33.6</b>	<b>-34.7</b>	<b>-35.9</b>	<b>-97.8</b>	<b>-326.3</b>

(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.

- Indicates nil.

**Table A2: Increasing the Totally and Permanently Incapacitated Payment for Veterans – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)<sup>(a)(b)</sup>**

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<i>Fiscal balance</i>	-0.2	-0.6	-1.3	-1.9	-2.7	-3.5	-4.5	-5.6	-6.8	-8.2	-9.8	-4.0	-45.1
<i>Underlying cash balance</i>	-0.1	-0.6	-1.2	-1.9	-2.6	-3.4	-4.4	-5.4	-6.6	-8.0	-9.6	-3.8	-43.8

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the table 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<sup>2</sup>.

(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.

<sup>2</sup> [Online budget glossary – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)