

Social Services Legislation Amendment (Maintaining Income Thresholds) Bill 2018

Submission to Community Affairs Committee

20 July 2018



About ACOSS

The [Australian Council of Social Service \(ACOSS\)](#) is a national voice in support of people affected by poverty, disadvantage and inequality and the peak body for the community services and civil society sector. Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities have the opportunities and resources they need to participate fully in social and economic life.

Recommendation:

The Committee must oppose this Bill.

The FTB Supplements must be indexed

ACOSS strongly opposes freezing the rates of the end-of-year supplements for Family Tax Benefit (FTB). These supplements were not increased in line with inflation for six years between 2010 and 2016, and substantially lost their value as a result. The FTB Part A supplement has dropped in value by an estimated \$85 over that time, while Part B has been eroded by an estimated \$40. For parents on very low incomes, especially single parents, this is a large chunk of money taken out of their already stretched budgets, particularly when things like car registration or electricity bills need to be paid.

We note that these two supplements were indexed in 2017 and 2018. This is very welcome and such indexation should continue. However, this indexation does not make up for the large cut to the supplements' purchasing power whilst they were frozen.

It is unacceptable to freeze these payments for a further two years. Such payments go to people on the lowest incomes and should always be indexed to ensure they maintain pace with living costs. In addition, family payments should be benchmarked to wage growth to ensure they maintain pace with community living standards. Child poverty has increased in recent years, and unless payments going to parents and children on the lowest incomes are increased and indexed, we will see this trend continue.

Freezing the upper-income thresholds

Freezing the indexation of the upper-income thresholds for FTB, Paid Parental Leave (PPL) and Dad and Partner Pay (DaPP) is lazy policy. It weakens the original intent of FTB, which was to ensure that the additional cost of children was recognised in our tax and transfer system. This policy also runs counter to other measures taken by government, including tax cuts; families in these income brackets would likely lose any benefit from tax cuts they may receive via loss of FTB.

Although families affected by the upper-threshold freeze are not on low incomes, some of these thresholds have been frozen for as long as ten years. Clearly the value of the thresholds has

diminished over time, which has the effect of further targeting payments. These payments are already means-tested to ensure they are appropriately targeted. Freezing upper thresholds, however, effectively tightens this means test in a manner that lacks transparency and appropriate public debate.

Freezing the income thresholds for parents accessing PPL and DaPP reduces the breadth of access to these essential payments and weakens the integrity of the government paid parental leave scheme.

ACOSS calls on the Committee to reject this Bill.