



Australian Government

Department of Social Services

Nathan Williamson
Deputy Secretary

Rachel Callinan
Committee Secretary
Senate Standing Committees on Community Affairs
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Dear Ms Callinan

**SUBMISSION TO THE SENATE COMMUNITY AFFAIRS LEGISLATION
COMMITTEE**

Please find attached a submission by the Department of Social Services to the Senate Community Affairs Legislation Committee Inquiry into the Social Services Legislation Amendment (Maintaining Income Thresholds) Bill 2018.

Thank you for providing the department with the opportunity to make a submission.

Yours sincerely

Nathan Williamson
Deputy Secretary
Social Security

20 July 2018

**Department of Social Services Submission for the Social Services Legislation
Amendment (Maintaining Income Thresholds) Bill 2018 to the Senate
Legislation Committee Inquiry**

Overview of the Bill

The amendments contained in the Social Security Legislation Amendment (Maintaining Income Thresholds) Bill 2018 (the Bill) will give effect to the Family Tax Benefit (FTB) and Paid Parental Leave (which includes Parental Leave Pay and Dad and Partner Pay) measures announced by the Government as part of the 2017-18 Mid-Year Economic and Fiscal Outlook.

This Bill will contribute to Budget repair by continuing to focus family payments to vulnerable families with lower incomes. The changes in the Bill will not affect the fortnightly assistance currently provided to low and middle-income families.

The Bill maintains the indexation pauses on the following payment thresholds and income limits for a further year from 1 July 2020, with indexation to resume on 1 July 2021:

- FTB Part A higher income free area at \$94,316
- FTB Part B primary earner income limit at \$100,000 a year
- Parental Leave Pay income limit at \$150,000 a year
- Dad and Partner Pay income limit at \$150,000 a year.

Under these measures, the majority of families affected will not face a reduction in the amount of assistance they currently receive, but will forgo an increase in their payment as their income increases over the higher income thresholds.

Additionally, the annual FTB end-of-year supplements will remain at current levels for three years from 1 July 2018.

Pausing indexation achieves budget savings by slowing the growth in expenditure.

The Bill extends pauses that have been used by successive governments to better target payments to low and middle income families.

- The FTB Part A higher income free area has been paused since 1 July 2009.
- The FTB Part B primary earner income limit has been paused since 1 July 2009 (note the limit was reduced from \$150,000 to \$100,000 from 1 July 2015).

- The Paid Parental Leave income limits have not been indexed since their introduction in 1 January 2011 for Parental Leave Pay and 1 January 2013 for Dad and Partner Pay.
- Indexation of the FTB end of year supplements has been paused from 1 July 2011 and 30 June 2017.

Measure impacts

Extending indexation pauses on thresholds and income limits

The majority of FTB families will not be affected by the indexation pauses to income thresholds and limits. Indexation of the following thresholds and limits is currently paused, with indexation set to resume on 1 July 2020. This measure would pause indexation for one further year, resuming indexation on 1 July 2021.

FTB Part A higher income free area, \$94,316

The majority of FTB Part A families, around 1.3 million in 2020-21, will not be affected by the indexation pause to the FTB Part A higher income free area.

In 2020-21, an estimated 119,400 FTB Part A families (around 10 per cent) with income above \$94,316 will not receive an increase to their rate of FTB Part A and around 13,200 families (less than 1 per cent) with a small annual entitlement will no longer be eligible for FTB Part A.

FTB Part B primary earner income limit, \$100,000

Around 1.2 million families where the main earner's income is less than \$100,000 will not be affected by the indexation pause to the FTB Part B primary earner income limit.

In 2020-21, an estimated 9,300 families (around 1 per cent) where the primary earner's income increases above \$100,000 due to wage growth will lose entitlement to their FTB Part B payments. The amount of FTB Part B entitlement is dependent on the secondary earner in couple families.

Parental Leave Pay and Dad and Partner Pay

Around 250,000 parents (over 99 per cent of all applicants) with income under \$150,000 will not be affected by the indexation pauses to Parental Leave Pay or Dad and Partner Pay.

In 2020-21, an estimated 680 applicants (less than 1 per cent) with income above \$150,000 would no longer be eligible for Parental Leave Pay, and around 530 applicants (less than 1 per cent) with income above \$150,000 would no longer be eligible for Dad and Partner Pay.

Pausing FTB end-of-year supplements

A family's fortnightly assistance will not be affected by this measure. The FTB Part A and FTB Part B end-of-year supplements are only available after the end of an entitlement year once certain conditions are met, for example once a family lodges their tax returns or notifies the Department of Human Services they are not required to lodge a return.

Following each entitlement year, actual family income is reconciled with the amount of FTB paid in instalments throughout the previous year based on estimated family income. Reconciliation determines if a family is eligible for the end-of-year supplements and whether a family receives a top up payment.

FTB Part A end-of-year supplement, \$737.30

After 1 July 2019, an estimated 1.2 million FTB Part A families with 2.2 million children will forgo up to \$14.60 for the 2018-19 entitlement year for each FTB Part A child in the family.

For example, with the indexation pause, a family with two children and a family income of \$70,000 who met reconciliation conditions would be entitled to an annual amount of FTB Part A of \$7,754, including end-of-year supplements of \$1,474.

If the FTB Part A end-of-year supplement was indexed, the same family would be entitled to an annual FTB amount of \$7,783, including end-of-year supplements worth \$1,504.

FTB Part B end-of-year supplement, \$357.70

After 1 July 2019, an estimated 1.2 million FTB Part B families will forgo up to \$7.30 for the 2018-19 entitlement year due to the indexation pause to the end-of-year supplements.

For example, with the pause to indexation, a single parent with two children aged four and eight years and family income of \$50,000 would be entitled to an annual amount of FTB Part B of \$4,412, including the end-of-year supplement of \$357.70.

If the FTB Part B end-of-year supplement was indexed, the same family would be entitled to an annual amount of FTB Part B of \$4,420, including the end-of-year supplement of \$365.00.