

Chapter 1

Introduction and overview of the bill

1.1 On 1 September 2016, the Senate referred the provisions of the Budget Savings (Omnibus) Bill 2016 (the bill) to the Senate Economics Legislation Committee for inquiry and report by 13 September 2016. On 12 September, the Senate granted the committee an extension to report by 14 September 2016.

1.2 The bill contains 24 measures, set out in the same number of schedules, which represent total savings of approximately \$6 billion over the forward estimates.¹ These measures are broad-ranging, and relate to expenditure on higher education, health, and welfare, in addition to expenditure on specific matters such as the funding of the Australian Renewable Energy Agency (ARENA) and the rates of tax offsets for research and development. This report outlines each of the 24 measures below.

1.3 In his second reading speech, the Treasurer, the Hon Scott Morrison MP, explained that the bill is 'part of a concerted strategy to make immediate and tangible headway towards balancing the budget'.²

Conduct of the inquiry

1.4 The committee advertised the inquiry on its website and social media, and wrote directly to a range of individuals and organisations inviting written submissions by 7 September 2016. The committee received 213 submissions, which are listed at Appendix 1. The committee thanks all groups and individuals who took the time to make a written submission.

1.5 The committee did not hold any public hearings for this inquiry.

Financial impact

1.6 As noted above, the bill contains 24 measures, which represent total savings of approximately \$6 billion over the forward estimates.³ The savings range from \$3.3 million from the introduction of a new minimum repayment threshold for all

1 The 'forward estimates' usually refers to the current fiscal year and three forward years (in this instance, 2016–17 to 2019–20). The Explanatory Memorandum includes the last financial year, 2015–16, in the savings projections. References to savings over the forward estimates in this report refer to the financial impact of measures from 2015–16 to 2019–20. See Table 1 in this report for more detail.

2 The Hon Scott Morrison MP, Treasurer, Second Reading Speech, *House of Representatives Proof Hansard*, 31 August 2016, p. 34.

3 A correction to the Explanatory Memorandum projects total savings of \$5,996.6 million over the forward estimates.

HELP debts from 1 July 2018, to \$1.291 billion from the closure of carbon tax compensation to new welfare recipients. These savings are summarised in Table 1.

1.7 In his second reading speech, the Treasurer, the Hon Scott Morrison MP, stated that indicative projections from Treasury suggested that if the savings in the bill were not passed then 'gross debt is projected to increase by more than \$30 billion by 2026–27 compared to projections at the 2016–17 budget'.⁴

Table 1: Financial impact of the measures (\$m)

No.	Measure Title	2015-16	2016-17	2017-18	2018-19	2019-20	Total
1	Minimum repayment income for HELP debts	0.0	-2.1	-2.2	2.8	4.8	3.3
2	Indexation of higher education support amounts	0.0	0.0	0.0	9.7	44.9	54.6
3	Removal of HECS-HELP benefit	0.0	0.0	7.2	7.1	7.3	21.5
4	Job commitment bonus	-0.4	45.8	66.1	65.5	65.0	242.1
5	Australian Renewable Energy Agency's finances	0.0	0.0	392.0	169.7	448.6	1,010.3
6	Indexation of private health insurance thresholds	0.0	0.0	0.0	127.3	253.7	381.0
7	Abolishing the National Health Performance Authority	-0.7	22.1	21.8	22.7	22.7	88.6
8	Aged care	-3.5	21.2	24.2	20.2	18.4	80.5
9	Dental services	-4.1	95.0	50.5	32.9	-121.9	52.4
10	Newly arrived resident's waiting period	0.0	27.5	111.5	86.2	87.4	312.5
11	Student start-up scholarships	0.0	0.0	146.7	92.6	58.7	298.1
12	Interest charge	0.0	179.5	120.2	59.2	28.2	387.0

4 The Hon Scott Morrison MP, Treasurer, Second Reading Speech, *House of Representatives Proof Hansard*, 31 August 2016, p. 3.

No.	Measure Title	2015-16	2016-17	2017-18	2018-19	2019-20	Total
13	Debt recovery	8.3	49.9	49.8	49.8	0.0	157.8
14	Parental leave payments	-0.9	24.1	35.9	37.3	37.4	133.7
15	Fringe benefits	-1.9	6.8	39.0	44.3	43.9	132.1
16	Carer allowance	0.0	10.4	29.0	34.3	34.9	108.6
17	Indexation of family tax benefit and parental leave thresholds	0.0	-0.8	54.1	115.2	162.4	330.9
18	Pension means testing for aged care residents	0.0	-0.8	27.1	34.5	56.3	117.1
19	Employment income	-1.1	-2.0	-11.5	36.9	39.2	61.5
20	Psychiatric confinement	0.0	4.2	9.6	11.1	12.9	37.8
21	Closing carbon tax compensation to new welfare recipients	-1.6	34.8	282.2	422.1	553.7	1,291.2
22	Rates of R&D tax offset	0.0	0.0	160.0	210.0	230.0	600.0
23	Single touch payroll reporting	-85.4	-48.0	-12.7	224.5	12.0	90.4
24	Single appeal path under the Military Rehabilitation and Compensation Act	-0.9	0.4	1.3	1.4	1.4	3.6
Total		-92.1	467.9	1,601.6	1,917.4	2,101.9	5,996.6

Source: Explanatory Memorandum, pp. 5–6, and incorporating corrections for measure 11 and the total in the Correction to the Explanatory Memorandum.

Summary of the bill's measures

1.8 The next part of this report provides a basic summary of the measures in the bill. More detailed explanations of each measure are provided in the next chapter, which also considers views expressed in submissions.

Schedule 1: Minimum repayment income for HELP debts

1.9 Schedule 1 to the bill establishes a new minimum repayment threshold for HELP debts of 2 per cent when a person's income reaches \$51,957 in the 2018–19

income year. The measure is projected to result in savings of \$3.3 million over the forward estimates.⁵

Schedule 2: Indexation of higher education support amounts

1.10 Schedule 2 to the bill changes the index for amounts that are indexed annually under the *Higher Education Support Act 2003*, from the Higher Education Grants Index to the Consumer Price Index, with effect from 1 January 2008. The measure is projected to result in savings of \$54.6 million over the forward estimates.

Schedule 3: Removal of HECS-HELP benefit

1.11 Schedule 3 to the bill discontinues the HECS-HELP benefit from 1 July 2017. The measure is projected to result in savings of \$21.5 million over the forward estimates.

Schedule 4: Job commitment bonus

1.12 Schedule 4 to the bill gives effect to the 'cessation of the job commitment bonus' measure announced in the 2016–17 Budget. The measure is projected to result in savings of \$242.1 million over the forward estimates.

Schedule 5: Australian Renewable Energy Agency's (ARENA) finances

1.13 Schedule 5 to this bill reduces the funding available to ARENA, so that it is consistent with the 2016–17 Budget. The measure will result in financial savings of \$1.01 billion over the forward estimates period, and \$1.26 billion through to 2021–22.

Schedule 6: Indexation of private health insurance thresholds

1.14 Schedule 6 to the bill pauses the income thresholds that determine the tiers for the Medicare Levy Surcharge (MLS) and the Australian Government Rebate (the Rebate) on private health insurance at the 2014–15 rates until 2020–21. The measure is projected to result in savings of \$381 million over the forward estimates.⁶

Schedule 7: Abolishing the National Health Performance Authority

1.15 Schedule 7 to the bill repeals Chapter 3 of the *National Health Reform Act 2011*, with the purpose of abolishing the National Health Performance Authority established under the Act. The measure is projected to result in savings of \$88.6 million over the forward estimates.⁷

5 Explanatory Memorandum, *Budget Savings (Omnibus) Bill 2016* (hereafter 'Explanatory Memorandum'), p. 5.

6 Explanatory Memorandum, p. 5.

7 Explanatory Memorandum, p. 5.

Schedule 8: Aged care

1.16 Schedule 8 to this bill deals with proposed amendments to the *Aged Care Act 1997* relating to the creation of civil penalties for approved providers of aged care who engage in certain behaviours and other matters. The measure is projected to result in savings of \$80.5 million over the forward estimates.⁸

Schedule 9: Dental services

1.17 Schedule 9 to this bill amends the *Dental Benefits Act 2008* to close the Child Dental Benefits Schedule (CDBS) from 31 December 2016, and establish a framework for agreements between the Commonwealth and the states and territories (the states) to underpin a Child and Adult Public Dental Scheme. The measure is projected to result in savings of \$52.4 million over the forward estimates.⁹

Schedule 10: Newly arrived resident's waiting period

1.18 Schedule 10 to the bill will remove the exemption from the 104 week newly arrived resident's waiting period for new migrants who are family members of Australian citizens or long-term permanent residents. The measure is projected to result in savings of \$312.5 million over the forward estimates.¹⁰

Schedule 11: Student start-up scholarships

1.19 Schedule 11 to the bill repeals the student start-up scholarship payment, from 1 July 2017, or the first 1 January or 1 July after Royal Assent after this date. The measure is projected to result in savings of \$298.1 million over the forward estimates.¹¹

Schedule 12: Interest charge

1.20 Schedule 12 to the bill provides for the application of a new interest charge to outstanding debts owed by former recipients of social welfare payments who have failed to enter into, or have not complied with, an acceptable repayment arrangement. The measure is projected to result in savings of \$387 million over the forward estimates.¹²

8 Explanatory Memorandum, p. 5.

9 Explanatory Memorandum, p. 5.

10 Explanatory Memorandum, p. 5.

11 Correction to the Explanatory Memorandum.

12 Explanatory Memorandum, p. 5.

Schedule 13: Debt recovery

1.21 Schedule 13 to the bill introduces departure prohibition orders (similar to the arrangements applying the child support legislation) to prevent targeted welfare debtors from leaving the country.¹³ Schedule 13 also removes the six-year limitation on the recovery of welfare debts, thereby aligning social welfare debt recovery with the recovery of other Commonwealth debts, for which no such limitation exists. The measure is projected to result in savings of \$157.8 million over the forward estimates.¹⁴

Schedule 14: Parental leave payments

1.22 Schedule 14 to the bill amends the social security and veteran's entitlements legislation to ensure Commonwealth parental leave payments and dad and partner pay payments under the *Paid Parental Leave Act 2010* are included in the income test for Commonwealth income support payments. The measure is projected to result in savings of \$133.7 million over the forward estimates.¹⁵

Schedule 15: Fringe benefits

1.23 Schedule 15 to the bill changes the way in which fringe benefits are treated under the income tests for family assistance and youth income support payments and for other related purposes. The measure is projected to result in savings of \$132.1 million over the forward estimates.¹⁶

Schedule 16: Carer allowance

1.24 Schedule 16 to the bill aligns carer allowance and carer payment start day provisions, by removing provisions that apply to backdate a person's start day in relation to payment of carer allowance in certain circumstances. The measure is projected to result in savings of \$108.6 million over the forward estimates.¹⁷

Schedule 17: Indexation of family tax benefit and parental leave thresholds

1.25 As the Explanatory Memorandum explains, schedule 17 to the bill:

...makes amendments to the family assistance indexation provisions to maintain the higher income free area for family tax benefit (FTB) Part A and the primary earner income limit for FTB Part B for a further three years. Under the current law, indexation of these amounts is paused until

13 Explanatory Memorandum, p. 15.

14 Explanatory Memorandum, p. 6.

15 Explanatory Memorandum, p. 6.

16 Explanatory Memorandum, p. 6.

17 Explanatory Memorandum, p. 6.

and including 1 July 2016. These amendments ensure that indexation does not occur on 1 July of 2017, 2018 and 2019.

Similarly, amendments are made to ensure that the paid parental leave income limit is not indexed for a further three years, until 1 July 2020.¹⁸

1.26 The measure is projected to result in savings of \$330.9 million over the forward estimates.¹⁹

Schedule 18: Pension means testing for aged care residents

1.27 Schedule 18 aligns pension means testing arrangements with residential aged care arrangements. It does so by removing the pension income and assets test exemptions that are currently available to pensioners in aged care who rent out their former home and pay their aged care accommodation costs by periodic payments. The measure is projected to result in savings of \$117.1 million over the forward estimates.²⁰

Schedule 19: Employment income

1.28 As explained in the Explanatory Memorandum, schedule 19 to the bill:

...removes the exemption from the income test for family tax benefit Part A recipients and the exemption from the parental income test for dependent young people receiving youth allowance and ABSTUDY living allowance if the parent is receiving either a social security pension or social security benefit, and the fortnightly rate of pension or benefit is reduced to nil because of employment income (either wholly or partly).²¹

1.29 The measure is projected to result in savings of \$61.5 million over the forward estimates.

Schedule 20: Psychiatric confinement

1.30 Schedule 20 to the bill provides that a person undergoing psychiatric confinement because they have been charged with a serious offence will be taken to be in psychiatric confinement for the purpose of social security law, regardless of whether they are undertaking a course of rehabilitation. For persons in this situation, social security payments will not be payable while they are undergoing psychiatric confinement. The measure is projected to result in savings of \$37.8 million over the forward estimates.

18 Explanatory Memorandum, p. 17.

19 Explanatory Memorandum, p. 6.

20 Explanatory Memorandum, p. 6.

21 Explanatory Memorandum, p. 18.

Schedule 21: Closing carbon tax compensation to new welfare recipients

1.31 Schedule 21 to the bill prevents new recipients of welfare payments or concession cards from being paid the energy supplement from 20 March 2017. Schedule 21 also prevents the single income family supplement from being paid to new recipients from 1 July 2017. The measure is projected to result in savings of \$1,291.2 million over the forward estimates.

Schedule 22: Rates of R&D tax offset

1.32 Schedule 22 to the bill reduces the rates of the tax offset available under the research and development (R&D) tax incentive for the first \$100 million of eligible expenditure by 1.5 percentage points from 1 July 2016. As such, the 'higher (refundable) rate of the tax offset will be reduced from 45 per cent to 43.5 per cent and the lower (non-refundable) rates of the tax offset will be reduced from 40 per cent to 38.5 per cent'.²² The measure is projected to result in savings of \$600 million over the forward estimates.

Schedule 23: Single touch payroll reporting

1.33 Schedule 23 to the bill, as the Explanatory Memorandum explains:

...creates a new reporting framework, known as Single Touch Payroll (STP), for substantial employers to automatically provide payroll and superannuation information to the Commissioner of Taxation (Commissioner) at the time it is created. Entities that report under STP will not have to comply with a number of existing reporting obligations under the taxation laws.²³

1.34 The measure is projected to result in savings of \$90.4 million over the forward estimates.

Schedule 24: Single appeal path under the Military Rehabilitation and Compensation Act

1.35 Schedule 24 to the bill will create a single appeal path for the review of determinations made under the *Military Rehabilitation and Compensation Act 2004*. The measure is projected to result in savings of \$3.6 million over the forward estimates.

22 Explanatory Memorandum, p. 20.

23 Explanatory Memorandum, p. 21.