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No. 50 2001–02

**Social Security and Veterans' Affairs Entitlements
Legislation Amendment (Retirement Assistance
for Farmers) Bill 2001**

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Social Security and Veterans' Affairs Entitlements
Legislation Amendment (Retirement Assistance for
Farmers) Bill 2001

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11 September 2001

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Social Security and Veterans' Affairs Entitlements Legislation Amendment (Retirement Assistance for Farmers) Bill 2001

Date Introduced: 29 August 2001

House: Representatives

Portfolio: Family and Community Services and Veterans' Affairs

Commencement: Royal Assent

Purpose

To amend provisions in the *Social Security Act 1991* (SSA) and the *Veterans Entitlements Act 1986* (VEA), applying to the Retirement Assistance for Farmers Scheme (RAFS). The amendments will enable qualifying farmers, who were unable to finalise the transfer of their farm by 30 June 2001, to transfer their farm after that date and continue to qualify for the RAFS.

Background

The RAFS was introduced as a part of the *Agriculture – Advancing Australia* package, announced by the Prime Minister the Hon. John Howard and the Minister for Primary Industries and Energy the Hon. John Anderson on 14 September 1997. When announced, the RAFS was only intended to run for a fixed period from 14 September 1997 to 14 September 2000 and estimated to cost \$77.6m.¹

The legislation that provided for the RAFS was the *Social Security and Veterans' Affairs Legislation Amendment (Retirement Assistance for Farmers) Act 1998*. The Bills Digest No. 161 of 1997-98 refers.²

What is the RAFS, who can get it and what does it provide?

The RAFS provides assistance for older, low-income farmers who wish to give away the farm to the younger generation without having their pension entitlement affected by the age pension asset and gifting provisions.

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Whilst the RAFS commenced from 15 September 1997, it was also open to farmers who had gifted their farms to a near relative in the five years before this date.

The RAFS is available to:

- a farmer who has owned their farm for at least 15 years, or who has been involved in farming for 20 years
- is an Australian resident and living in Australia
- is of age pension age, or has a partner who is of age pension age, on or before 30 June 2001
- is legally transferring their farm to a person of the younger generation, who has been actively involved in the farm enterprise for the three years preceding transfer, and
- was on an average total income for the three financial years before farm transfer, or for the three financial years before 30 June 2001 (whichever is the earlier), equal to or less than the age pension rate.

Other key RAFS qualification requirements are:

- the net value of the total farming enterprise being given away must be less than \$500 000, and
- the farmer must dispose of all farming interests.

Extension of the RAFS past September 2000

The RAFS was originally to cease on 14 September 2000, but was extended until 30 June 2001 with this extension being announced on 23 November 1999.³ The extension was included in the 2000–2001 Budget. The estimated additional costs for the RAFS extension in the Family and Community Affairs Portfolio were \$1.499m in 2000–01, \$1.927m in 2001–02, \$1.942m in 2002–03 and \$2.016m in 2003–04.⁴ The estimated additional costs for the RAFS extension in the Veterans' Affairs Portfolio were \$0.357m in 2000–01, \$0.328m in 2001–02, \$0.340m in 2002–03 and \$0.352m in 2003–04.⁵

Whilst access to the RAFS ceases largely in 2001, the forward estimates contain expenditure to 2003–2004 as it encompasses payment of age pension to farmers, who would not have otherwise qualified under the assets test/deprivation rules, but for the concessional arrangements contained with the RAFS.

How many farmers have used the RAFS?

When the RAFS was announced as a part of the *Agriculture – Advancing Australia* (AAA) package, there were no estimates provided in the AAA package as to the number of farmers projected to be assisted.⁶

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There were some projected targets for the RAFS provided at Senate Budget Estimates, with it being estimated that some 1,800 Family and Community Services (F&CS) customers through Centrelink and some 300 Veterans' Affairs customers would take up this initiative.⁷

In the first year of the RAFS, 716 farmers (including spouses) accessed the RAFS through either Centrelink or Veterans' Affairs. A further 212 farmers have been assessed as eligible, once they transferred their farm.⁸ In the second year of the RAFS to 30 June 2000, some 846 farmers (including spouses) accessed the RAFS through either Centrelink or Veterans' Affairs. A further 165 farmers had been assessed as eligible, once they transferred their farm.⁹

RAFS claims had a high rejection rate

Close to half (43 per cent) of claims for RAFS were rejected. Some of the reasons for this high rejection rate were provided by the F&CS at Senate Budget Estimates in May 1999 being:¹⁰

- complexity of the RAFS qualification criteria
- valuations had to be provided for the farm, with some 14 per cent of claims rejected as the farm was valued over \$500 000
- some 9 per cent of claims were rejected as the person the farm was being passed to did not meet the criteria, ie. not a close relative
- some didn't have anyone to gift the farm to
- some 43 per cent of rejections had income that was too high for the age pension, and
- some 34 per cent of rejections wanted to keep some of the farm assets, eg. the prize bull.

RAFS review

The Government reported in a reply to a Question on Notice that a review of the RAFS had been conducted and its findings were considered in the planning for the 2000–2001 Budget.¹¹ The reply to the Question on Notice No. 1 296 did claim the original estimated number of farmers assisted by the RAFS was 2 100 and this had largely been met with some 1 550 assisted as of 28 March 2000.¹² The RAFS review report has not been made public.

Number of farmers aged over retirement age

In the 1996 Census, some 198 989 persons recorded their occupation in primary production (ie. mixed crop and livestock farmer, livestock farmer, crop farmer,

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aquaculture farmer and farmer & farm managers). Of this group, some 42 684 (21 per cent) were aged 60 or more.

RAFS - special welfare assistance rules for farmers

The components of the RAFS, in which the asset value of a farm up to the value of \$500 000 can be disregarded for the age pension asset test, is an example of some of the special means testing rules that apply under the SSA for farmers. There are not really any other special means testing rules that apply for other groups in the labour market or the community, in terms of income support means testing.

Another example of special welfare rules for farmers is the family assets test that applies to dependent claimants for youth allowance (YA). Normally, for YA the family asset test limit is \$438 250, but a 75 per cent discount for farm/business assets applies to the family assets test. There is no other like asset discount arrangement for family assets held in other business arrangements for YA.

Another welfare assistance program that applies exclusively for farmers is the Farm Help program. Farm Help has its origins in the Family Farm Re-Start Scheme that was announced in the AAA package of September 1997 and has four key components:

- income support payable for a maximum of 12 months at the newstart allowance rate with a partner component;
- a re-establishment grant of up to \$45 000, which is payable when an eligible farmer leaves the farming industry;
- an obligation to obtain professional advice on the future viability of the business, and career counselling is required where appropriate. Farm families will receive up to \$3000 (excluding GST) to obtain advice, and to help with any costs associated with obtaining advice such as travel or child-care; and
- a retraining grant of \$3500 available to farmers and/or their partner who receive a re-establishment grant under the Farm Help program.

There is no like scheme applying for families in other business arrangements.

Criticisms of the RAFS

The National Farmers Federation (NFF) had some criticisms of the RAFS, claiming the assets limit of \$500 000 should be raised to \$800 000, to ensure people with viable farms were able to access the RAFS.¹³

The NFF have also been critical of the closure of the RAFS, urging its extension.¹⁴

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Main Provisions

Schedule 1 – Item 1 amends the *Social Security Act 1991* to introduce the notion of a specified timeframe within which qualifying farmers and their partners must complete the transfer of their farm. Providing that a qualifying farmer lodged a request for a pre-assessment of their eligibility under the RAFS on or before 31 July 2001, the farmer will then have three months after the date of the Centrelink approval to finalise the transfer of the farm.

For all other applications, the deadline for transfers remains at 1 July 2001.

Item 1 also sets out the requirements an application must meet to gain the benefits of the extension. Proposed section 1185AB defines the form in which the pre-assessment request may be made and the nature and date of the affirmation response from Centrelink.

Item 13 refers to ex-gratia payments and prevents dual benefit from any extension under this Bill and any ex-gratia payment for the same assistance. Ex-gratia payments can be made to provide like or same assistance in circumstances where legislation is intended or imminent, is beneficial legislation but has not yet been made into law by being passed by the Parliament.

Schedule 2 provides the mirror amendments contained in Schedule 1 but to the *Veterans' Entitlements Act 1986*.

Concluding Comments

The impact of this Bill is beneficial.

The RAFS has helped a small number of older age low-income farmers transfer the ownership of their farm to a close relative and gain access to the age pension, when in normal circumstances the asset test limits and/or deprivation of assets provisions would have applied to preclude age pension. Notwithstanding this Bill proposes to provide a limited extension of time for some farmers to complete farm transfers already under process, the RAFS has always had a closure date. This indicates the Government has not intended to maintain the RAFS as a permanent or long-term concessional welfare access arrangement for farmers.

Perhaps the RAFS review (report not made public) indicated that to provide greater access to the RAFS, and thereby increase the numbers of farmers assisted, would require a significant liberalisation of the qualification requirements. For example, do as the NFF suggested and lift the farm asset limit up from \$500 000 to \$800 000.

This may have been at too much cost and/or pose too much of a threat or difference for asset test treatment for one section of the community.

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The RAFS is another example of special welfare access rules that apply for farmers but do not apply to any other sector of the community.

Endnotes

- 1 The Hon. Mr John Anderson, MP, Minister for Primary Industries and Energy, *Media Release - Federal Government Gives Farm Sector “AAA” Rating*, 14 September 1997.
- 2 Social Security and Veterans' Affairs Legislation Amendment (Retirement Assistance for Farmers) Bill 1998. *Bills Digest* No. 161 1997–98.
- 3 The Minister for Agriculture, Fisheries and Forestry the Hon. Mr Warren Truss, MP, 23 November 1999, House of Representatives, *Debates*, Answer to Question without Notice, page 9227.
- 4 Department of Family and Community Services Portfolio Budget Statement - 2000–01 *Budget Paper* No 1.8, page173.
- 5 Department of Veterans’ Affairs Portfolio Budget Statement - 2000–01 *Budget Paper* No 1.4B, page32.
- 6 The Hon. Mr John Anderson, MP, Minister for Primary Industries and Energy, *Media Release - Federal Government Gives Farm Sector “AAA” Rating*. op.cit.
- 7 Senate Community affairs Legislation Committee, 2000-2001 Budget Estimates, 24 May 2000, page 391.
- 8 Department of Family and Community Services 1998–1999 *Annual Report*, page 179.
- 9 Department of Family and Community Services 1999–2000 *Annual Report*, page 184.
- 10 Senate Community affairs Legislation Committee, 1999–2000 Budget Estimates, 4 May 1999, page 415.
- 11 The Hon. Mr Larry Anthony, MP Minister for Community Services, Answer to a Question on Notice No. 1296, 10 May 2000, House of Representatives *Hansard*, pages 15424–15425.
- 12 *Ibid.*
- 13 National Farmers Federation Media Release, *NFF Cautiously Welcomes Retirement Assistance Bill*, 25 June 1988, NR 69/98.
- 14 National Farmers Federation *Media Release*, Boost for Rural Education and Health, 22 May 2001, NR 63/2001.

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