Parliament of Australia
Department of Parliamentary Services

Parliamentary Library
Information, analysis and advice for the Parliament

BILLS DIGEST

1 December 2004, no. 66, 2004–05, ISSN 1328-8091

Family and Community Services and Veterans' Affairs Legislation Amendment (2004 Election Commitments) Bill 2004

Peter Yeend
Social Policy Section

Contents

Purpose 2

Background 2

Schedule 1 – utilities allowance 2

Introduction 2

UA announced in the 2004 election campaign 2

Twice yearly payment of the UA 3

Who is to get access to the new UA? 3

Qualification age is the main difference between the civilian age pension and the age service pension 3

Other concessions provided to age pension, age service pension, ISS, and invalidity service pension recipients 4

Other like income support recipients not proposed to be provided with the UA 4

Schedule 2 – seniors concession allowance 4

Introduction 4

Seniors concession allowance announced in 2004 election campaign 5

Who is to be provided with the seniors concession allowance? 5

Rate and timing of payment of the seniors concession allowance 5

Previous offer to the states/territories to provide self-funded retirees access to concessions 5

Origins and development of the CSHC 6

Access to concessions – a long-standing complaint of self-funded retirees 6

Schedule 3 – carer payment 7

Introduction 7

Proposal to extend carer training and working hours concession to 25 hours announced in the 2004 election campaign. 7

Carer payment - a pension for full-time carers. 7

Schedule 4 special child care benefit rate for grandparents on income support. 8

Introduction 8

Special rate CCB for grandparent with a child in ‘approved’ child care announced in the 2004 election campaign 8

Eligible grandparent 9

Qualification to the special CCB grandparent rate 9

Current CCB concepts, terms and payment requirements. 9

‘Approved’ child care 9

‘Registered’ child care 10

A school child 10

CCB payment rates for ‘approved’ child care – parent on income support. 11

Special grandparent rate of CCB – child in ‘approved’ care – full cost of child care to be met 11

How many grandparents are there caring for a grandchild? 11

Schedule 5 – Increase in bereavement payments in respect of above general rate disability pensioners 11

Introduction 11

Increase in the rate of the bereavement payment for surviving partners of above general rate disability pensioners announced in the 2004 election campaign 12

Disability pension payments paid at above 100 per cent of the general rate to benefit from this proposal 12

Intermediate rate 12

Special rate. 13

Extreme Disablement Adjustment 13

Current disability pension payment rates 14

Current bereavement payment rates for disability pension paid above the general rate 14

Some disability pension rates paid above thee 100 per cent general rate are not included in this Bill to have their bereavement payment changed 14

Main Provisions 15

Schedule 1 – utilities allowance 15

Schedule 2 – seniors concession allowance 15

Part 1 15

Part 2 15

Schedule 3 – carer payment 15

Schedule 4 special child care benefit rate for grandparents on income support. 16

Schedule 5 – Increase in bereavement payments in respect of above general rate disability pensioners 16

Concluding Comments. 16

Endnotes. 17

Family and Community Services and Veterans' Affairs Legislation Amendment (2004 Election Commitments) Bill 2004

Date Introduced: 18 November 2004

House: House of Representatives

Portfolio: Family and Community Services and Veterans' Affairs

Commencement: There is a variety of commencement dates for different parts of this Bill, as set out in the Table in **Clause 2** of the Bill.

Purpose

This Bill proposes to amend the *Social Security Act 1999* (SSA), the *Veterans' Entitlements Act 1986* (VEA) and the *A New Tax System (Family Assistance) Act 1999* (FAA) to give effect to several 2004 Election commitments made by the government. The commitments are in respect of self-funded retirees, older Australians, carers on income support, grandparents caring for children and certain Veterans' Affairs disability pensioners.

Background

Schedule 1 – utilities allowance

Introduction

Schedule 1 proposes to amend the SSA and the VEA to introduce a new utilities allowance (UA) for recipients of the age pension and the veterans' age service pension. It is also proposed to pay the UA to recipients of the veterans' income support supplement (ISS) and also to those receiving the invalidity service pension and who are aged more than service pension age, which is age 60 for males.[1] Invalidity service pension can be paid up to age 65 and there would be a few recipients aged 60 to 64.

The new UA is proposed to be $100 a year for a single pensioner and $50 a year each for a partnered pensioner and this rate is to be indexed twice annually to the CPI.

UA announced in the 2004 election campaign

The government announced the new UA in its 2004 Election policy platform, *Recognising senior Australians – their needs and their carers*.[2] The policy platform claims the new

UA will benefit around 2.2 million older Australians at a cost of $594.6 million over four years.[3] The Explanatory Memorandum attached to the Bill details that the anticipated cost of this proposal is $610.1 million over four years.

The government's justification for the new UA was set out in the 2004 election policy platform, being:

> older Australians on income support receive access to one of a number of concession cards that provide access to cheaper prescriptions and a range of other benefits. Nonetheless, the Coalition recognises that some older Australians who rely on income support payments can experience difficulty in saving up to pay regular household bills such as the gas or electricity bill.[4]

Twice yearly payment of the UA

It is proposed to pay the UA twice yearly on 20 March and 20 September of each year. So for single pensioners entitled to the UA of $100 a year, $50 will be paid each in March and September. The 20th of March and the 20th of September is also the date on which the twice yearly indexation of the pension rate and the ISS rate to the Consumer Price Index (CPI) and to 25% of Male Total Average Weekly Earnings (MTAWE) occurs.

Who is to get access to the new UA?

The new UA is proposed to be paid to all recipients of the age pension and the veterans' age service pension. It is also proposed to provide the UA to recipients of the veterans' ISS and invalidity service pension who are aged more than age service pension age. ISS is an income support payment, paid in addition to the veterans' war widows'/ers' pension, to those whose income and assets fall below the pensions income and assets test limits.

By limiting the new UA to age pension, service pension, ISS and invalidity service pension recipients over age or service pension age, the UA is targeted at retired aged Australians who are on lower levels of income. The age pension, the service pension, the ISS and the invalidity service pension all have the same income and asset test limits.

Qualification age is the main difference between the civilian age pension and the age service pension

The principle difference between the civilian age pension provided under the SSA and the age service pension provided under the VEA is the age service pension is available to qualified veterans five years earlier than the age pension. For males the age pension qualification age is 65 and for the veterans' age service pension it is age 60. For females the age pension age is being incrementally raised from age 55 up to age 60.[5] Likewise the qualification age for females to qualify for the veterans' age service pension is being incrementally raised from age 55 up to age 60.[6]

Other concessions provided to age pension, age service pension, ISS, and invalidity service pension recipients

Age pension, age service pension, ISS and invalidity service pension recipients are issued with the Pensioner Concession Card (PCC). The PCC entitles the holder to subsidised medicines under the Pharmaceutical Benefits Scheme (PBS). As well as this, the PCC may also provide access to extra concessions from state and local government authorities. These concessions may include:

- reductions in property and water rates
- reductions in energy bills
- a telephone allowance
- reduced fares on public transport
- reductions on motor vehicle registration
- one or more free rail journeys within the state each year

PCC concessions vary from state to state and some of these extra concessions are also available to dependents.

Other like income support recipients not proposed to be provided with the UA

It is only proposed to provide the UA to older Australians on a government income support payment, being those who have reached the age pension or age service pension qualifying age. However, there are other like income support recipients to age and service pensioners to whom this Bill does not propose to provide a UA. These are widow B pensioners, parenting payment – single pensioners (commonly referred to as sole parent pensioners), disability support pensioners, invalidity service pensioners (aged less than service pension age) and carer payment recipients (commonly called carer pension). These pension payment recipients are paid at the same rate as age and service pensioners, have the same income and assets tests and are also issued with a PCC.

Schedule 2 – seniors concession allowance

Introduction

Schedule 2 of the Bill proposes to introduce a new seniors concession allowance for some self-funded retirees.[7] The new allowance will be $200 a year paid in two instalments on 1 June and 1 December of each year. Not all self-funded retires are to be paid the allowance, only those entitled to a Commonwealth Seniors Health Care Card (CSHC).

Warning:
This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

Seniors concession allowance announced in 2004 election campaign

The government announced the new seniors concession allowance in its 2004 Election policy platform, *Recognising senior Australians – their needs and their carers*.[8] The policy platform claimed that there are now over 287,000 self-funded retirees with a CSHC and the new seniors concession allowance of $200 per person per year would cost $282.6 million over four years.[9] The Explanatory Memorandum attached to the Bill details that the anticipated cost of this proposal is $258.3 million over four years.

The Policy platform claimed that the justification for the new seniors concession allowance was:

> The Coalition has sought to provide self funded retirees with further concessions, offering state and territory governments $75 million. Unfortunately, no state or territory government has taken up this offer that would provide concessions for energy, rates, water and sewerage and motor vehicle registration costs. A re-elected Coalition Government will not wait for state and territory governments to provide self funded retirees holding a Commonwealth Seniors Health Card with the concessions they deserve.[10]

Who is to be provided with the seniors concession allowance?

The Bill proposes that the seniors concession allowance be provided to all holders of the CSHC. Holders of the CSHC are those who are over age pension age but not receiving an age or service pension due to income or assets and have annual income below $50,000 for a single or $80,000 (combined) for a couple.

Rate and timing of payment of the seniors concession allowance

The rate of the seniors concession allowance is to be $200 per person per year. This means a couple would be paid $400 a year. The $200 allowance is to be indexed to the CPI. The Bill proposes the allowance be paid in two instalments per year on 1 June and 1 December of each year.

Previous offer to the states/territories to provide self-funded retirees access to concessions

In July 2001, the commonwealth government announced it had commenced negotiations with the states/territories to provide a wider range of concessions for CSHC holders.[11] The commonwealth was unable to come to an agreement with the states about the provision of concessions to CSHC holders.[12] The commonwealth claimed their offer would have saved CSHC holders an average of nearly $700 a year on their rates, car registration, electricity charges, water and sewerage. The commonwealth government's claim was that it had offered the states and territories $75 million to provide these concessions for CSHC holders and that all states/territories, excluding Western Australia and South Australia, rejected the offer during a meeting of Community and Disability Services Ministers in Hobart.[13]

Origins and development of the CSHC

The CSHC was introduced from July 1994. The main benefit with the CSHC is it entitles the holder to subsidised medicines under the PBS. However, the CSHC does not provide access to the concessions available with the PCC. The concessions pensioners are able to access with the PCC are outlined above in the section titled *Other concessions provided to age pension, age service pension, ISS, and invalidity service pension recipients* in the background comments about **Schedule 1**.

Initially, the CSHC was available to people of age pension age whose income was low enough for them to qualify for the age pension, but who were not eligible for some other reason. The most common reasons were insufficient length of residence in Australia and asset holdings which prevented them from satisfying the assets test. The original purpose of the card was to provide extra assistance to retired persons who were on low-income. With the income limits the same as for the age pension, the vast majority of retired people issued with a CSHC were those who were asset rich but income poor, mostly farmers.

From January 1999, the income test for the CSHC was changed to one based on taxable income and the income limits were substantially increased.[14] The increased income test limits introduced at this time changed the nature of the CSHC. It ceased to be targeted at low-income retirees and was now available for middle-income retirees.

The 2001-02 Budget included a measure to further increase the income limits.[15] In addition, CSHC holders were made eligible for the Telephone Allowance (worth $68.80 per annum) that had previously been available only to pensioners. The new income limits were $50,000 for a single person and $80,000 for a couple (combined). These new income limits, coupled with the fact the income test is now one of adjusted taxable income, means the CSHC is no longer a low-income card for self-funded retirees.

Access to concessions – a long-standing complaint of self-funded retirees

It has been a long-standing complaint of self-funded retirees that they are not able to access the PCC concessions available to pensioners.

Provision of concessions to pensioners was originally intended as recognition that to qualify for a pension under the income and asset tests a person must be on low income. Also, many pensioners are long-term income support recipients, for example, widow pensioners, age pensioners. Concessions therefore are aimed at helping to relieve the burden of essential expenditure items for low-income persons on long-term income support.

Warning:
This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

However, self-funded retirees have for a long time seen it as unfair that pensioners have been provided with concessions and they have not. Common comments and complaints are:

> *I have done the right thing by saving and working hard to provide for my own retirement - why don't I get concessions?*

Self-funded retirees consider that, given they are not on a pension and a not burden on the taxpayer, they too should have access to concessions.

Schedule 3 – carer payment

Introduction

Schedule 3 of the Bill proposes to amend the SSA to allow carer payment (commonly referred to as carer pension) recipients up to 25 hours a week absent from their caring role to undertake training, voluntary work or paid work. The SSA currently allows 20 hours a week.

Proposal to extend carer training and working hours concession to 25 hours announced in the 2004 election campaign

This proposal to extend the carers allowable time off to train or work from 20 to 25 hours was announced 2004 Election policy platform, *Recognising senior Australians – their needs and their carers*.[16]

> To provide more opportunities and flexibility for carers to combine caring with work, training or study, a re-elected Coalition Government will provide $19.0 million over four years to increase the hours carers can participate in these activities without losing eligibility for Carer Payment from 20 to 25 hours per week.[17]

The election policy platform paper estimates this extension of hours will cost an extra $19 million over four years. The Explanatory Memorandum attached to the Bill details that the anticipated cost of this proposal is $19.5 million over four years from 1 April 2005.

Carer payment - a pension for full-time carers

Carer payment is a pension income support payment provided to full-time carers providing the primary care to a person requiring constant care. Provision of income support recognises that the carer is unable to support themselves from employment because of their full-time caring role. However, there are time restrictions in the SSA on the time a carer can spend away from their caring role for such activities as respite, work and education. This is because of fears that if the carer was able to spend long periods away from caring, they would no longer be providing constant care, as is otherwise required by the legislation.[18] Section 198AC of the SSA allows the carer periods away from the caring for certain prescribed reasons/activities and for prescribed periods, for example hospitalisation of the caree (person being cared for).

Originally, the carer pension, as it was then called, did not allow the carer any time away from the caring role to work or train part-time, as it was then considered to be at odds with the constant care requirements. This has been progressively relaxed to allow the carer to access respite, and also to allow the carer to prepare for a possible future non-caring role and to maintain links with employment opportunities.

Schedule 4 special child care benefit rate for grandparents on income support

Introduction

Schedule 4 of the Bill proposes to introduce a new special rate of Child Care Benefit (CCB) for grandparents that are principal carers to cover the full cost of child care fees in 'approved' child care.

CCB is a payment to help families who use 'approved' and 'registered' child care. Normally, how much CCB can be paid is affected by:

- the level of family income,
- whether the child care used is 'approved' care or 'registered' child care, and
- whether the child is a school aged child.

Special rate CCB for grandparent with a child in 'approved' child care announced in the 2004 election campaign

This proposal to introduce a special CCB rate for grandparents with a child in 'approved' child care was announced 2004 Election policy platform, *Recognising senior Australians – their needs and their carer.*[19] The platform stated:

> A re-elected Coalition Government will also make child care more accessible for grandparents in receipt of income support, such as aged pension or carer payment, by enabling them to access Special Rate Child Care Benefit. Special Rate Child Care Benefit will cover the full cost of child care fees charged to eligible grandparents. Grandparents will be able to access Special Rate Child Care Benefit from 1 January 2005, subject to the passage of legislation.[20]

The government claimed their extra assistance for child care for grandparents would cost an additional $70 million over four years. The Explanatory Memorandum attached to the Bill details that the anticipated cost of this proposal is an extra $78.6 million over four years from 1 January 2005.

The 2004 election policy platform presented the rationale for this proposed special rate of CCB for grandparents using 'approved' child care as:

> Grandparents who have responsibility for the primary care of young grandchildren face the same challenges as younger parents. However, many grandparents do not enjoy the health, energy or vigour that can often be needed to care full time for these children. Although grandparents have access to assistance such as parenting payment, family tax benefit, and child care benefit, caring for young grandchildren can also be financially draining.[21]

Eligible grandparent

The new special CCB rate is to be payable to a grandparent and great-grandparent who is the child's grandparent (or great-grandparent) by birth, or by adoption or by relationship as a step-parent. This excludes other older age adult carers of children, who are not the child's grandparent, like great aunts/uncles, from receiving the new special rate CCB.

Qualification to the special CCB grandparent rate

To be qualified for the special CCB grandparent rate, the grandparent needs to be on an income support payment provided under the SAA or the VEA. Also, the grandparent needs to be the sole or major provider on a daily basis for the child and have substantial autonomy for day-to-day decisions about the child's care, welfare and development. This is very much the same care requirements required to qualify for family tax benefit (FTB) for a child.

However, the Bill does not link or require qualification to the special CCB rate to qualification to FTB. It would have been easy to require the qualification to the special CCB rate to qualification to FTB. This means a grandparent could not qualify for the special CCB rate without also being qualified for and in receipt of FTB. Perhaps the legislators wanted some flexibility to allow payment of the special CCB rate, even where the claimant wasn't receiving FTB for the same child. This might occur where FTB is still being claimed by and paid to another adult (for example the parent), but the grandparent is the provider on a daily basis for the child and have substantial autonomy for day-to-day decisions about the child's care.

Current CCB concepts, terms and payment requirements

'Approved' child care

'Approved' child care is care provided by a service provider that has been approved to receive CCB payments on behalf of eligible families. Most long day care, family day care, before and after school care, vacation care, some occasional care and some in-home care are 'approved' child care providers.

Warning:

This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

Where a child is in 'approved' child care, CCB can be paid to help with the child care fee charged by the child care centre. Often the amount of CCB paid is less than the fee charged. The difference, if any, in the fee charged by an 'approved' child care provider and the maximum CCB paid, is an out-of-pocket expense for the parent.

The amount of CCB that can be paid for 'approved' child care depends on:

- the number of hours of care used,
- the individuals CCB percentage, and
- whether the child is a school child or a non-school child.

All eligible families using 'approved' child care can get up to 20 hours of CCB a week. CCB can be claimed for up to 50 hours a week in 'approved' child care if the claimant or partner are working or looking for work, training, studying or exempt from this requirement. CCB can be claimed for more than 50 hours a week if the claimant or partner are not available to care for the child for more than 50 hours a week because of work, study or training commitments (including travel to and from work).

The proposed special rate of CCB for grandparents in this Bill is only to be paid in respect of 'approved' child care, not 'registered' child care.

'Registered' child care

'Registered' child care is care for work related purposes that is provided by grandparents, relatives, friends or nannies who are registered with the Family Assistance Office. 'Registered' child care also includes care provided by some private preschools, kindergartens, some outside school hours care services and some occasional care centres.

CCB can be claimed for up to 50 hours a week in 'registered' child care if claimant or partner (if have one) are working or looking for work, training, studying or exempt from this requirement.

Often the amount of CCB paid is less than the 'registered' child care fee charged. The difference, if any, in the fee charged by a 'registered' child care provider and the maximum CCB paid, is an out-of-pocket expense for the parent.

The special rate of CCB for grandparents in this Bill is not proposed to be paid in respect of 'registered' child care.

A school child

For CCB purposes, a school child is a child who attends primary or secondary school. CCB rates for school children are 85 per cent of the rates for non-school children.

Warning:
This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

CCB payment rates for 'approved' child care – parent on income support

This Bill proposes a new rate of CCB for some grandparents with a child in 'approved' child care, being those where the grandparent is in receipt of a government income support payment. This is like the current CCB payment rules, where the family in receipt of a government income support payment, for example age pension, parenting payment – single, newstart allowance, the maximum rate of CCB is automatically payable.

Special grandparent rate of CCB – child in 'approved' care – full cost of child care to be met

This Bill proposes to pay the full child care fee charged by the child care centre for 'approved' child care, where the grandparent is on an income support payment. It is not proposed to pay the special CCB for a child in 'registered' child care.

How many grandparents are there caring for a grandchild?

There were 22,500 grandparent families with children aged 0-17 years in Australia in 2003.[22] The ABS *Family Characteristic Survey 2004* presented some other features of grandparents caring for grandchildren being:

- These families represented around one percent of all families with children aged 0-17 years,
- In the majority of grandparent families (73 per cent), the age of the youngest child was between 5 and 14 years,
- In 39% of grandparent families, the younger partner or lone grandparent was younger than 55 years, while in the majority (61%) of grandparent families, the younger partner or lone grandparent was aged 55 years or more,
- In around one-third (34 per cent) of grandparent families, one or both grandparents were employed, and 62 per cent received a government pension, benefit or allowance as their main source of income,
- Over two-thirds (71 per cent) of the 31,100 children in grandparent families had their natural parent(s) living elsewhere.[23]

Schedule 5 – Increase in bereavement payments in respect of above general rate disability pensioners

Introduction

Schedule 5 of the Bill proposes to increase the rate of the bereavement payment, paid to the surviving partner of a deceased veteran, where the veteran was paid above 100 per cent of the general rate of disability pension. This will apply to surviving veterans' partners where the veteran was receiving the disability pension paid at the rates for:

- Intermediate rate,
- Special rate (Totally and Permanently Incapacitated (T&PI) or blinded), and
- Extreme Disablement Adjustment.

Increase in the rate of the bereavement payment for surviving partners of above general rate disability pensioners announced in the 2004 election campaign

The policy of increasing the bereavement payment to surviving partners of a deceased veteran, where the veteran was paid above 100 per cent general rate of disability pension, was announced in the 2004 election campaign. The policy was contained in the *Saluting their service policy* platform.[24] The policy platform stated:

> Bereavement payments are made to surviving partners to assist in the transition to one income following the death of a veteran. For veterans in receipt of the above general rate of the disability pension, only part of the disability pension is currently included in this calculation. The Coalition will ensure that the bereavement payment for eligible dependents of those in receipt of the above general rate of the disability pension, the most disabled of our veterans, equals the total pension received by a veteran at the time of his death and will be paid to the surviving partner for a period of twelve weeks.

The government claimed in their policy platform that the increase in the bereavement payment would benefit 2,200 surviving partners per year at a cost of $12.8 million over four years.[25] The Explanatory Memorandum attached to the Bill estimates the cost for this proposal at $14.8 million over four years.

Disability pension payments paid at above 100 per cent of the general rate to benefit from this proposal

There are three separate veterans' disability pension payments, paid above the general rate – see above. Each is not payable concurrently and each has different payment rates.

An explanation of these three higher disability pension rates is set out below.

Intermediate rate

The intermediate rate is potentially payable where the veteran is assessed as having a 70 per cent or more disability (using the assessment for the general rate) and it also assessed that the veteran is unable to work for at least 20 hours a week. Section 23 of the VEA sets out the qualification conditions for the intermediate rate of disability pension.[26]

The intermediate rate is not always payable where the disability assessment is 70 per cent or more. For example, a veteran may be assessed as having an 80 per cent disability but may also be able to work for more than 20 hours a week. In this case the intermediate rate is not payable, only the 80 per cent general rate is paid.

Warning:

This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

The intermediate rate, in paying a higher rate than the 100 per cent general rate, recognises the resultant work inability of the veteran arising from their war caused/related illness/injury, so has a component for income support. Other than the 20 hours a week test there are a few other situations where the intermediate rate can be paid, for example suffering from pulmonary tuberculosis.

Special rate

The special rate disability pension is commonly referred to as the Totally and Permanently Incapacitated (T&PI) disability pension. Section 24 of the VEA sets out the qualification conditions for the intermediate rate of disability pension.[27]

The special rate works very much like the intermediate rate, but the incapacity for work test is tougher. The special rate is potentially payable where the veteran is assessed as having a 70 per cent or more disability (using the assessment for the general rate). Where the 70 per cent or more is attained, and it also assessed that the veteran is unable to work for at least 8 hours a week, then the special rate is payable.

Other than the 8 hours a week test there are a few other situations where the special rate can be paid, for example where the veteran has pulmonary tuberculosis (TB). Where the veteran has TB, it is assumed the disability and inability to work requirements are automatically met and the special rate is paid.

For the special rate, where a veteran has reached 65 years of age, additional criteria apply. The last paid work, which is precluded by the incapacity, must have commenced prior to 65 and the veteran must have been employed in it for at least 10 years. Retired veterans, aged 65 or more, with very severe disabilities, might be entitled to an Extreme Disablement Adjustment rate – see below.

Extreme Disablement Adjustment

The Extreme Disablement Adjustment rate disability pension can only be considered for veterans who have reached 65 years of age and who are entitled to a disability pension at 100 per cent general rate but are also not eligible to receive a special rate or intermediate rate pension. As the veteran is aged 65 or more and no longer of working age, the inability to work tests for either 20 hours a week (that is used for intermediate rate) or 8 hours a week (that is used for special rate) are not applied. Instead a test requiring 70 medical points or more and at least 6 out of 7 lifestyle points is applied to qualify for Extreme Disablement Adjustment.

Section 22 of the VEA sets out the qualification conditions for the Extreme Disablement Adjustment rate of disability pension.[28]

Warning:
This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

Current disability pension payment rates

The current general rate of disability pension payable at 100 per cent is $296.40 per fortnight (pf). The current rates of disability pension rates paid above the general rate are set out below:

- Special rate (T&PI, blinded or TTI) - $789.20pf
- Intermediate rate - $543.40pf
- Extreme Disablement Adjustment (EDA) - $446.90pf

Current bereavement payment rates for disability pension paid above the general rate

Currently, there is a bereavement payment arrangement where the veteran receiving disability pension dies. A surviving partner of a disability pensioner is entitled to a bereavement payment which is a lump sum equal to 6 fortnightly instalments (that is 12 weeks) of pension at the rate which was paid prior to death. Bereavement payment is designed to give the surviving partner an adequate level of income while they make funeral arrangements, settle financial affairs, perhaps even look for work and generally sort out their ongoing financial support needs.

However, currently, for those disability pensioners paid above the 100 per cent general disability rate, this twelve week lump sum payment is confined to a maximum of the 100 per cent disability pension rate. The lump-sum is not calculated at the rate of disability pension provided prior to the death of the veteran.

Some disability pension rates paid above thee 100 per cent general rate are not included in this Bill to have their bereavement payment changed

Not all disability pension payment rates, paid above the 100 per cent of the general rate, are provided for in this Bill to have the bereavement payment paid to a surviving partner. There are two other disability pension payment rates paid above the 100 per cent general rate not included. These are:

- Special rate of disability pension paid where the veteran is Totally and Temporarily Incapacitated (T&TI). Section 25 of the VEA provides for this rate and it is paid at the same rate as the T&PI Special rate.[29]
- A higher rate of disability pension where the veteran has a certain prescribed amputation. Section 27 of the VEA provides for this rate.[30]

There is no explanation as to why these two disability pension rates paid at a higher rate than the 100 per cent general rate are not included in the Bill.

Warning:
This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

Main Provisions

Schedule 1 – utilities allowance

Part 1 Item 4 sets out the qualification requirements and the payability of UA. See the discussion of this in the background of this Bills Digest.

Items 5 and 6 sets out the rate and indexation of UA., the details of which are discussed in the background of this Bills Digest.

Item 8 sets out that a claim for UA is not required and **Item 9** that it is to be paid in two instalments.

Part 1 of Schedule 1 places the new provisions for UA into the SSA**. Part 2 of Schedule 1** places the like or equivalent provisions for the new UA into the VEA.

Schedule 2 – seniors concession allowance

Part 1

Item 4 places into the SSA the provisions for the qualification for seniors concession allowance, the rate of allowance and when payable, the details of which have been discussed in the background of this Bills Digest.

Items 8 and 9 provide for the indexation of the rate of the allowance to the CPI.

Item 13 contains transitional provisions to pay the concession allowance as a one-off in 2004 in December, notwithstanding the allowance will be normally provided in March and September of each year.

Part 2

Part 2 of Schedule 2 places similar provisions into the VEA, as **Part 1** of **Schedule 2** did for the SSA, to provide for the payment of seniors concession allowance.

Schedule 3 – carer payment

Item 1 amends the SSA to change the number of hours allowed away from care to work or study from 20 to 25 hours a week.

Warning:
This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

Schedule 4 - special child care benefit rate for grandparents on income support

Provisions in **Schedule 4** amend the FAA to provide for the proposed special rate CCB for grandparents with a qualifying childs in 'approved' child care.

Item 16 defines who is a grandparent, and prescribes eligibility for the special CCB rate for grandparents. **Item 17** presents provisions for requirements to provide information and action to deny payment on failure to provide information. These are very like existing provisions elsewhere in the act for other like claims for assistance.

Items 41 and 42 stops 'approved child' care centres from setting extraordinary fees for persons otherwise entitled to the special CCB rate for grandparents, thereby taking advantage of the fact the special CCB rate will cover 100 per cent of the rate charged. A child care centre may set higher than normal fees for child care, knowing the proposed special CCB rate for 'approved' child care will cover 100 per cent of the cost. This is intended to stop this type of exploitation of the new arrangements.

Schedule 5 – Increase in bereavement payments in respect of above general rate disability pensioners

Item 1 amends the VEA to provide for the payment of the bereavement payment, payable to the surviving partner of certain disability pension recipients, at the same rate as if the pensioner did not die. **Item 1** makes this amendment in respect of:

- Intermediate rate,
- Special rate (T&PI, blinded or T&TI), and
- Extreme Disablement Adjustment.

Item 3 provides that the disability pension bereavement amount paid will be the same as the disability pension rate paid as if the pensioner had not died.

Concluding Comments

All of the proposed initiatives presented in this Bill are beneficial.

For **Schedule 1**, the proposed UA is only to be provided to the retired age on a government income support pension.

For **Schedule 2,** the proposed seniors concession allowance, it is to be provided only to those self-funded referees not on a government pension but entitled to a CSHC.

Warning:
This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

The special rate CCB proposed in **Schedule 4** that is to be paid to grandparents, is very beneficial proposing to cover to 100 per cent the child care costs in 'approved' child care. It may be considered discriminatory as it does not provide the same assistance to other like older aged adults caring for young children, who are not a grandparent in similar situations, for example a great aunty or other non-related older aged adult.

The changes to the bereavement arrangements for veterans' disability pension presented in **Schedule 5** could be seen to be addressing an anomaly in the current arrangements. However, there still are other disability pension rates paid, at more than 100 per cent general rate, which will not benefit from the **Schedule 5** reforms.

Endnotes

1 Invalidity service pension is payable under the VEA to a veteran who has qualifying war service and is aged less than 65 and is unable to work at full award wages for at least 8 hours a week. Qualifying war service in the VEA means has served in operations against the enemy whilst in danger from hostile forces of the enemy.

2 The Hon. Mr John Howard, MP, *Recognising senior Australians – their needs and their carers*, Liberal Party of Australia, 2004 election policy platform, 1 October 2004.

3 The Hon. Mr John Howard, MP, *Recognising senior Australians – their needs and their carers*, op. cit., p. 4.

4 ibid.

5

Date of Birth	Females qualify for age pension at
1.1 July 1935 to 31 December 1936	1.60.5
2.1 January 1937 to 30 June 1938	2.61
3.1 July 1938 to 31 December 1939	3.61.5
4.1 January 1940 to 30 June 1941	4.62
5.1 July 1941 to 31 December 1942	5.62.5
6.1 January 1943 to 30 June 1944	6.63
7.1 July 1944 to 31 December 1945	7.63.5
8.1 January 1946 to 30 June 1947	8.64
9.1 July 1947 to 31 December 1948	9.64.5
10.1 January 1949 and later	10.65

6

Date of Birth	Females qualify for service pension at 1.
1.1 July 1943 to 31 December 1944	2.56.5
2.1 January 1945 to 30 June 1946	3.57
3.1 July 1946 to 31 December 1947	4.57.5
4.1 January 1948 to 30 June 1949	5.58
5.1 July 1949 to 31 December 1950	6.58.5
6.1 January 1951 to 30 June 1952	7.59
7.1 July 1952 to 31 December 1953	8.59.5
8.1 January 1954 and later	9.60

7 Self-funded retires referred to in this Digest are those of retired age (that is aged 55 or more) but not on a government income support payment due to income or assets.

8 The Hon. Mr John Howard, MP, *Recognising senior Australians – their needs and their carers*, op. cit., pp. 4-5.

9 ibid.

10 ibid.

11 Senator the Hon. Amanda Vanstone (Minister for Family and Community Services), *Further assistance for older Australians*, media release, Parliament House, Canberra, 29 July 2001.

12 Senator the Hon. Kaye Patterson (Minister for Family and Community Services), *Labor states and territories snub self-funded retirees*, media release, Parliament House, Canberra, 28 July 2004.

13 ibid.

14 Peter Yeend, 1998 Budget Measures Legislation Amendment (Social Security and Veterans' Entitlements) Bill 1998, *Bills Digest No. 21 1998-99*, Department of Parliamentary Library, 1998-99.

15 Nathan Hancock and Dale Daniels, Family and Community Services and Veterans' Affairs Legislation Amendment (Further Assistance for Older Australians) Bill 2001, Bills Digest No. 18 2001-02, Department of Parliamentary Library, 2001-02.

16 The Hon. Mr John Howard, MP, *Recognising senior Australians – their needs and their carers*, op. cit., p. 6.

17 ibid.

18 Sub-section 198(2) of the Social Security Act 1991.

19 The Hon. Mr John Howard, MP, Extra Assistance for Families, Liberal Party of Australia, 2004 election policy platform, p. 4.

20 ibid.

21 ibid.

Warning:
This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

22 Australian Bureau of Statistics (ABS), Family Characteristics Australia, Catalogue No. 4442.0, 22 September 2004, p. 40.

23 ibid.

24 The Hon. Mr John Howard, MP, *Saluting their service*, Liberal Party of Australia, 2004 election policy platform, 4 October 2004, p. 5.

25 ibid.

26 Veterans' Entitlements Act 1986, section 23, Intermediate rate of pension.

27 Veterans' Entitlements Act 1986, section 24, Special rate of pension.

28 Veterans' Entitlements Act 1986, section 22, Extreme Disablement Adjustment.

29 Veterans' Entitlements Act 1986, section 27, Temporary payment at special rate.

30 Veterans' Entitlements Act 1986, section 27, Increased rates of pension in certain circumstances.

Warning:
This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

© Copyright Commonwealth of Australia 2004

Except to the extent of the uses permitted under the *Copyright Act 1968*, no part of this publication may be reproduced or transmitted in any form or by any means including information storage and retrieval systems, without the prior written consent of the Department of Parliamentary Services, other than by senators and members of the Australian Parliament in the course of their official duties.

This paper has been prepared to support the work of the Australian Parliament using information available at the time of production. The views expressed do not reflect an official position of the Information and Research Service, nor do they constitute professional legal opinion.

Members, Senators and Parliamentary staff can obtain further information from the Information and Research Services on (02) 6277 62772413.

Warning:

This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.