



## Social Security and Other Legislation Amendment (Economic Security Strategy) Bill 2008

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Social Policy Section

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## Social Security and Other Legislation Amendment (Economic Security Strategy) Bill 2008

**Date introduced:** 11 November 2008

**House:** House of Representatives

**Portfolio:** Families, Housing, Community Services and Indigenous Affairs

**Commencement:** On the day of Royal Assent

**Links:** The [relevant links](#) to the Bill, Explanatory Memorandum and second reading speech can be accessed via BillsNet, which is at <http://www.aph.gov.au/bills/>. When Bills have been passed they can be found at ComLaw, which is at <http://www.comlaw.gov.au/>.

### Purpose

To enable the payment of economic security strategy payments to designated individuals who have been in receipt of income support or allowances, and economic security strategy payments to families in receipt of Family Tax Benefits or other income supplement payments.

### Background

#### Government announcement

The government announced the \$4.8 billion package of economic security strategy payments to pensioners, seniors, carers, veterans and families on 14 October 2008.<sup>1</sup> It is a major component of the overall \$10.4 billion Economic Security Strategy.

#### Purpose

The government's stated purpose of the economic security strategy payments is to provide pensioners:

with immediate financial help in the lead up to comprehensive reform of the pension system. This decisive action is part of the Rudd Government's \$10.4 billion Economic Security Strategy to boost the Australian economy and support pensioners and families during the global financial crisis. This decisive action is part of the Rudd

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1. The Hon. Kevin Rudd, MP, the Hon. Wayne Swan, MP, the Hon. Jenny Macklin, MP, \$4.8 billion down payment to help pensioners, seniors and carers, *media release*, Canberra, 14 October 2008, [http://www.pm.gov.au/media/Release/2008/media\\_release\\_0544.cfm](http://www.pm.gov.au/media/Release/2008/media_release_0544.cfm), accessed November 2008.

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Government's \$10.4 billion Economic Security Strategy to boost the Australian economy and support pensioners and families during the global financial crisis.<sup>2</sup>

The Bill also provides for economic security strategy payments to carers and families.

The payments will be tax-free and will not count as income for the purposes of means-testing of various Commonwealth social security and veterans' entitlements. They will be paid automatically to eligible persons and families, and so do not require a claim to be submitted.

### Who will get what payment

\$1 400 and \$2 100 payments

The \$4.8 billion economic security strategy payments will be made available through a lump sum payment of \$1 400 to singles and \$2 100 to couples, which will be paid to recipients of:

- Age Pension,
- Disability Support Pension,
- Carer Payment,<sup>3</sup>

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2. *ibid.*

3. A person get Carer Payment (adult) if they provide constant care in the home of the person they care for and the person they care for is:
- a person aged 16 or over with a severe disability or medical condition, or
  - an adult with moderate care needs and supervision of their dependent child if this child is under six years of age, or between six and 16 years of age and attracts payment of Carer Allowance.

The person care for needs to:

- be over 16 and getting an income support payment from Centrelink, a Veterans' Affairs Service Pension or Partner Service Pension, or
- be unable to get any of these payments because they have not lived in Australia long enough to qualify, or
- meet the special care receiver income and assets limits.

A person may get Carer Payment (child) if they provide constant care in the home of the child they care for and that child is:

- a child under the age of 16 with a profound disability or medical condition who has extremely high care needs, or

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- Wife Pension and Widow B Pension, Partner, Widow and Bereavement Allowance,<sup>4</sup>
- Veterans' Affairs Service Pension,<sup>5</sup>
- Veterans' Income Support Supplement,<sup>6</sup>
- Veterans' Affairs Gold Card who are also eligible for Seniors Concession Allowance,<sup>7</sup>
- Parenting Payment, Special Benefit, or Austudy and who are also of Age Pension age,<sup>8</sup> and
- Commonwealth Seniors Health Card (CSHC).<sup>9</sup>

These economic security strategy payments mainly target pension payment income support recipients, so in effect the government is targeting those on lower incomes. There are some income support payment recipients who do not get a payment – see 'Who does not get a payment' below.

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two or more children under the age of 16 with severe disabilities or medical conditions who together require an extremely high level of care (this rule does not apply if the children have severe intellectual, psychiatric or behavioural medical/disability conditions).

4. Bereavement allowance may be payable to a person who is recently widowed, has no dependent children and has not been getting a payment from Centrelink.
5. Veterans affairs service pension is payable to persons with qualifying service. It is paid at the same rate as age pension, but is payable 5 years earlier than age pension – 60 for a male and currently 58.5 years for a female.
6. Income Support Supplement is payable to a war widow/er pensioner whose income/assets meet the pension income and assets tests limits.
7. Seniors concession allowance is a quarterly payment (\$128.50) payable to a holder of a Commonwealth Seniors Health Card, that is, a person over age pension age, not on an age or service pension and for a single person with adjusted annual taxable income below \$50 000 (single) or a partnered person \$80 000 (partnered combined).
8. The age pension age for a male is 65. For a female, the age is being raised by six months every two years so that by 1 January 2014 female and male pension ages will be the same. The table below show when a female may qualify.
 

<b>Date of Birth</b>	<b>Qualifying age</b>
Before 1 July 1949	Eligible
1 July 1949 to 31 December 1950	58.5
1 January 1951 to 30 June 1952	59
1 July 1952 to 31 December 1953	59.5
1 January 1954 and later	60
9. Commonwealth Seniors Health Card, that is, a person over age pension age, not on an age or service pension and for a single person with adjusted annual taxable income below \$50 000 (single) or a partnered person \$80 000 (partnered combined).

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The exception to this targeting of pension payment recipients is the payment to self funded retiree CSHC holders.<sup>10</sup> These are self-funded retirees over age pension age and for a single person have adjusted annual taxable income below \$50 000 (single) or a partnered person below \$80 000 (partnered combined). These persons are not on low income. As at June 2008 there were 278 378 CSHC holders.<sup>11</sup>

#### Carer Allowance

People who are receiving Carer Allowance<sup>12</sup> will receive \$1 000 for each eligible person being cared for.<sup>13</sup> As at June 2008, Carer Allowance was paid to 278 000 persons caring for 286 000 adults. Carer allowance was also paid to 116 000 persons caring for 133 000 children.<sup>14</sup> If this was the same number of persons being cared for by carer allowance recipients on 14 October 2008, it would make up a total of 564 000 \$1 000 payments. Individuals in receipt of both carer payment and also carer allowance can receive both economic security strategy payments. That is \$1 400 (or \$2 100 (partnered)) and also \$1 000 for each person they are receiving payment of carer allowance.

#### Family Tax Benefit Part A

An economic security strategy payment of \$1 000 will also be made for each child eligible for Family Tax Benefit Part A (FTB-A) on 14 October 2008. As at June 2008 FTB-A was paid to 1.734 million families in respect of 3.384 million children.<sup>15</sup> The number of families on FTB-A on 14 October will not be exactly the same as applied in June 2008 but it will be close to the same number. This means approximately 3.384 million immediate \$1 000 payments to 1.734 million families.

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10. See footnote 7.

11. Department of Families, Housing, Community Services and Indigenous Affairs, *2007-08 Annual Report*, Canberra, p. 145, <http://www.facs.gov.au/annualreport/2008/default.htm>, accessed November 2008.

12. A person may get Carer Allowance (child) if they look after a child with a disability or severe medical condition who requires a lot of additional care or attention in their own home. A person may get Carer Allowance (adult) if:

- they are looking after an adult with a severe disability or medical condition who needs a lot of additional care and attention, or
- they provide care for an adult in either their home or the home of the person they care for.

13. See footnote 1.

14. Department of Families, Housing, Community Services and Indigenous Affairs, *2007-08 Annual Report*, op. cit. pp. 164-165.

15. *ibid.*, p. 209.

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The majority of families claim and are paid FTB-A on a fortnightly basis, but some families claim when they lodge their tax return at the end of the financial year. (See table below). As detailed in the Minister's second reading speech,<sup>16</sup> where a person does claim FTB-A at the end of the 2008-09 year and are subsequently paid to cover that date they also will be provided with the \$1 000 payment for each FTB-A child.

FTB-A payments for the 2006-07 year as at the end of June 2008<sup>17</sup>

	Number of recipients	% of recipients
Tax office lump sum payments	154 164	7%
Centrelink lump sum payments	62 503	3%
Centrelink fortnightly payments	1 876 044	90%
Total	2 092 711	

The above table shows there are some persons who claim FTB-A at the end of the year and will be entitled to an economic security strategy payments for families if also entitled to be paid in respect of 14 October 2008. An economic security strategy payment for families can be made for FTB-A claims lodged up to the end of the 2010-11 year. The exact number of payments that will be made is not known.

The same economic security strategy payment for families of \$1 000 will be made for each dependent child aged under age 25 who, at 14 October 2008, was either eligible for or received Youth Allowance, ABSTUDY Scheme living allowance or an education allowance under the Veterans' Children Education Scheme or the Military Rehabilitation and Compensation Act Education and Training Scheme.<sup>18</sup>

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16. The Hon. Jenny Macklin, MP, Minister for Families, Housing Community Services and Indigenous Affairs, Second reading speech, Social Security and Other Legislation Amendment (Economic Security Strategy) Bill 2008, *House of Representatives Debates*, 11 November 2008, pp.43, 44. <http://www.aph.gov.au/hansard/hansreps.htm>, accessed November 2008.
  17. Department of Families, Housing, Community Services and Indigenous Affairs, *2007-08 Annual Report*, Canberra, p. 208, op. cit.
  18. The Hon. Jenny Macklin, MP, Minister for Families, Housing Community Services and Indigenous Affairs, Second reading speech, op. cit.

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## Cost

The economic security strategy payments are estimated to cost \$4.8 billion.<sup>19</sup>

## When is it planned to make the payments

It is planned that all economic security strategy payments will be made automatically through Centrelink and the Department of Veterans Affairs in the fortnight beginning 8 December 2008.<sup>20</sup> **Item 7 of Schedule 1** specifies the payment date as 8 December 2008 'or such later date that the Secretary considers the earliest date on which it is reasonably practical for the payment to be made'.

## Payment recipients in more detail

### Older age pensioners

The economic security strategy payments of \$1 400 and \$2 100 (partner combined) are being primarily paid to older age persons who are also pension recipients. This targeting of older age persons is emphasized by the fact that some allowance payment recipients are to be provided with a payment but also they are people of Age Pension age who receive Parenting Payment, Special Benefit, or Austudy. The Minister did say in the second reading speech that the economic security strategy payments were not just about strengthening the economy but they are also about financial assistance for pensioners. The Minister said:

It delivers a \$4.8 billion down payment to pensioners in the lead-up to comprehensive reform of the pension system to give them long-term security and certainty.

The payments to pensioners are an immediate down payment on long-term pension reform. They are intended to give additional support before we make essential long-term reforms in the context of the 2009-10 budget.<sup>21</sup>

The main reason persons of Age Pension age are on an allowance payment rather than on an Age Pension is that they do not have the requisite 10 years residence to qualify for Age Pension. There are not many persons in these groups.

The economic security strategy payment is also to be provided to recipients of Disability Support Pension, Carer Payment, Invalidity Service Pension, Wife Pension, Widow B Pension, Partner, Widow and Bereavement Allowance. This again is mostly targeting older persons.

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19. *ibid.*

20. *ibid.*

21. *ibid.*

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Some younger pensioners

The exception to this targeting of payment to older age pensioners is the payment to Disability Support Pension and Carer Payment recipients. There may also be a small number of younger Invalidity Service Pensioners who will gain access to an economic security strategy payment. As at June 2008 there were 592 Invalidity Service pension recipients aged less than age 55.<sup>22</sup>

Some self funded retirees

Some self-funded retirees in receipt of a CSHC on 14 October 2008 are also to get a \$1 400 or a \$2 100 (partner combined) payment. These are self-funded retirees over age pension age and for a single person has adjusted annual taxable income below \$50 000 (single) or a partnered person below \$80 000 (partnered combined). These persons, not being on an age or service pension, are not on low incomes.

The self-funded retirees who do not get a payment are those of age pension age whose adjusted annual taxable income is too high to qualify for a CSHC.<sup>23</sup>

Persons receiving a qualifying payment on 14 October 2008 residing overseas will also receive a payment.

### Who will not get a payment in more detail

Working age allowance recipients

The income support recipients who will not receive an economic security strategy payment are mainly those on payments who are of working age.<sup>24</sup> The income support payment recipients not to receive an economic security strategy payment are those receiving:

- newstart allowance,
- parenting payment – single,
- parenting payment – partnered,
- youth allowance – full-time student (independent person),

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22. Department of Veterans' Affairs, DVA Pensioner Summary Statistics, *Table 06 – Veteran Service Pensioners by Conflict and Age Group*, Canberra, June 2008, [http://www.dva.gov.au/media/publicat/Statistics/index.htm#pensioner\\_summary](http://www.dva.gov.au/media/publicat/Statistics/index.htm#pensioner_summary), accessed November 2008.

23. See footnote 9 for details about Seniors Concession Allowance.

24. Working age is from age 16 and up to age pension age. The age pension age for males, *op. cit.*

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- youth allowance – other (independent person),
- ABSTUDY (independent person),
- austudy payment, and
- special benefit.

Some young pensioners miss out

Most of these payments are allowance payments and historically not seen as long term income support as is the case with pension payments. However, Parenting Payment – Single, having its origins in the single mother’s benefit and then the sole parent pension, is paid at the pension rate and with the pensions’ means tests. In many cases it is provided for the long term, especially for those whose payment preceded the Welfare to Work changes of July 2006.<sup>25</sup> They only receive Parent Payment – Single until their youngest child turns age 16. Parenting Payment – Single recipients will not get a \$1 400 economic security strategy payment. Perhaps this is because Parenting Payment – Single recipients will all get an economic security strategy payment to families of \$1 000 for each qualifying child.<sup>26</sup>

Some families miss out

The families with children who do not get an economic security strategy payment to families are those whose income is too high to qualify them for FTB-A.<sup>27</sup>

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25. Dale Daniels and Peter Yeend, Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Bill 2005, *Bills Digest No. 70 2005-06*, Parliamentary Library, Canberra, 6 December 2005, <http://www.aph.gov.au/library/pubs/bd/2005-06/06bd070.htm>, accessed November 2008.
26. All Parenting Payment – Single recipients automatically qualify for maximum rate FTB-A, being on an income support payment.
27. The income limits above which no FTB-A is payable (2008-09 year).

No of children 0-17 yrs	No. Children 18 - 24 years			
	Nil	One	Two	Three
Nil		\$99,962	\$109,403	\$119,745
One	\$98,514	\$107,955	\$118,297	\$128,639
Two	\$106,507	\$116,849	\$127,191	\$137,532
Three	\$115,401	\$125,743	\$136,085	\$146,426

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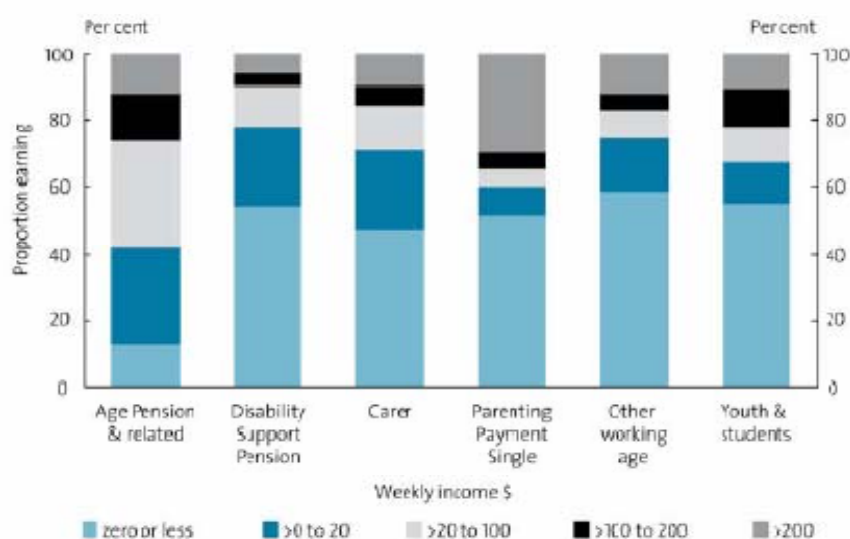
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## Many income support recipients have low financial reserves

The \$1 400 and \$2 100 economic security strategy payments provided under the *Social Security Act 1991* (SSA) and the *Veterans' Entitlements Act 1986* (VEA) target older age and also long term pension payment recipients. These are usually those persons reliant on welfare payments for prolonged periods and for those on the maximum rate of payment, they commonly do not have much in the way of financial reserves.

**Chart 25. Private weekly income by income support payment type, September 2007**



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It is important to note that most income support recipients have low levels of private income. Just over one-third of income support recipients (35.5 per cent) have no private income and a further 22.3 per cent have private income of less than \$20 per week.<sup>29</sup>

This means a total of 57.8 per cent of income support recipients have private income of less than \$20 per week. The one off economic security strategy payments will be most welcome for these recipients.

28. Department of Families, Housing, Community Services and Indigenous Affairs, *Pension Review Background Paper*, Canberra, August 2008, p. 50.  
[http://www.facs.gov.au/internet/facsinternet.nsf/seniors/pension\\_review.htm](http://www.facs.gov.au/internet/facsinternet.nsf/seniors/pension_review.htm), accessed November 2008.

29. *ibid.*, p. 49.

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The main group of persons who do not get an economic security strategy payment are those of working age on an allowance or benefit type payment. Some of these are long term income support payment recipients.

By comparison, the provision of an economic security strategy payment to CSHC holders, being self funded retirees, with too much income or assets to qualify for an age or service pension, is providing payments to those with higher levels of financial means.

## Main provisions

### Schedule 1–Economic security strategy payments under the Social Security Act

#### Social Security Act 1991

**Item 1** inserts a **new Part 2.17 Economic Security Strategy payment** into the *Social Security Act 1991* (SSA). **New subsection 900(2)** sets out the payments a person needs to be in receipt of to qualify for the economic security strategy payment and specifies that they needed to be qualified on 14 October 2008. These payments are:

- Age pension,
- Disability Support Pension,
- Wife Pension,
- Carer Payment,
- Bereavement Allowance,
- Widow B Pension,
- Widow Allowance,
- Partner Allowance, and
- Carer Allowance.

**New subsection 900(3)** covers Parenting Payment, Austudy Payment, Special Benefit and ABSTUDY Scheme payment recipients, requiring them to be over Age Pension age as of 14 October 2008 to qualify.

**New subsection 900(4)** covers CSHC holders requiring them to have been qualified for the CSHC on 14 October 2008.<sup>30</sup>

**New section 901** sets out the amounts of the economic security strategy payments. **New subsection 901(2)** refers to Carer Allowance recipients. Some recipients of the income support payments in the **new section 900** may also be recipients of Carer Allowance,

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30. Seniors concession allowance, op. cit.

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especially Carer Payment recipients. In such cases, the amounts for payments set out in **new section 901** will not apply to them rather those in **new section 902** – see below.

**New section 902** sets out who is entitled to an economic security payment when the person receives Carer Allowance. The details can be summarised as:

- receiving Carer Allowance alone and no other payment - \$1 000 payment for each qualifying person they care for - see **new subsection 902(3)**, (except for caring for 2 children - 2 children to count as one person being cared for – see **new subsection 902(4)**) –
- receiving Carer Allowance and also receiving an economic security strategy trigger payment listed in **new subsection 900(2)** – can receive both economic security payments,
- receiving Carer Allowance providing care for 1 child - \$1 000 payment,
- receiving Carer Allowance providing care for 2 children - \$1 000 payment,
- receiving Carer Allowance providing care for 1 child and 1 adult - \$2 000 payment, or
- receiving Carer Allowance on a part-rate basis, as they share the care with another carer – part rate of \$1 000 according to their shared care rate of carer allowance.

**Item 2** inserts provisions clarifying who is to be considered to be receiving a qualifying payment for the economic security strategy payments on 14 October 2008. In some cases a person can be transferred to another payment even though they haven't claimed that payment. For example, a person can be transferred to an Age Pension as they are covered under an international social security agreement that Australia has signed with another country. Section 12 in the *Social Security (Administration) Act 1999* (SSAA) provide for this. The new provisions in **item 2** basically say that where a person is so transferred to an economic security strategy qualifying payment, it has to be done before 14 October 2008.

Likewise, section 15 of the SSAA refers to inappropriate claims. A person may lodge a claim for the wrong payment and section 15 allows that claim to be treated as a claim for another payment for which they are entitled, so the person is not disadvantaged. Where this is done and section 15 of the SSAA applied and the person provided with an economic security strategy qualifying payment, then the decision under section 15 has to have been made on or before 14 October 2008.

**Item 3** inserts new provisions in relation to economic security strategy payments and debts. Essentially, where a person was qualified to an economic security strategy trigger payment on 14 October 2008 and it was later revealed that the person was not qualified to that payment, as a result of the person knowingly providing a false or misleading statement or information, then the economic security strategy qualifying payment can be a debt and recovered.

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**Item 4** refers to debt recovery basically providing for the economic security strategy payment to not be reduced or deducted from, in other debt recovery processes, unless the recipient has agreed to it.

## Schedule 2—Economic security strategy payments under the Veterans' Entitlements Act 1986

### Veterans' Entitlements Act 1986

**Schedule 2** inserts new provisions into the *Veterans' Entitlements Act 1986* (VEA) very much like the provisions proposed to be inserted into the SSA by **Schedule 1**.

**Item 1** provides for a **new Part VIIG—Economic security strategy payment** into the VEA.

**New subsection 118ZZQ(2)** sets out the payments a person needs to be in receipt of on 14 October 2008 to qualify for the economic security strategy payment. These payments are:

- Service pension,
- Income Support Supplement, or
- Carer Service Pension.

**New subsection 118ZZQ(3)** refers to Seniors Concession Allowance<sup>31</sup> recipients, who are persons who hold a CSHC, requiring them to be qualified to the allowance on 14 October 2008.

**New section 118ZZR** sets out the amounts of the economic security strategy payments, being the same as set out in **Schedule 1** for the SSA.

**New section 118ZZU** sets out debt provisions, very much like that proposed to be inserted into the SSA in **Schedule 1**, in respect of the economic security strategy payment.

## Schedule 3—Economic security strategy payments to families

### A New Tax System (Family Assistance) Act 1999

**Schedule 3** provides for amendments to the *A New Tax System (Family Assistance) Act 1999* (FAA) and also to the *A New Tax System Family Assistance (Administration) Act 1999* (FAAA). These amendments are to:

- provide an economic security strategy payment of \$1 000 for each child qualifying a person to FTB-A on 14 October 2008, or

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31. Seniors concession allowance, *op. cit.*

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- provide an economic security strategy payment of \$1 000 for each child who on 14 October 2008 attracts or receives Youth Allowance, ABSTUDY living allowance, or an education allowance under the Veterans' Children Education Scheme (VCES), or the Military Rehabilitation and Compensation Act Education and Training Scheme (MRCAETS).

**Item 2** details that MRCAETS refers to the scheme provided under section 258 of the *Military Rehabilitation and Compensation Act 2004* (MRCA). **Item 3** details that Veterans' Children Education Scheme (VCES) refers to the scheme provided under section 117 of the VEA.

**Item 4** inserts a new **Part 6—Economic security strategy payment to families** in the FAA.

**New section 89** sets out the different criteria a child must meet on 14 October 2008 to attract an economic security strategy payment to families. There are several different categories that can qualify a child to attract such families a payment and they are summarised below:

- FTB-A child, for whom FTB-A is paid, in respect of fortnightly payments,
- FTB-A child, for whom FTB-A is entitled to be paid through a claim lodged at the end of the 2008-09 financial year and the claim was lodged in either the 2008-09, 2009-10 or 2010-11 years,
- Youth Allowance recipient who is considered to be dependent,<sup>32</sup>
- ABSTUDY Scheme recipient receiving a component for a living allowance who is considered to be dependent and is aged under 25,
- Education allowance paid in respect of a child under either MRCAETS or VCES and the child is considered to be dependent and is aged under 25,

**New section 90** basically details that the \$1 000 economic security strategy payment to families is payable to a family in respect of each qualifying child. So if a family has 3 qualifying children, they get 3 payments.

**New section 91** sets out the amount of the economic security strategy payment to families to be paid. Normally it is to be \$1 000 per qualifying child (see **new section 94** below). Nevertheless, it is common for FTB-A to be split between 2 persons in shared care situations.<sup>33</sup> The rate of FTB-A is split only where the person providing the lesser amount

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32. Independence and dependence is defined in Part 3.5 of the SSA and for Youth Allowance can determine the rate payable, whether parental means testing applies plus access to other assistance like Rent Assistance.

33. Peter Yeend, Child Support Legislation Amendment (Reform of the Child Support Scheme - New Formula and Other Measures) Bill 2006, *Bills Digest No. 43 2006-07*, Parliamentary

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of care does so for 35 per cent of the time or more. The economic security strategy payment to families is to also mirror this arrangement and split the \$1 000 payment in shared care situations where the FTB-A rate is also split.

Like FTB-A, an education allowance provided under the MRCAETS or VCES can be split in shared care situations. As with FTB-A split rate situations, the economic security strategy payment to families is to be split proportionally.

It is possible for a part of an ABSTUDY Scheme payment (including an amount for a living allowance) or an education allowance under MRCAETS or VCES to be paid to a school - commonly for boarding costs. The remaining part of the payment/allowance is paid to a parent/guardian. In these cases the whole of the economic security strategy payment to families is to be provided to the parent/guardian.

**New section 92** provides the rules for determining the qualifying criteria to make a payment where a child qualifies under more than one category. This could be common, for example, a child could attract both FTB-A and also an education allowance under the MRCAETS. The rule is that whichever qualification criterion arises first, in the order that they are listed in **new section 89**, is the one that applies (FTB category, Youth Allowance category, ABSTUDY category, Education Allowance category). So in the example above, the FTB-A category (that is **subsection 89(2)**) is listed before the Education Allowance category (that is **subsection 89(8)**) in **new section 89**, so it is the one that applies.

**New subsection 92(3)** provides that only one economic security strategy payment to families can be paid in respect of a child for either the Youth Allowance or the ABSTUDY Scheme payment qualification. A child cannot qualify for both Youth Allowance and ABSTUDY Scheme payment on the same day (in this case 14 October 2008), so it is difficult to understand the need for this subsection, but it could be there as an insurance policy to ensure there is no dual payment to families for a child.

**New subsection 92(4)** provides that more than one economic security strategy payment to two different persons can be paid in respect of a child where the child qualifies two persons for an education allowance on 14 October 2008. A child could qualify one person for an education allowance under the MRCAETS and another person for an education allowance under the VCES at the same time. **Subsection 92(4)** mainly refers to shared care cases where two parents/guardians are entitled to sharing an education allowance for a child. **New subsection 91(6)** would then apply to apportion the amount of the \$1 000 paid between the two sharing care, on the basis of the shared education allowance paid.

**New subsection 92(5)** details that where a child has qualified a person to an economic security strategy payment to families under one category, then the child cannot qualify the same person for another economic security strategy payment to families under another

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Library, Canberra, 18 October 2006, p. 12, <http://www.aph.gov.au/library/pubs/bd/2006-07/07bd043.htm>, accessed November 2008.

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qualification requirement. This clarifies **new subsection 92(3)** (see comments above) making it clear only one payment is provided to a person. If the child meets another qualification requirement then it could only qualify another person for that other payment.

**New section 93** provides for payment of the economic security strategy payment to families to be payable to an individual. Normally, for payment of Youth Allowance where the qualifying person is aged under age 18, payment must be to a parent's bank account.<sup>34</sup>

**New subsection 93(2)** details the economic security strategy payment to families can be paid to the young person qualified for Youth Allowance who was on 14 October 2008 under age 25 and regarded as dependent. The net result is that the economic security strategy payment to families can be paid to Youth Allowance recipients where they are aged 18 or more but still regarded as dependent.

**New subsection 93(3)** applies a like rule where the qualifying child for the economic security strategy payment to families was on ABSTUDY Scheme payment which had a component of living allowance. So, like the Youth Allowance arrangements (see above), the ABSTUDY Scheme recipient will need to be on 14 October 2004:

- regarded as dependent,
- aged under age 25, and
- the ABSTUDY Scheme living allowance was paid to the young person and not to a parent/guardian.

**New subsections 93(4) and (5)** refer to the case where a young person qualifies for the economic security strategy payment to families as they were entitled to an education allowance under the VCES and the MRCAETS respectively. Like with **new subsection 93(2)** (see above) the young person can be paid the economic security strategy payment to families where they are aged under 25 years and the education allowance was paid to them as a student.

**New section 94** details that the amount of the economic security strategy payment to families is \$1 000.

#### A New Tax System (Family Assistance) (Administration) Act 1999

**Item 5** proposes to insert a new **Division 4B—Economic security strategy payment to families** in the FAAA.

**New section 65G** details that the economic security strategy payment to families is to be a lump sum.

**Item 8** inserts **new section 71J** referring to debts and the economic security strategy payment to families. This is very much like **Item 3** in **Schedule 1** (see above) and details that the economic security strategy payment to families can become a debt where the

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34. Section 45 of the *Social Security (Administration) Act 1999*.

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person who received the payment did so on the basis of being paid the qualifying payment by way of a the person knowingly providing false or misleading statement or evidence. If this does occur then the economic security strategy payment to families can be a debt and recovered.

#### Schedule 4—Administrative scheme for economic security strategy payments

**Schedule 4** proposes to insert into the SSA, the FAA and the VEA provisions to empower the respective Minister to set up an administrative scheme under which economic security strategy payments could be made to qualified persons in particular circumstances. The Minister would be able, by way of a legislative instrument, to prescribe who should be paid. Under the *Legislative Instruments Act 2003* (LIA), legislative instruments are generally disallowable by the Parliament.<sup>35</sup>

#### The need for the administrative scheme provisions in Schedule 4

Provisions, like those in **Schedule 4**, have been presented in other one-off payment Bills in the past.<sup>36</sup> **Schedule 4** is basically an insurance policy empowering the Minister to provide an economic security strategy payment to a person or persons, by way of an administrative scheme, who for some unforeseen reason was not captured by the legislative intention of the Bill and so did not get a payment under the provisions in **Schedule 1, 2** or **3**. Use of an administrative scheme provides the Minister with the ability to make a payment, without having to come back to the Parliament with another Bill.

#### Schedule 5—Other amendments

##### Income Tax Assessment Act 1936

**Item 1** removes the economic security strategy payments to families as income in the definition of separate net income in the *Income Tax Assessment Act 1936* (ITAA1936). **Item 2** likewise amends the ITAA1936 in reference to economic security strategy payments provided under the SSA or the VEA.

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35. Moira Coombs, Acts Interpretation Amendment (Legislative Instruments) Bill 2005, *Bills Digest No. 11 2005-05*, Parliamentary Library, Canberra, 8 August 2005. <http://www.aph.gov.au/library/pubs/bd/2005-06/06bd011.htm>, accessed November 2008.

36. Peter Yeend, Social Security and Veterans' Entitlements Legislation Amendment (One-off Payments and Other Budget Measures) Bill 2008, *Bills Digest No. 7 2008-09*, Parliamentary Library, Canberra, 25 August 2008, <http://www.aph.gov.au/library/pubs/bd/2008-09/09bd007.htm>, accessed November 2008.

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### Income Tax Assessment Act 1997

**Items 6, 7 and 9-12** exempt economic security strategy payments as income or income tax under the *Income Tax Assessment Act 1997* (ITAA1997). This is consistent with the income and income tax treatment under the ITAA1997 of other one-off lump sum payments that have been made by governments in the past.<sup>37</sup>

### Social Security Act 1991

**Items 13 and 14** amend the SSA so that the economic security strategy payments are not income for the income test under the SSA. This is consistent with the income test treatment of previous one-off bonus payments.

### Social Security (Administration) Act 1999

**Items 15 to 19** provide amendments to the SSAA which essentially deal with Income Management Regime (IMR) payment arrangements. These arrangements now apply to some income support recipients as a result of the then government's Northern Territory intervention of 2007.<sup>38</sup> Under the IMR arrangements, a person's income support and/or income supplement payments (all or a part of) are directed to a Centrelink controlled account from which withdrawals approved by Centrelink can be made for what are considered essential or appropriate items like food, clothing, rent, house utility expenses, transport, education costs etc.

In summary, the amendments to the SSAA would mean that the economic security strategy payments made to someone subject to the IMR arrangements will be diverted into the Centrelink controlled IMR account of the person.

There are some exceptions. **New subsection 123XPC(2) in item 16** does provide an exemption to some economic security strategy payments being able to be diverted into the Centrelink controlled IMR account. The exception refers to persons provided with an economic security payment under the proposed amendments to the VEA presented in **Schedule 2** of this Bill (see above) where they are for persons who reside in one of the designated IMR areas of the Northern Territory (NT) or they are a case that has been referred to IMR management by the Queensland Family Responsibilities Commission.

In short, what this means is that the economic security strategy payments provided under the VEA are *not* to be placed into Centrelink controlled IMR accounts in *some* cases. These cases will be where the person is subject to IMR either because they live in a

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37. *ibid.*

38. Peter Yeend and Coral Dow, *Social Security and Other Legislation Amendment (Welfare Payment Reform) Bill 2007, Bills Digest No. 27 2007-08*, Parliamentary Library, Canberra, 13 August 2007, <http://www.aph.gov.au/library/pubs/bd/2007-08/08bd027.htm#Contact>, accessed November 2008.

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designated area in the NT and or they are a Queensland Family Responsibilities Commission referred case. However, there are other reasons a veteran payment recipient might be subject to IMR, such as for child protection reasons, school enrolment or attendance reasons, or they are a participant in the Cape York Reform trials or they have volunteered. In these cases the economic security strategy payments provided under the VEA *are* to be subject to the IMR arrangements. The Explanatory Memorandum details that this selective treatment of lump sum payment with some to not be subject to IMR arrangements is consistent with current IMR treatment of payments provided under the VEA.<sup>39</sup>

## Concluding comments

The economic security strategy payments of \$1 400, \$2 100 (partner combined) and \$1 000 are large lump sum payments. Certainly they are by far the largest lump sum amounts paid to pensioners by any government recently, if not ever. This is the main reason the cost of \$4.8 billion is so large. These large lump sum payments will be of significant use to many long term income support recipients as many have few other income sources.<sup>40</sup>

The main purpose of the payments to income support recipients is to provide immediate financial help in the lead up to comprehensive reform of the pension system.<sup>41</sup>

The Government also has an interest in creating the economic stimulus that will be provided by the payments. This stimulus may serve to counteract some of the effects of the global financial crisis.<sup>42</sup>

The number of families that will be assisted by the economic security strategy payments for families could eventually be close to 2 million.

Close to 280 000 self funded retirees who are holders of a CSHC also gain access to the economic security strategy payments of \$1 400 or \$2 100.<sup>43</sup> These self funded retirees have more financial resources than the income support recipients getting the same payments.

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39. Explanatory Memorandum, p. 29.

40. Department of Families, Housing, Community Services and Indigenous Affairs, *Pension Review Background Paper*, op. cit.

41. The Hon. Kevin Rudd, MP, the Hon. Wayne Swan, MP, the Hon Jenny Macklin, MP, \$4.8 billion down payment to help pensioners, seniors and carers, see footnote 1.

42. *ibid.*

43. Department of Families, Housing, Community Services and Indigenous Affairs, *2007-08 Annual Report*, Canberra, pp. 145, op. cit.

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