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Social Security and Veterans' Entitlements Amendment (Commonwealth Seniors Health Card) Bill 2009

Peter Yeend
Social Policy Section

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Glossary

Abreviation	**Definition**
AP	Age Pension
CCB	Child Care Benefit
CSHC	Commonwealth Seniors Health Card
FTB-A	Family Tax Benefit Part A
FTB-B	Family Tax Benefit Part B
HCC	Health Care Card
ITAA1997	*Income Tax Assessment Act 1997*
ITAA1936	*Income Tax Assessment Act 1936*
PCC	Pensioner Concession Card
PBS	Pharmaceutical Benefits Scheme
SSA	*Social Security Act 1991*
SG	Superannuation Guarantee
TFN	Tax File Number
VEA	*Veterans' Entitlements Act 1986*

Social Security and Veterans' Entitlements Amendment (Commonwealth Seniors Health Card) Bill 2009

Date introduced: 12 February 2009

House: House of Representatives

Portfolio: Families, Housing, Community Services and Indigenous Affairs

Commencement: The provisions of this Bill are to commence at a variety of times as set out in the Table in section 2.

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

The Bill proposes amendments to the adjusted taxable income test that is used for the Commonwealth Seniors Health Card (CSHC) to take into account income from a superannuation income stream with a taxed source and also income being salary sacrificed into superannuation.

Background

2008-09 Budget initiative

The government announced its intention to make adjustments to the income test used for the CSHC in the 2008-09 Budget.[1] The Budget announcement stated that:

> The measure will increase fairness by ensuring that, in applying the existing income test, all income received by seniors – whether from superannuation or another source such as a managed fund or interest from a bank account, is treated in the same way.[2]

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1. Australian Government, *Budget Paper No. 2: Budget Measures 2008–09*, Responsible Economic Management – Commonwealth Seniors Health Card – adjusted taxable income test, Canberra, 13 May 2008, pp. 381-382, http://www.budget.gov.au/2008-09/content/bp2/html/index.htm, accessed on 13 February 2009.
2. ibid.

Savings

The Budget announcement detailed that the delivery of the measure was estimated to cost $19.4 million in administrative costs over four years.[3] The Explanatory Memorandum details that the combined estimated expenditure and savings on the income test changes results in net expenditure of $12.3 million in 2008-09. However, over the following three years the measure results in net savings: $30.2 million in 2009-10, $32.3 million in 2010-11 and $34.6 million in 2011-12. This realises net savings of $84.8 million over the four years.[4] These savings would be achieved by reduced numbers of seniors able to access the CSHC. The government further detailed that these cost savings estimates were based on about 984 000 scripts moving from the concessional to the general category in the first full year (2009-10), rising to about 1.1 million in 2011-12.[5] Cost savings would also be achieved with lesser numbers of persons being provided with the Seniors Concession Allowance and the Telephone Allowance. The government detailed it estimated that around 22 000 CSHC holders would lose eligibility to the card in 2009-10.[6]

Commonwealth Seniors Health Card

Qualification

The CSHC is available to persons over Age Pension (AP) age[7] who are not in receipt of an income support payment and whose adjusted taxable income is below certain limits. The

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3. ibid.

4. Explanatory Memorandum, Financial impact statement.

5. Senate Community Affairs Committee, 2008-09 Budget Estimates, Families, Housing, Community Services and Indigenous Affairs Portfolio, *Answer to question on notice,* question No. 286 from Senator Gary Humphries, Canberra, June 2008, pg 19, http://www.aph.gov.au/Senate/committee/clac_ctte/estimates/index.htm, accessed 17 February 2009.

6. ibid., *Answer to question on notice,* question No. 150 from Senator Gary Humphries, Canberra, June 2008, pg 7, http://www.aph.gov.au/Senate/committee/clac_ctte/estimates/index.htm, accessed 17 February 2009.

7. The age pension age for males is age 65. Pension age for females is being raised by six months every two years so that by 1 January 2014, female and male pension ages will be age 65. The table below show when females qualify.

Date of Birth	**Qualifying age**
Before 30 June 1944	63 yrs
Between 1 July 1944 to 31 Dec 1945	63.5 yrs
Between 1 Jan 1946 to 30 June 1947	64 yrs
Between 1 July 1947 to 31 Dec 1948	64.5 yrs

main income support payments for persons over AP age are the AP, Age Service Pension and Partner Service Pension. Persons over AP age may also be in receipt of Disability Support Pension or Special Benefit in cases where they have insufficient residence for the AP.

Income test limits

The current yearly income test limits for the CSHC are:

• Single	$50,000
• Partnered (combined)	$80,000

The income limits for the CSHC are not indexed in any way and are only increased when a government sees the need to do so.

Definition of income

The current income test for the CSHC uses 'adjusted taxable income', which refers to net taxable income with three additional elements:

- foreign income,
- certain employer-provided fringe benefits, and
- the value of net rental property losses.

Benefits

The CSHC provides access to concessional pharmaceuticals under the Pharmaceutical Benefits Scheme (PBS). The CSHC may also provide:

- Bulk-billed GP appointments. This is at the discretion of the general practitioner but the Commonwealth government provides financial incentives for doctors to bulk-bill concession card holders,
- A reduction in the cost of out-of-hospital medical expenses above a concessional threshold, through the Medicare Safety Net, and
- In some instances, additional health, household, transport, education and recreation concessions which may be offered by a State or Territory and local governments and private providers. These providers offer these concessions at their own discretion, and the availability of these concessions may vary from state to state.

After 1 Jan 1949	65 yrs

Retired aged persons on a government income support payment are issued with a Pensioner Concession Card (PCC) or a Health Care Card (HCC), which also provide access to concessional pharmaceuticals under the PBS.

Allowances

The CSHC also provides access to the:

- Seniors Concession Allowance - a non-taxable payment of $128.50 made every three months to help with regular bills such as energy, rates and motor vehicle registration fees that are not available at a concessional rate.
- Telephone Allowance - a non-taxable payment of $23 made every three months if the CSHC holder has a telephone connected in Australia. A higher rate of $34.60 is paid every three months where the person has an Internet connection.

Card holders

As at June 2008 there were 278 378 CSHC holders.[8]

Origins, purpose and development of the Commonwealth Seniors Health Card over time

The CSHC was introduced from July 1994.[9] The CSHC then provided access to concessional prescription medicines under the PBS, free hearing aids and certain free basic dental services. The CSHC was available to people of AP age who were not eligible for AP for reasons other than the income test, for example, insufficient length of residence or assets exceeding the asset test cut-off limits.

The original purpose of the CSHC was to provide assistance to retired persons who were on low-income. When introduced, the income limits for the CSHC were the same as the income test limits that applied for the AP, so the vast majority of retired persons issued with a CSHC were those who were asset rich but income poor, that is mainly farmers.

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8. Department of Families, Housing, Community Services and Indigenous Affairs, *Annual Report 2007-08*, Canberra, p. 145. http://www.facs.gov.au/annualreport/2008/default.htm, accessed 19 February 2009.

9. Chris Field, Social Security Legislation Amendment Bill (No. 2) 1993, *Bills Digest No. 37*, Parliamentary Library, Canberra, 1 September 2003, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;adv=yes;db=;group=;holdingType=;id=;orderBy=alphaAss;page=9;query=Dataset%3Abillsdgs%20SearchCategory_Phrase%3A%22bills%20and%20legislation%22%20Decade%3A%221990s%22%20Year%3A%221993%22;querytype=;rec=5;resCount=, accessed 13 February 2009.

Income test and limits for the CSHC changed from January 1999

From January 1999, the income test limits for the CSHC was changed to one based on taxable income and also the income limits were substantially increased.[10] Set out below are the income limits prior to the January 1999 change and the then new January 1999 limits.

Yearly income test limits	Dec 1998	Jan 1999
Single	$21,460.40	$40,000
Partnered (combined)	$35,859.20	$67,000

The income test change involved the very basis of the income test being changed from income assessed under the *Social Security Act 1991* (SSA) to adjusted taxable income assessed under the *Income Tax Assessment Act 1997* (ITAA1997). The new higher income limits meant that the CSHC could no longer be described as a low-income health card. The Budget papers at the time stated that the reason for the changes to the income test limits and the income test basis was:

> to address the low take-up of the CSHC by simplifying the claim process. Extending the income limit will allow more self-funded retirees access to pharmaceutical concessions.[11]

Income test was changed from income under the Social Security Act changed to adjusted taxable income

Not only did the raised income test limits allow more self-funded retirees access to the CSHC but the changed income test also did likewise. This is because the income test under the SSA is more stringent than that used under the ITAA1997, even when it is adjusted. The definitions of income differ between the ITAA1997 and the SSA and this is largely due to the different purposes of the two acts. The ITAA1997 is a tax revenue act and assesses income in order to tax it to provide revenue to government regardless of a person's need. The SSA is a welfare act and assesses income as one means of measuring need for

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10. Lesley Lang, 1998 Budget Measures Legislation Amendment (Social Security and Veterans' Entitlements) Bill 1998, *Bills Digest No. 21*, 1998-99, Parliamentary Library, Canberra, 23 November 1998. http://parlinfo/parlInfo/search/display/display.w3p;adv=yes;db=;group=;holdingType=;id=;orderBy=customrank;page=0;query=seniors%20health%20card%20Date%3A01%2F01%2F1998%20%3E%3E%2001%2F06%2F1999%20Dataset%3Abillsdgs;querytype=;rec=1;resCount=Default, accessed 13 February 2009.

11. 1998-99 Budget, Portfolio Budget Statements 1998-99, Social Security Portfolio, *Budget Related Paper No. 1.14*, Canberra, 6 May 1998, p. 90.

welfare assistance. This difference in purpose is also the origin for the different treatment exemptions and income deductions between the two acts.

The SSA provides a very broad definition of income in subsection 8(1).[12] Therefore, the SSA starts off with an all-encompassing income definition, and then sets out specific exclusions that are not to be classified as income. There are the general income exclusions that apply largely across the SSA, and there are other specific purpose exclusions for individual payments. The ITAA1997 does not contain a definition of income but relies on an unspecified accepted general meaning of income. There are then many and various deductions, rebates and offsets allowed for income generating purposes, for incentive purposes or to target a tax advantage to a specified group, like the senior Australians tax offset. Many of the deductions, rebates and offsets are not allowed under the SSA so a person's income for the SSA may be very different to their income for the ITAA1997. In most cases the net taxable income for the ITAA1997 will be less than income for the SSA.

Adjusted taxable income

While the CSHC does use the ITAA1997 income definitions and deductions, there are a few deductions not allowed. For the CSHC, taxable income is adjusted to add back in to net taxable income:

- foreign income,
- certain employer-provided fringe benefits, and
- the value of net rental property losses.

While the move to adjusted taxable income is explained in the 1998 Budget decision as a move to expand access to concessional pharmaceuticals for self-funded retirees, it was not explained why some deductions like negatively geared property loses were excluded. Perhaps it was thought there was some merit in not allowing some deductions like negatively geared property losses to artificially reduce taxable income. This appears to also be the motivation for the changes to adjusted taxable income presented in this Bill,

12. 8.(1) In this Act, unless the contrary intention appears:

"income", in relation to a person, means:

(a) an income amount earned, derived or received by the person for the person's own use or benefit; or

(b) a periodical payment by way of gift or allowance; or

(c) a periodical benefit by way of gift or allowance;

but does not include an amount that is excluded under subsection (4), (5), (7A) or (8).

that is the government wants to see some targeting of access to the CSHC to self-funded retirees with lesser real incomes, not necessarily those with lower taxable incomes.

Yearly income limits increased from 1 September 2001

A further extension of the income limits for the CSHC was announced in the 2001-02 Budget and took effect from 1 September 2001.[13] The new income limits brought the limit to their current levels, that is:

- Single $50,000
- Partnered (combined) $80,000

As mentioned above, these income limits are not indexed in any way and are only increased when a government sees the need to do so.

Provision of a Tax File Number

CSHC claimants have, from 1 January 2009, been required to provide a Tax File Number (TFN).[14] Prior to 1 January 2009, CSHC claimants have not been required to provide a TFN, just their latest tax assessment notice. The main impetus to provide a TFN is for Centrelink to be able to confirm tax assessment details for a claimant with the Australian Tax Office and to obtain more detailed information necessary to determine adjusted taxable income, details like salary sacrificed superannuation and superannuation from a taxed source.

Previous changes to the taxability of income from a superannuation income stream from a taxed source

The then government first announced changes to the taxability of superannuation from a taxed source in the 2006-07 Budget.[15] In short, superannuation from a taxed source is no

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13. 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*, Canberra, 8 August 2001, http://parlinfo/parlInfo/search/display/display.w3p;adv=yes;db=;group=;holdingType=;id=;orderBy=customrank;page=0;query=seniors%20health%20card%20Date%3A01%2F02%2F2001%20%3E%3E%2031%2F07%2F2002%20Dataset%3Abillsdgs;querytype=;rec=0;resCount=Default, accessed 13 February 2009.

14. Peter Yeend, Families, Housing, Community Services and Indigenous Affairs and Other Legislation Amendment (2008 Budget and Other Measures) Bill 2008, Bills *Digest No. 150 2007-08*, Parliamentary Library, Canberra, 23 June 2008, http://www.aph.gov.au/library/pubs/bd/2007-08/08bd150.htm#Contact, accessed 17 February 2009.

15. Treasury, *A Plan to Simplify and Streamline Superannuation - Detailed Outline*, Canberra, 9 May 2006. *A Plan to Simplify and Streamline Superannuation – Outcome of Consultation*,

longer taxable income where the taxpayer is aged 60 or more. The changes to the taxation legislation were achieved with the *Tax Laws Amendment (Simplified Superannuation) Act 2007*.[16] A taxed source superannuation fund refers to the private commercial superannuation product providers like AMP, Virgin Money, MLC etc, who pay tax on their fund earnings. Non-taxed superannuation refers to government provided superannuation like the Public Sector Superannuation Scheme (PSS), who do not pay tax on their fund earnings.

Taxability of employment income salary sacrificed into superannuation

Under the ITAA1997, where a person has income from an employer, for employment provided, paid into a superannuation account instead as taken as wages in hand, they are liable to a tax rate of 15 per cent on that amount. This amount is taxed pre the gross amount paid to the employee for their employment and can serve to reduce the gross amount of salary paid to the employee in the form of wages or salary. This reduction of gross salary or wages paid by the employer to the employee also has the effect of reducing the employee's taxable income. This concessional tax rate of 15 per cent is aimed at encouraging employees to make contributions into superannuation to provide for their own retirement income, rather than calling on the taxpayer to provide for their retirement income by way of the AP.

Comment

Tax free superannuation

Since July 2007, persons aged 60 or more with income from private taxed superannuation sources (lump sums or periodic payments) have had their superannuation income treated as being tax free. This was as a result of a 2006-07 Budget announcement by the then government, implemented by subsequent legislation.[17] The CSHC adjusted taxable income test as it is currently configured does not included this tax free income from a taxed superannuation source.

Canberra, 5 September 2006. The Hon. Peter Costello MP, 'A Plan To Simplify and Streamline Superannuation – Transitional Issues That Apply Immediately', *Media Release, No 57 of 2006*, Canberra, 14 June 2006. 'Simplified Superannuation – Final Decisions', *Media Release No 93 2006*, Canberra, 5 September 2006.

16. Les Nielson, Tax Laws Amendment (Simplified Superannuation) Bill 2006, Bills Digest No. 65 2006-07, Parliamentary Library, Canberra, 24 January 2007, http://www.aph.gov.au/library/pubs/SearchResults.asp, accessed 24 February 2009.

17. Treasury, A Plan to Simplify and Streamline Superannuation - Detailed Outline, Canberra, 9 May 2006. A Plan to Simplify and Streamline Superannuation – Outcome of Consultation, Canberra, 5 September 2006. The Hon. Peter Costello MP, op. cit.

Use of the adjusted taxable income test

Adjusted taxable income is used by the government in several forums to determine access to assistance and also to determine a level of income for a claimant. The test is used for the three main family assistance payments, being Family Tax Benefit Part A (FTB-A), Family Tax Benefit Part B (FTB-B) and also the Child Care Benefit (CCB) provided under the *A New Tax System Family Assistance Act 1999*. The adjusted taxable income test is also used for the measurement of payer and payee parents' incomes for the Child Support Scheme maintenance formula calculations under the *Child Support Scheme (Assessment) Act 1989.*

The reason the taxable incomes of claimants for the CSHC is adjusted, adding back in negatively geared property losses, foreign income and employer provided fringe benefits, recognises that allowable tax deductions may not result in an appropriate indicator of real income or means. The government announced changes to the application of adjusted taxable income test in the 2008-09 Budget.[18] The changes to the legislation to give affect to these income testing arrangements which use adjusted taxable income is provided for in the *Tax Laws Amendment (2009 Measures No. 1) Bill 2009*.

Advantages and disadvantages of using adjusted taxable income

There are advantages both to government and to claimants in using adjusted taxable income as an income measure. Firstly, the most recent tax assessment can be used and this removes the need for a separate income measurement and assessment. This results in a reduced cost to government in not having to administer and deliver a separate income test. It also has time and effort savings for claimants to not have to provide documents and evidence necessary for a separate income test. The only readily available alternative to using adjusted taxable income is to use the income test applied for pension and allowance income support payments under the SSA (and also the *Veterans' Entitlements Act 1986* (VEA)). As explained above, this test is tighter and does not allow as many of the tax deductions allowed under the ITAA1997 or the *Income Tax Assessment Act 1936* (ITAA1936) to reduce income, thereby achieving better targeting. The use of the SSA (and VEA) income test to measure and test income is more administratively expensive as it often requires an extra and separate measurement and assessment of income.

18. Australian Government, *Budget Paper No. 2: Budget Measures 2008–09*, Means-testing of government support–expanded definitions of income to include certain 'salary sacrificed' contributions to superannuation, Canberra, 13 May 2008, p. 29, http://www.budget.gov.au/2008-09/content/bp2/html/index.htm, accessed on 19 February 2009.

The Commonwealth Senior Health Card recipient population will have changed since the 2008-09 Budget

The original costing of this CSHC income test initiative was presented in the Budget in May 2008. The cost/savings estimates would have been done in early 2008. There is now a significant difference in the general economy and in the performance of private (taxed) superannuation funds since then. Some previously self-funded retirees will have suffered a drop in income and may be now entitled to payment of the AP. On AP they get access to the PBS by being issued with a PCC. Others, with higher levels of income, also suffering a drop in income may now be below the CSHC income test limits to qualify for a CSHC.

Main provisions

Schedule 1 – Amendments

Part 1–Main amendments

Social Security Act 1991

Item 1 proposes to amend section 1071–3 in the SSA which provides a definition of adjusted taxable income for the sections in the SSA that refer to the maximum yearly income qualification to the CSHC. The amendments will add to the items that are added back into net taxable income both the tax free amounts of private taxed superannuation benefits and also the person's reportable superannuation contributions for the year.

Item 2 amends section 1071–3 adding a note clarifying that reportable superannuation contributions are described in subsection 10A(2) of the SSA. A new subsection 10A(2) is inserted into the SSA in **Part 2** of **Schedule 1** of this Bill – see below.

Item 3 refers to the application of these new provisions in the SSA saying that the changes in **Item 1** applies to claims for the CSHC made on or after 1 July 2009. In short, the application of the provisions in **Item 1** are not retrospective to apply for claims lodged before 1 July 2009.

Veterans' Entitlements Act 1986

Items 4 to 6 make the same amendments to the definition of adjusted taxable income in the VEA as are made in the SSA in **Items 1 to 3**.

Part 2–Amendments commencing on or after the tax amendments

Social Security Act 1991

Item 7 inserts a new definition of 'reportable superannuation contributions' into the SSA detailing that it has the same meaning as is in the ITAA1997. There is a complimentary Bill before the Parliament with associated amendments to both the ITAA1997 and also the ITAA1936, inserting a definition of 'reportable superannuation contributions'. This Bill is the *Tax Laws Amendment (2009 Measures No. 1) Bill 2009*.

The definition in Schedule 3 of that Bill is proposed to be:

> ***reportable superannuation contributions***, for an individual and an income year, means the sum of:
> (a) the individual's *reportable employer superannuation contributions (if any) for the income year; and
> (b) the individual's deductions (if any) under Subdivision 290-C for the income year.

Part (a) of this definition refers to both salary sacrificed superannuation contributions made by the employer on behalf of the employee and also to contributions to superannuation made over and above the minimum required 9 per cent of the employee's salary under the Superannuation Guarantee (SG).[19] Part (b) refers to deductions in respect of superannuation from a private (taxed) superannuation source.

The date of commencement of the proposed amendment in **Part 2** of **Schedule 1** of this Bill is either the date of Royal Assent of this Bill or the date of commencement of Schedule 3 of the *Tax Laws Amendment (2009 Measures No. 1) Bill 2009*, which is 1 July 2009, whichever is the latter. See comments about 'Division 2–Amendments repealing definitions' below.

Veterans' Entitlements Act 1986

Item 8 does the same as **Item 7** but for the application of the CSHC income test provisions in the VEA.

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19. An employer must pay superannuation for an eligible employee. An eligible employee is an employee who is:

    - aged 18 years or over but under 70 years of age, and
    - paid at least $450 (before tax) in a calendar month.

    The employer must pay a minimum of 9% of earnings for ordinary hours of work into the employee's superannuation account each quarter. These payments are called the Super Guarantee regime.

Part 3-Contingent amendments

Item 9 inserts a reference to 'reportable employer superannuation contribution' into section 10A of the SSA. Section 10A is the definitions section in the SSA for the purposes of the CSHC.

Item 10 inserts a new subsection 10A(2) into the SSA defining 'reportable superannuation contribution'. 'Reportable superannuation contribution' is to be defined as the sum of both:

- an individual's reportable employer superannuation contributions, and
- the total amount of personal deductions for superannuation contributions in a tax year.

The Explanatory Memorandum describes this as being both:

- employer superannuation payments a person received from their employer in excess of the minimum 9 per cent SG payment,[20] and
- amounts salary sacrificed into superannuation.[21]

Item 11 proposes to insert a definition of 'reportable employer superannuation contributions' into the SSA. The definition is the same proposed to be inserted into the ITAA1997 by the *Tax Laws Amendment (2009 Measures No. 1) Bill 2009.* The definition is to apply to the SSA from 1 July 2009, but only if the *Tax Laws Amendment (2009 Measures No. 1) Bill 2009* is not passed or does not commence from 1 July 2009. See the contingent provisions in this Bill in **Division 2–Amendments repealing definitions** at the end of this part.

The definition of 'reportable employer superannuation contributions' is to include amounts paid into an employee's superannuation account by the employer where either the employee had the capacity to:

- influence the amount, or
- influence the way the amount is paid so as to reduce their taxable income.

So this definition basically refers to any amounts of superannuation paid in addition to the minimum required amount paid by the employer under the SG regime (9 per cent).[22] The net effect is that this definition will include salary sacrificed superannuation.

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20. ibid.
21. Explanatory Memorandum, p. 5.
22. An employer must pay superannuation for an eligible employee, op. cit.

Veterans' Entitlements Act 1986

Items 12 to **14** make like amendments to the provisions VEA that apply for the CSHC income test in respect of definitions of 'reportable superannuation contribution' and 'reportable employer superannuation contributions' that were made to the SSA in **Items 9** to **11.**

Division 2–Amendments repealing definitions

The repealing definitions items in this Division are a part of the insurance scheme that will apply just in case the *Tax Laws Amendment (2009 Measures No. 1) Bill 2009* is not passed or does not commence from 1 July 2009. The provisions in **Items 9** to **11** amending the SSA and also the provisions in **Items 12** to **14** amending the VEA in this Bill are not to apply if the *Tax Laws Amendment (2009 Measures No. 1) Bill 2009* is passed commences from 1 July 2009.

Concluding comments

With superannuation received from private taxed superannuation sources (that is, private non-government superannuation), not being counted as taxable income for those aged 60 or more, it means there is the potential for persons with substantial incomes from these superannuation sources to qualify for the CSHC. While the CSHC does target self-funded retirees, it still has income limits (see above), which indicates the government still wants to target the CSHC to self-funded retirees on lower levels of income. If the government did not want to target access to the CSHC, then it would make it available to all self-funded retirees not on a government income support payment. It should be noted there is no asset test applying to the CSHC as does apply to the AP.

The number of persons using salary sacrificed superannuation arrangements aged over AP age[23] is probably not large. However, with the more recent downturn in economic circumstances, the lower performance of superannuation market linked funds and the other more recent government initiatives encouraging persons to work longer, the numbers using salary sacrifice arrangements aged 65 or more will probably increase.

The adjustments to the definition of adjustment taxable income used for the CSHC will continue the targeting of access to the CSHC to self-funded retirees on lower levels of income. The targeting of the CSHC is limited compared to government income support payment for the retired aged. The income limits are higher, the application of the income measure is more generous and the CSHC does not have an asset test like the government income support payment for the retired aged.

23. The age pension age for males is age 65. Pension age for females is being raised by six months every two years, op. cit.

The CSHC recipient population is probably different to that existent when early 2008 when this Budget initiative was costed and presented in the 2008-09 Budget. There is now a significant difference in the general economy and in the performance of private (taxed) superannuation funds since then. Some previously self-funded retirees will have suffered a drop in income and may be now entitled to payment of the AP. On AP they get access to the PBS by being issued with a PCC. Others, with higher levels of adjusted taxable income, also suffering a drop in income may now be below the CSHC income test limits and so may qualify for a CSHC.

Members, Senators and Parliamentary staff can obtain further information from the Parliamentary Library on (02) 6277 2413.