



Social Security and Family Assistance Legislation Amendment (2009 Budget Measures) Bill 2009

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Social Security and Family Assistance Legislation Amendment (2009 Budget Measures) Bill 2009

Date introduced: 12 May 2009

House: House of Representatives

Portfolio: Families, Housing, Community Services and Indigenous Affairs

Commencement: The Bill passed both Houses on 14 May 2009 and received Royal Assent on 27 May 2009, Act no. 35 of 2009. Schedule 2 commenced on 30 June 2009. All other Sections and Schedules commenced 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

The Bill proposes a new ongoing payment, carer supplement, for those in receipt of carer allowance, carer payment, wife pension and the carer service pension. Those in receipt of carer allowance as well as a wife pension or partner service pension will be eligible for an additional carer supplement.

The Bill also proposes to freeze the indexation of certain family assistance payment threshold amounts including the higher income free area of Family Tax Benefit A (FTB-A), the Family Tax Benefit B (FTB-B) income limit and the baby bonus income limit. The Bill proposes to prevent indexation of these amounts until 1 July 2012.

Background

The Bill was passed by the Parliament shortly after the Budget was announced

The Bill was introduced by the Minister for Families, Housing, Community Services and Indigenous Affairs, Jenny Macklin, almost immediately after the Treasurer's budget speech on 12 May 2009. The Bill was passed by the House of Representatives the following day and passed the Senate on 14 May 2009.

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Basis of policy commitment

The new carer supplement and freezing of indexation for certain family assistance payments threshold amounts were announced in the 2009–10 Budget.¹

Schedule 1 – Carer supplement

The Bill creates a new payment in social security law, the carer supplement. A person will be eligible to receive this new payment if they receive one of the qualifying payments: carer allowance², carer payment³ or the carer service pension.⁴ A person can be eligible for a further carer supplement payment if they receive the carer allowance *and* either a wife pension⁵ or the DVA partner service pension.⁶ A single qualifying instalment of carer

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1. Australian Government, 'Part 2: Expense measures', *Budget measures: budget paper no. 2: 2009–10*, Commonwealth of Australia, 2009, pp. 239, 244, viewed 15 June 2009, <http://www.aph.gov.au/budget/2009-10/content/bp2/html/index.htm>
 2. Carer allowance is an income supplement paid to someone who provides daily care at home to a person with a disability or medical condition which meets certain assessed criteria. Carers providing care to children under the age of 16 with a disability of medical condition must reside in the same home as the child. There is no income or assets test for this supplement and it can be paid in addition to an income support payment.
 3. Carer payment is an income support payment payable to full time carers. To be eligible for carer payment, a person must be providing:
 - constant care for a person who has a physical, intellectual or psychiatric disability, or
 - a child with a profound disability, or
 - two or more children with disabilities, or
 - an adult and that adult's dependent child who needs care permanently for an extended period.

The carer must meet the income and assets test. A person cannot receive carer payment at the same time as other income support payments but can be entitled to payments such as carer allowance or family tax benefit. The person being cared for must meet a separate income and assets test or be assessed as having a high level of disability and be receiving an income support payment or not have qualifying residence for income support.

4. Persons on Carer Service Pension are those whose payments were preserved when Carer Service Pension was removed from the *Veterans' Entitlement Act 1986* in 1997. Thereafter, apart from these saved cases, only the carer payment payable under the *Social Security Act 1991* has been available for full-time carers.
5. The wife pension is a payment previously made available to the wife of those receiving the age pension or disability support pension. No new grants of the wife pension have been made since 1995.
6. The partner service pension can be paid to those who are partnered with a veteran. The veteran must be eligible to receive the service pension. Partners are eligible if:

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supplement is \$600. A person can qualify for more than one instalment of the carer supplement if they meet multiple criteria in relation to the payments they receive, or, if they receive carer allowance, for providing care to more than one person.

The carer supplement will not be an indexed payment and will require further legislation to alter the instalment amount.

One-off payments versus ongoing assistance

In each of the Federal Budgets from 2004–05 to 2008–09, carers receiving government assistance have been granted what were termed ‘one off’ cash bonuses. In the 2008–09 Budget, a \$1000 bonus was paid to those receiving the carer payment, carer service pension and those carer allowance recipients who were also receiving wife pension or the partner service pension. A \$600 bonus was provided to all those who were receiving carer allowance on 13 May 2008. At the time these bonuses were granted, Minister Macklin stated that:

The Rudd Government recognises the invaluable role of carers in our community, and the personal and financial pressures they face. We are currently examining ways of providing greater security to carers.⁷

This statement followed on from pre-Budget controversy as to whether the bonus payments for carers provided by the Howard Government would be continued by the new Labor Government. In March 2008, under pressure from the Opposition to commit to paying the bonuses to carers, Prime Minister Rudd stated that carers would be no worse off in the 2008 Budget, and that the Government wanted to provide a more certain form of additional support for carers:

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- they are of a qualifying age
 - they have dependent children
 - the veteran receives the special rate (totally and permanently incapacitated) disability pension
 - the veteran is receiving or eligible to receive, a Special Rate Disability Pension under the *Military Rehabilitation and Compensation Act 2004*, or
 - they are 50 years of age or over and the veteran receives an above general rate disability pension.

Former partners may be eligible if they meet one of the first two listed criteria above and have not entered into a marriage-like relationship with another person.

7. J Macklin (Minister for Families, Housing, Community Services and Indigenous Affairs), *\$822 million to support and recognise carers*, media release, 13 May 2008, viewed 11 June 2009, http://www.jennymacklin.fahcsia.gov.au/internet/jennymacklin.nsf/content/budget08_carers_13may08.htm

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... the challenge that Jenny Macklin, and others have been wrestling with is how do we put all this on to a more secure, predictable basis for carers and pensioners into the long term future rather than having to deal simply with a series of one offs.⁸

The new carer supplement will provide ongoing additional support to carers on top of their current support payments.

Carers entitled to carer supplement

Carers are entitled to the new supplement this year if they received one of the qualifying payments for a period including 12 May (Budget day). The qualifying payments are carer payment, carer allowance and carer service pension. From 1 July 2010, carers will be entitled to the supplement if they receive a qualifying payment for a period which includes the 1 July test day each year. Those who receive both carer payment and carer allowance on the test day each year will be entitled to receive two carer supplement payments.

Those in receipt of carer allowance and either a wife pension or partner service pension from DVA meet additional criteria for the new supplement. For those who meet these criteria, this will mean that they can receive an instalment of the new supplement for each person they receive carer allowance in respect of, and, an additional instalment of the new allowance in respect of also receiving the wife pension or partner service pension. For example, a person who receives carer allowance in respect of two children with disabilities will receive \$600 for each child. If this person also receives the wife pension they will be entitled to a further \$600 supplement resulting in a total carer supplement of \$1800.

Cost of the carer supplement

The Government estimates that the new carer supplement will cost around \$1.3 billion over four years (Table 1). The carer supplement payment in 2009 was paid before 31 June 2009 and is therefore included in expenditure for the 2008–09 financial year.

Table 1: Carer supplement – financial impact

2008-09	\$384.8m
2009-10	\$7.6m
2010-11	\$445.8m
2011-12	\$469.4m
Total	\$1,307.6m

Source: Explanatory Memorandum, Social Security and Family Assistance Legislation Amendment (2009 Budget Measures) Bill 2009.

8. K Rudd (Prime Minister), *Joint press conference with Nicola Roxon, Minister for Health and Ageing*, media release, Parliament House, Canberra, 10 March 2008, viewed 11 June 2009, http://www.pm.gov.au/media/Interview/2008/interview_0128.cfm

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Schedule 2 – Indexation

The Bill amends current indexation arrangements for the higher income free area for FTB-A, the FTB-B income limit and the baby bonus income limit. The amendments will freeze these income thresholds at their current level for the next three years by preventing the usual indexation rules from applying. These different income thresholds are usually indexed each year in accordance with movements in the Consumer Price Index (CPI).⁹ There are other aspects of the family tax benefit arrangements that are indexed to CPI annually including the rates of payment and the lower income free area for FTB-A. These indexation arrangements will not be affected by the proposed amendments in this Bill.

Indexation of family assistance payments was first introduced in 1989. The family allowance (a predecessor to Family Tax Benefit) became fully indexed in line with movements in the CPI in 1991.

Budget savings

Freezing the indexation on these income thresholds will result in significant savings on Government expenditure as family incomes increase above the current threshold amounts.

Table 2: Freezing of indexation – financial impact

2008-09	\$0.6m
2009-10	- \$209.6m
2010-11	- \$291.0m
2011-12	- \$432.1m
Total	- \$932.1m

Source: Explanatory Memorandum, Social Security and Family Assistance Legislation Amendment (2009 Budget Measures) Bill 2009.

FTB-A higher income free area

Eligibility for FTB-A and the amount of payment to be made is determined by a family income test. A family's adjusted taxable income may be up to \$42 559 a year before their FTB-A payment is affected; this is the lower income free area. For every dollar of family income over this lower income free area, 20 cents is deducted until the base rate of FTB-A is reached. The current base rate of FTB-A is \$48.30 per fortnight for each child age under 18-years and \$64.96 per fortnight for each child aged 18–24 years.

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9. The Budget 2009–10 measures include a change to the indexation of FTB-A. FTB-A maximum rates were previously indexed to a proportion of the combined couple rate of pension payments or the CPI, whichever was higher. FTB-A indexation will now only be linked to CPI movements.

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The higher income free area (the limit at which the base rate is still paid) is currently \$94 316 plus \$3796 for each family tax benefit child after the first. FTB-A is reduced by 30 cents for each dollar of family income over this amount until the payment is reduced to zero. Table 3 outlines the current income limit above which only the base rate of FTB-A is paid and Table 4 outlines the income limits at which FTB-A will not be paid.

Table 3: Actual family income limit beyond which only base rate of FTB-A is paid (per annum)

No. children 0-12 years	No. of children 13-15 years			
	Nil	1	2	3
Nil		\$61,923	\$81,286	\$100,649
1	\$55,991	\$75,355	\$94,718	\$114,081
2	\$69,423	\$88,787	\$108,150	\$127,513
3	\$82,855	\$102,219	\$121,582	\$140,945

Table 4: Income limits at which fortnightly payments of FTB-A may stop (per annum)^a

No. children 0-17 years	No. of children 18-24 years			
	Nil	1	2	3
Nil		\$99,962	\$109,403	\$119,745
1	\$98,514	\$107,955	\$118,297	\$128,639
2	\$106,507	\$116,849	\$127,191	\$137,532
3	\$115,401	\$125,743	\$136,085	\$146,426

(a) These figures do not include the FTB-A supplement

Source: Centrelink, 'Income test for Family Tax Benefit Part A', Centrelink website, viewed 15 June 2009, http://www.centrelink.gov.au/internet/internet.nsf/payments/ftb_a_iat.htm

The amendments in this Bill will mean that the higher income free area (currently \$94 316) will not be indexed for the next three financial years. This will only affect families with higher income levels.

FTB-B income limit

The 2008–09 Budget introduced an income limit on FTB-B so that families whose higher income earner has an income over \$150 000 are not eligible for the payment.¹⁰ This

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10. Two-parent families where the higher income earner has an income less than \$150 000 have their payments reduced by 20 cents for every dollar the lower income earner makes over \$4526. Two-parent families can still earn some FTB-B if:
- their youngest child is aged under five years and the lower earner's income is less than \$22 995, or

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income limit is currently indexed to CPI movements on 1 July each year. The Bill will amend the legislation so that the income limit will not be indexed for the next three financial years. Again, only families with higher income levels will be affected by these amendments.

Baby bonus income limit

The 2008–09 Budget also introduced a combined income limit on the baby bonus payment.¹¹ Families whose estimated combined adjustable taxable income is more than \$75 000 in the six months following the birth of a child are ineligible for the baby bonus. As with the other affected family assistance payments, the amendments in this Bill will freeze the indexation of the baby bonus for the next three financial years. This measure primarily affects couples with higher incomes (more than \$150 000 of combined income per annum). The proposed new paid parental leave scheme will have an income limit of \$150 000 on the person seeking leave's annual income rather than on combined income.¹² The introduction of the new scheme in 2011 will benefit many families financially and will lessen the negative impact of these indexation freezing measures, particularly for high-income families.¹³

Main provisions

Schedule 1 – Carer supplement

Part 1 – Main amendments

Amendments to the *Social Security Act 1991*

Item 1 inserts a definition of *carer supplement* under 'General definitions' in **subsection 23** of the *Social Security Act 1991* (SSA). **Item 2** inserts a new **Part 2.19B—Carer Supplement** in the SSA with Sections outlining the qualifying criteria, a table detailing

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- their youngest child is aged five to 18 years and the lower earner's income is less than \$17 904.
11. The 2008–09 Budget also increased the baby bonus from \$4258 to \$5000 indexed annually to CPI.
 12. Australian Government, *Australia's Paid Parental Leave Scheme: supporting working Australian families*, Australian Government, 2009, p. 1, viewed 26 June 2009, <http://home.deewr.gov.au/Budget/documents/PPLBooklet.pdf>
 13. The full details of the paid parental leave scheme have not being released to date, however, some information on how the new scheme will interact with the Baby Bonus can be found in the Australian Government, *Australia's Paid Parental Leave Scheme: supporting working Australian families* publication (<http://home.deewr.gov.au/Budget/documents/PPLBooklet.pdf>).

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amounts to be paid and relevant definitions of eligible care receiver and carer service pension.

Item 3 inserts details of debt recovery methods that can be used in relation to carer supplement into **subsection 1222(2)** of the SSA which details the debt recovery methods relevant to each payment under the SSA. For instance, it allows recovery by deductions, legal proceedings, garnishment notice, or repayment by instalment.

Item 4 inserts a new **section 1223ABC** into the SSA detailing conditions that can create a debt due to the Commonwealth in 2009 when a new determination is made regarding entitlement to carer supplement because a previous determination was made based on false or misleading information knowingly provided by the supplement recipient. Item 4 also inserts a new **section 1223ABD** which details conditions giving rise to a debt due to the Commonwealth in 2010 and later years.

Amendments to the *Social Security Administration Act 1999*

Items 5 and 6 amend the *Social Security Administration Act 1999* (SSAA) to specify that an individual is not required to claim the carer supplement in order to be determined eligible and that the supplement should be paid as a lump sum.

Item 7 inserts a **section 47AB** into the SSAA which determines that the supplement can be paid whenever it is deemed appropriate and reasonably practicable.

Northern Territory Emergency Response

Items 8 to 12 inserts carer supplement into the lists of different payments which can be quarantined in an income managed bank account where an individual is subject to an income management regime.

Part 2—Related amendments

Amendments to the *Income Tax Assessment Act 1997*

Item 13 includes carer supplement in the definitions of social security and like payments.

Items 14 and 15 includes carer supplement in the list of social security payments exempt from income tax under the *Income Tax Assessment Act 1997*.

Schedule 2 – Indexation

Amendment to *A New Tax System (Family Assistance) Act 1999*

Item 1 inserts a new paragraph into the *A New Tax System (Family Assistance) Act 1999* at the end of clause 3 of Schedule 4 (which details indexation arrangements for family assistance payments) to prevent the indexation of the higher income free areas of the FTB-

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A and the income limits of the baby bonus and FTB-B payments for the next three years (until 1 July 2012).

Concluding comments

The introduction of the new carer supplement will provide a source of ongoing additional financial support for carers. One-off cash bonuses for carers have been provided by governments in each Budget since 2004–05 and the new carer supplement is essentially a more permanent cash-bonus for carers. By providing a cash supplement rather than a targeted increase in the carer payment, the Government avoids the administrative and political difficulties of having different payment levels for the main pension payments whilst still providing additional financial support to carers.

Freezing the indexation of some income thresholds for FTB-A, FTB-B and the baby bonus will result in significant savings: the Explanatory Memorandum estimates \$932 million over the next four years. The particular income thresholds that are being targeted will mean that the measures will only affect families on higher incomes.

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