



## Families, Housing, Community Services and Indigenous Affairs and Other Legislation Amendment (Election Commitments and Other Measures) Bill 2011

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## Families, Housing, Community Services and Indigenous Affairs and Other Legislation Amendment (Election Commitments and Other Measures) Bill 2011

**Date introduced:** 10 February 2011

**House:** House of Representatives

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

**Commencement:** Various dates (as specified in the table on pages 2 and 3 of the Bill).

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

### Purpose

The Bill seeks to implement the following Gillard Government election commitments:

- extend the pension Work Bonus to enable people of age pension age, or qualifying age, who take up work, to keep more of their pension when they are working
- raise the maximum rate of Family Tax Benefit Part A (FTB-A) for families with a child aged 16 to 19 who is in full-time secondary or vocational education (or is exempt from the FTB activity test) and
- provide for Baby Bonus claimants to have a larger portion of their Baby Bonus paid to them upfront from 1 July 2011.

The Bill also seeks to introduce two non-Budget measures. The first ensures that payments associated with the Thalidomide Australia Fixed Trust are treated similarly in respect of exemptions from income tax and from social security and veterans' affairs income tests as other similar payments. The second makes minor amendments to the income management provisions.

### Work Bonus

This measure adjusts the existing Work Bonus that was introduced in September 2009 as part of a larger pension reform package implemented by the *Social Security and Other legislation Amendment (Pension Reform and Other 2009 Budget Measures) Act 2009*. The Bonus was designed to encourage age pensioners to continue with part-time work after retirement by decreasing the amount of their earnings that would be assessed under the income test. It replaced the Pension Bonus Scheme,

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which had provided a lump sum incentive for people to defer claiming the age pension and to continue working. A single person who continued to work for at least 960 hours per annum for up to five years after reaching age pension age could receive a lump sum of up to about \$41 000.

The Work Bonus applies a different income test to income earned from employment. The normal pensions income test currently has a free area of \$146.00 per fortnight (single)<sup>1</sup> above which income reduces the maximum pension rate by 50 cents in each dollar. The Work Bonus applies a different test for employment income. Half of the first income earned up to a limit of \$500 per fortnight is exempt from consideration under the income test. Any remaining employment income is then added to other income and assessed under the normal income test.

The design of the Work Bonus was criticised for not catering for people who had short periods of full-time or close to full-time work separated by long periods of no work. The bonus catered best for people with a small number of regular hours of work. They were able to make best use of the bonus, which basically exempted half of the first \$500 of earned income each fortnight. Those with occasional earnings from the odd week or two of full-time work found the bonus far less helpful.

These changes, which were announced during the 2010 election campaign, provide a mechanism for saving up any unused exempt amounts up to a maximum of \$6 500, so that the occasional high income fortnight will no longer affect their pension rate as much as at present.

At the same time, the bonus calculation will be simplified so that the first \$250 per fortnight from employment income is exempt from the income test. This will increase the value of the bonus to those with less than \$500 of earned income each fortnight.

## Family Tax Benefit Part A

Schedule 2 of the Bill raises the maximum rate of Family Tax Benefit Part A (FTB-A) for families with a child aged 16 to 19 who is in full-time secondary or vocational education (or is exempt from the FTB activity test<sup>2</sup>). The rate will be aligned with the current maximum rate paid to families with a child aged 13 to 15. The measures contained in this Bill were announced as election commitments in August 2010.<sup>3</sup> The proposed amendments will commence 1 January 2012.

FTB-A is an income supplement payment aimed at helping families with the cost of raising children. It is usually paid in regards to dependent children and dependent full time students aged less than

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1. The income test free area for a couple is \$256.00 per fortnight (combined income). Rates effective from 20 September 2010 to 19 March 2011.
  2. The FTB activity test, introduced by the *Family Assistance Legislation Amendment (Participation Requirement) Act 2009*, requires young people aged 16–20 to be in full time study in an approved course of education or training (or have completed Year 12 or equivalent qualification) in order for FTB-A to be claimed in regards to them.
  3. Australian Labor Party (ALP), *Creating opportunity. Requiring responsibility: modernising Australia's welfare system*, ALP, Canberra, August 2010, viewed 16 February 2011, <http://www.alp.org.au/agenda/more---policies/creating-opportunity-requiring-responsibility/>

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25 years who do not qualify for payments such as Youth Allowance, ABSTUDY or Veterans' Children Education Supplement. FTB-A can be paid to a parent, guardian or an approved care organisation. Eligibility is dependent on level of family income, which varies depending on the number and age of children for whom FTB-A is claimed.

#### **Current maximum payment amounts**

<b>For each child</b>	<b>Per fortnight</b>	<b>Per year</b>
Under 13 years	\$160.30	\$4,905.60
13–15 years	\$208.46	\$6,161.20
16–17 years	\$51.24	\$2,062.25
18–24 years	\$68.74	\$2,518.50

#### **In an approved care organisation**

Up to 24 years	\$51.24	\$1,335.90
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Note: payment per year figures include the FTB-A supplement (\$726.35 per child in 2010–11) but fortnightly figures do not.

Source: 'FTB-A Payment Rates', Centrelink website, viewed 15 February 2011,

[http://www.centrelink.gov.au/internet/internet.nsf/payments/ftb\\_a\\_rates.htm](http://www.centrelink.gov.au/internet/internet.nsf/payments/ftb_a_rates.htm)

The proposed amendments will raise the payment rates for each eligible child aged 16 to 19 so that they are the same as those aged 13–15. These amendments will have a flow-on effect in terms of Rent Assistance as the increased rates for older children will make them eligible to be considered a 'Rent Assistance child'.<sup>4</sup> Currently, Rent Assistance cannot be claimed in respect of children aged 16 or over.

#### **New senior secondary school child category for FTB-A eligibility**

The Bill will introduce a new category of eligibility for FTB known as 'senior secondary school child' into the *A New Tax System (Family Assistance) Act 1999* (Family Assistance Act). The definition of this term sets out which children will qualify for the increased rates of FTB-A: those aged 16 to 19 who are in full time study leading to the completion of the final year of secondary school or its equivalent (or who are deemed exempt from this activity requirement in certain circumstances). This new category will also limit eligibility for Family Tax Benefit Part B (FTB-B) and Multiple Birth Allowance<sup>5</sup> to FTB children over the age of 16 who are undertaking full time secondary school study or who are exempt from this activity requirement (FTB-B will no longer be available in regards to tertiary students over the age of 16). Currently, FTB-B and Multiple Birth Allowance can be paid for full-time dependant students aged up to 18 years in certain circumstances.

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4. Rent Assistance is a payment for certain individuals and families on low incomes who rent privately. A 'Rent Assistance child' is a dependent child for whom an FTB-A recipient receives more than the base rate of FTB-A. The current base rate for each child aged under 18 years is \$51.24 per fortnight. This is the same as the current maximum fortnightly rate for children aged 16–17 years, making those in this age group ineligible to be considered a 'Rent Assistance child'.
  5. Multiple Birth Allowance is an extra payment made families in respect of a multiple birth.

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## Changes affecting Youth Allowance recipients

This Schedule of the Bill also contains amendments to the *Social Security Act 1991* (Social Security Act) precluding students aged 16 to 17 who are in full time secondary or vocational education from receiving Youth Allowance unless they are considered 'independent', are required to live away from home or were receiving Youth Allowance immediately before beginning their course. This will mean that the primary form of income support available to students aged 16–17 will be FTB-A and that families will no longer have a choice between different income support payments for senior secondary school aged children.

Further measures amending the Social Security Act will ensure that Youth Allowance recipients are not adversely affected if one of their siblings remains in, or transfers to, the FTB system as a result of the changes to the Family Assistance Act. Currently, Youth Allowance recipients who are not independent may have their rate decreased as a result of the Parental Income Test. The Parental Income Test reduces a Youth Allowance payment by around 20 per cent of the recipient's parental income above a threshold (currently \$45 114). This 20 per cent reduction is spread or split across all the people who share the same combined parental income and who receive Youth Allowance or certain ABSTUDY or Assistance for Isolated Children payments.

As a result of the proposed amendments in this Bill, a large number of Youth Allowance recipients are expected to transfer to the FTB system. Siblings receiving the payments listed above who are subject to the Parental Income Test (particularly older siblings), would have had to shoulder a greater share of the 20 per cent reduction in their payment. The amendments to the Social Security Act contained in item 16 of Schedule 2 will mean that an FTB child considered a senior secondary school student should be treated *as if* the parental income test still applied to them, and specifies maximum payment amounts for these students for the purposes of calculating the impact of the parental income test on their siblings. These measures ensure that other students, particularly older siblings, are not disadvantaged by the provisions in this Bill affecting secondary school aged Youth Allowance recipients and FTB-A qualifying children.

## Background

The Henry Tax Review found that the current rates of assistance for families do not always reflect the direct costs of children and that the rates of FTB for children aged 16–17 were inadequate.<sup>6</sup> The Review argued that:

Family payments should be the main form of assistance for children aged up to 18 years, or until the completion of secondary school in the year a person turns 18 years. Beyond these points,

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6. Australia's Future Tax System Review (K Henry, chair), *Final report of Australia's Future Tax Review*, Part 1: Overview, Treasury, 2 May 2010, viewed 9 March 2010, [http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/papers/Final\\_Report\\_Part\\_1/Chapter\\_9.htm](http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/papers/Final_Report_Part_1/Chapter_9.htm)

youth payments focused on encouraging study, training or workforce engagement should be available.

There should be a seamless transition from family assistance to income support for young people. This should be based on the person's circumstances and only one payment should be available in each circumstance, rather than families having to choose between youth and family payments.<sup>7</sup>

Currently, children and young people aged over 16 who are in full-time study may be eligible to claim Youth Allowance while their parents/carers are also eligible to claim them as an FTB child. Claiming one of these payments precludes eligibility for the other and families are left to calculate which form of assistance is most beneficial for them.

Apart from significantly increasing the amount of support offered to families with children aged 16 to 19, the measures in this Bill will position FTB-A as the primary form of assistance offered for young people undertaking secondary education or the vocational equivalent. The proposed measures are also intended to ensure that families are not put in a position of attempting to calculate which payment is best for them.

The Government has framed the increase in payments in terms of its broader agenda of increasing school finishing rates and participation. In announcing this policy during the 2010 election, the ALP claimed that the drop in FTB rates for children aged 16 and above 'can encourage teenagers to leave school early if their family is unable to support them in full-time study or training'.<sup>8</sup> The Government has previously used changes to FTB in order to increase participation rates for young people, primarily through the introduction of an activity test for those aged over the age of 16. The *Family Assistance Legislation Amendment (Participation Requirement) Act 2009* inserted a new section into the Family Assistance Act requiring young people aged 16 to 20 to have either completed year 12, or its equivalent, or be undertaking full time study that would assist or allow them to attain this level of education, in order to be considered an 'FTB child'.

## Financial implications

The Explanatory Memorandum for the Bill estimated the cost of this increase to be around \$528 million over four years from 2010–11 (including capital costs for Centrelink):

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7. Ibid.

8. ALP, op. cit.

### **Increasing FTB child rates for certain teenagers in secondary study**

Total resourcing (all portfolios)

2010-11	2011-12	2012-13	2013-14
\$1.0 m *#	\$84.0 m #	\$199.4 m	\$237.6 m

\* Estimate only.

# Does not include Centrelink capital costs of \$0.4 m in 2010-11 and \$5.5 m in 2011-12.

Source: Explanatory Memorandum, Families, Housing, Community Services and Indigenous Affairs and Other Legislation Amendment (Election Commitments and Other Measures) Bill 2011, p. 2.

The Department of Finance and Deregulation (DOFD) completed a costing of this policy during the election campaign. This costing found that there would be significant administrative savings for Centrelink if the policy was implemented due to a transfer of young people from Youth Allowance to FTB-A (Youth Allowance costing Centrelink an average of \$354 per recipient in administrative costs compared to FTB-A costing an average of \$87 per recipient).<sup>9</sup> DOFD estimated that the policy would have a significant impact on the fiscal balance:

#### **Financial implications (outturn prices)<sup>(a)</sup>**

Impact on	2010-11	2011-12	2012-13	2013-14
Underlying Cash Balance (\$m)	0.0	-77.2	-222.0	-297.0
Fiscal Balance (\$m)	0.0	-144.4	-293.0	-301.0

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

Source: Department of Finance and Deregulation, 'Release of costing of election commitment: expansion of Family Tax Benefit Part A for 16–18 year olds in full time study', Department of Finance and Deregulation, 17 August 2010, viewed 16 February 2011, [http://electioncostings.gov.au/files/2010/08/GOV28-Expansion\\_of\\_Family\\_Tax\\_Benefit\\_Part\\_A\\_for\\_16-18\\_year\\_olds\\_in\\_full\\_time\\_study-Completed.pdf](http://electioncostings.gov.au/files/2010/08/GOV28-Expansion_of_Family_Tax_Benefit_Part_A_for_16-18_year_olds_in_full_time_study-Completed.pdf)

The DOFD costing only estimated the costs of increasing the maximum rate of FTB-A for 16–18 year olds in full-time secondary study to be equal to the rate for 13–15 year olds. It assumed that an estimated 120 000 high school aged children would switch from being paid Youth Allowance to FTB-A based on the fact that, under the proposal, FTB-A would be \$781 per annum more than Youth Allowance.<sup>10</sup> The DOFD costing did not therefore take into account any of the other measures

9. Department of Finance and Deregulation, 'Release of costing of election commitment: expansion of Family Tax Benefit Part A for 16–18 year olds in full time study', Department of Finance and Deregulation, 17 August 2010, viewed 16 February 2011, [http://electioncostings.gov.au/files/2010/08/GOV28-Expansion\\_of\\_Family\\_Tax\\_Benefit\\_Part\\_A\\_for\\_16-18\\_year\\_olds\\_in\\_full\\_time\\_study-Completed.pdf](http://electioncostings.gov.au/files/2010/08/GOV28-Expansion_of_Family_Tax_Benefit_Part_A_for_16-18_year_olds_in_full_time_study-Completed.pdf)

10. Ibid.

contained in this Bill, such as precluding most school aged students from Youth Allowance, nor the full details of the proposed changes.

## Baby Bonus

As part of its election policy, *Better access to family payments*, the ALP committed to providing an increased upfront payment of the Baby Bonus to 'provide more support to parents who face upfront costs from having a new baby'.<sup>11</sup> The election policy did not commit to any increase of the Baby Bonus. Rather, the commitment was that up to \$500 of the total entitlement could be paid in addition to the first payment instalment.

Baby Bonus is paid to families following the birth, stillbirth or adoption of a child where the eligibility requirements for Family Tax Benefit for the child are met within 26 weeks of the birth or adoption. The current Baby Bonus payment totals \$5294 per eligible child and is usually paid in 13 fortnightly instalments. Following changes introduced in 2010, certain families, deemed to be vulnerable, can receive Baby Bonus as a weekly payment in 26 instalments.<sup>12</sup> Baby Bonus has an income test restricting eligibility to families whose estimate of combined adjusted taxable income is \$75 000 or less in the six months following the birth or adoption of a child.

Schedule 3 of the Bill inserts new subsections into the *A New Tax System (Family Assistance) (Administration) Act 1999* so that a new, upfront part of Baby Bonus is to be paid following the first fortnightly instalment period following the determination of an entitlement to Baby Bonus. The schedule also specifies that equal portions of the remaining amount of the total Baby Bonus is to be paid in each of the following instalment periods. The measure is expected to have nil financial impact.

The 'upfront part' of Baby Bonus for those who become eligible in the 2011–12 financial year is \$879.77. For those who become eligible in later years the upfront part will be 16.18 per cent of the amount of Baby Bonus they are entitled to.

Baby Bonus was, until 2008, paid as a lump sum to new mothers. The *Families, Housing, Community Services and Indigenous Affairs and Other Legislation Amendment (2008 Budget and Other Measures) Act 2008* introduced the 13 fortnightly instalment period for payment of Baby Bonus. Lump sum payments of Baby Bonus may still be made in cases where a child is stillborn or dies soon after birth.

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11. Australian Labor Party (ALP), *Better access to family payments*, ALP, Canberra, 4 August 2010, viewed 16 February 2011, <http://www.alp.org.au/federal-government/news/better-access-to-family-payments/>

12. See M Thomas, *Social Security and Family Assistance Legislation Amendment (Weekly Payments) Bill 2010*, Bills Digest, no. 120, 2009–10, Parliamentary Library, Canberra, February 2010, viewed 16 February 2011, <http://www.apl.gov.au/Library/pubs/bd/2009-10/10bd120.pdf>



## Thalidomide payments

Schedule 4 of the Bill refers to Thalidomide payments. The Explanatory Memorandum description says:

The Bill ensures that payments from the Thalidomide Australia Fixed Trust to the beneficiaries of the Trust, or in respect of a beneficiary of the Trust, are exempt from income tax and from social security and veterans' affairs income tests. The Bill also ensures that Commonwealth ex-gratia payments, made to beneficiaries of the Trust in respect of social security and veterans' affairs payments, foregone due to the income test exemption currently not being in effect, are also exempt from income tax.

The Thalidomide Australia Fixed Trust was established in 2010 and administers annuities to people affected by the morning sickness drug, thalidomide, a drug that has been found to cause foetal abnormalities involving limb malformation.

The Social Security Act has an all encompassing definition of income (section 8). Income generally refers to any monies of valuable consideration earned, derived or received. Section 8 of the Social Security Act also lists exemptions that are to be not regarded as income under this very broad all-encompassing definition. Schedule 4 of the Bill proposes to add to the list of exemptions in Section 8, Thalidomide payments from the Thalidomide Australia Fixed Trust.

The proposed exemption of payments from a beneficial trust has been done before in the Social Security Act. The most notable example is Mark Fitzpatrick Trust payments.<sup>13</sup> The Mark Fitzpatrick Trust was established in 1989 by the Commonwealth Government to provide special financial assistance to people with medically acquired HIV infection and AIDS, their dependents and carers.

The proposed exemption of income from the Thalidomide Australia Fixed Trust as income under the Social Security Act and the *Veterans' Entitlements Act 1986* (Veterans' Entitlement Act) is very much like the current treatment of the Mark Fitzpatrick Trust payments.

## Income management scheme changes

Under income management, a percentage of the income support and family payments of certain people is set aside to be spent on priority goods and services, such as food, housing, clothing, education and health care. Those subject to income management include certain categories of welfare recipient in the Northern Territory (NT) deemed to be 'individuals at risk', welfare recipients in the NT and Western Australia whom a child protection officer has referred to Centrelink to have their income managed, and welfare recipients in Cape York whom a statutory body, the Family Responsibilities Commission, has ordered should be subject to income management for engaging in dysfunctional behaviour.

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13. Disaster Relief payments are also exempt as income.

## Matched savings payments

The Matched Savings Payment (MSP) is an incentive payment to encourage individuals on income management to develop a savings pattern and increase their capacity to manage their money. Eligible individuals can receive one dollar for every one dollar they save, up to a maximum of \$500. The MSP will be paid directly into an individual's income management account. It should be noted that MSP is not for persons who have volunteered for income management. Rather, it is only available for those compulsorily placed on income management.

Under current arrangements, persons who commence an approved money management course are also placed on MSP. It is proposed to not automatically start compulsory participants in income management on the MSP as soon they commence approved money management course. Under the proposed changes, individuals will need to apply for MSP and the commencement of MSP will commence from their date of claim, provided they meet the other requirements. These other requirements mainly relate to maintaining a pattern of savings from their discretionary funds for 13 weeks.

This change will shift the emphasis and onus onto the individual to claim for the MSP. As noted above, at present, MSP starts automatically for all who start a money management program. MSP is quite generous and there may be some savings for the Government from reduced numbers of people accessing MSP, notwithstanding the suggestion in the Explanatory Memorandum that there will be no financial impact.

The likely benefit of requiring persons to apply for MSP, and that MSP starts from the date of application, is that it puts more responsibility on the individual to be actively engaged in the program. It is probable more persons will comply with MSP requirements than currently, as at present it requires no conscious effort to apply. The requirement that persons actually submit a claim for MSP means that it will be more targeted towards those who have made a positive effort to become actively engaged in the program.

## Debt recovery

At present, where the value of a social security payment is provided to another person and not the proper payment recipient, a debt can be created and recovered from the person who should not have received the payment. The debt is then incrementally returned to the proper recipient as it is recovered. This may be at a rate of \$20 per fortnight. Currently, where this occurs to an income management recipient, the incremental recovery and repayment of the debt places the income management recipient at a disadvantage.

The proposed amendments provide for the immediate and full restitution of the debt to the income management recipient, notwithstanding that the debt is only being incrementally recovered.

## Key provisions

### Schedule 1—Work bonus

Items 1 to 11 amend the Social Security Act and Veterans' Entitlement Act to repeal the current work bonus provisions and insert new provisions ensuring that the first \$250 of employment income a fortnight is excluded from assessment under the income test for pensioners of age pension age or qualifying age; and introducing an employment concession bank to enable pensioners to accrue any unused amounts of the \$250 fortnightly exemption, to a maximum of \$6500. Any credit in this 'bank' is able to be used to offset employment income that would otherwise be assessable in the future.

### Schedule 2—Increasing FTB child rates

**Item 2** inserts new words into paragraph (a) of table item 2 at subsection 22A(1) of the *A New Tax System (Family Assistance Act) 1999* (Family Assistance Act). The table at subsection 22A(1) details exceptions to the definitions at section 22 of who is an eligible child for which FTB can be claimed in regards to (an FTB child). Table item 2 excludes individuals aged 16 or more who earn income over a certain amount (currently \$13 010 per annum) from being considered an FTB child. The new words proposed by item 2 will allow those considered to be a *senior secondary school child* (defined by item 3) to be exempted from this income test. This will mean that an individual aged 16 or over who meets the definition of *senior secondary school child* can earn any amount and still be considered an eligible FTB child (unless they are considered exempt from the FTB activity test and are thus not studying full-time—see next item).

**Item 3** of schedule 2 inserts new section 22B into the Family Assistance Act defining the term *senior secondary school child*. Individuals who meet this definition are aged 16, 17, 18 or 19 and the calendar year in which they turned 19 has not ended and:

- undertaking full-time study in an approved course or study that will assist or allow them to complete the final year of secondary school or its equivalent, or
- have been granted an exemption from the FTB activity test—except for the purposes of subsection 22A(1) or 35(1) of the Family Assistance Act or paragraph 32L(1)(aa) of the *A New Tax System (Family Assistance) (Administration) Act 1999* which relate to income earned by an FTB child. Those who have been granted an exemption from the FTB activity test will not be exempted from the FTB child income test in the same way as full-time students.

The age requirement in this proposed definition is different for the purposes of the provisions in the Family Assistance Act which determine the rate of payment of FTB-B (subclause 29(3) of Schedule 1) and eligibility for multiple birth allowance (subclause 36(2) of Schedule 1). Individuals will only meet the definition of *senior secondary school child* for the purposes of these subclauses if they meet the study requirements (above) and are aged 16, 17 or 18 and the calendar year in which they turned 18 has not ended. Senior secondary school children aged 18, where the calendar year in which they

turned 18 has ended, and those aged 19, will not be eligible for consideration in the calculation of FTB-B rates or for multiple birth allowance.

The proposed definition allows for existing subsection 17B(3) of the Family Assistance Act to apply. This allows the Secretary, in regards to individual circumstances, to specify a certain number of hours per week to be considered as full-time study. The **new section 22B** also includes a table for working out when an individual has completed their final year of secondary school or equivalent level of education and when they cease to be a *senior secondary school child*. This will either be 28 days after the final day of classes or exams or, if the final day of classes or exams falls in December, on 31 December of that year.

**Item 5** inserts new words in paragraph (a) of table item 2 at subsection 35(1) of the FAA. Subsection 35(1) sets out when an approved care organisation is not eligible for FTB. Table item 2 excludes approved care organisations from claiming FTB in respect of individuals aged 16 or more if they earn income over a certain amount. The proposed new words will exempt secondary school children from this income test allowing, them to earn any income and still be considered an FTB child (unless they are considered exempt from the FTB activity test and are thus not studying full-time).

**Item 6** repeals the table at paragraph 36(2) of schedule 1 of the Family Assistance Act detailing FTB child rates and inserts a table setting out the new amounts for working out an individual's standard FTB rate. The new table includes higher amounts for all of the FTB child categories as it takes account of increases in the child rates over time resulting from indexation. The main proposed change is at line 3 of the table, which will now refer to an 'FTB child who has reached 16 years of age and who is senior secondary school child'. The child rate for this category is set at the same amount as that for an FTB child who has reached 13 but is under 16 years of age (\$5580.85).

**Item 7** repeals subclause 26(2) of the Family Assistance Act which sets out the FTB child rate used under Method 2, for determining rates of payment for those FTB recipients whose family's adjusted taxable income is over the higher income free area (currently \$94 316 per annum plus \$3796 for each FTB child after the first). It inserts a new clause which sets the child rate for an FTB child who has not turned 18 or who has turned 18 and who is a senior secondary school child at \$1372.40. For an FTB child who has turned 18 and is not a senior secondary school child the proposed new rate is \$1839.60.

**Items 9 and 10** repeal paragraphs 36(2)(b) and 38B(3)(a) of schedule 1 of the Family Assistance Act which specify eligibility for multiple birth allowance and rent assistance respectively. These items insert new clauses which specify that children who have turned 16 and are senior secondary school children can be considered eligible for the purposes of claiming multiple birth allowance and rent assistance. Currently, a child over the age of 16 is not considered a 'rent assistance child' for the purposes of determining an individual's eligibility for, and rate of rent assistance.

Section 543A of the Social Security Act sets out the minimum age requirements for Youth Allowance eligibility. **Item 15** inserts proposed **new clauses 2AA and 2AB** after subsection 543A(2) of the SSA

which will exclude individuals aged 16 or 17 who are undertaking full-time study in a secondary course at a secondary school or TAFE institution from eligibility for Youth Allowance unless:

- they are independent (as set out in section 1067A of the SAA)
- they are required to live away from home (as defined by section 1067D of the SAA), or
- they were receiving Youth Allowance immediately before starting the course.

**Item 16** adds new proposed clauses at the end of submodule 6 of Module F of the Youth Allowance Rate Calculator at section 1067G of the Social Security Act. Submodule 6 sets out how the parental income test for Youth Allowance affects the rate of payment. Under the parental income test, if parents earn over a certain threshold amount, the rate of Youth Allowance is reduced by 20 cents for every dollar earned over the threshold. This reduction is spread across all those who are subject to the parental income test and who have the same parental income in common (known as the family pool).

The new clauses mean that an FTB child aged 16 or more who is a senior secondary school student will be treated as if they are a Youth Allowance recipient for the purposes of working out the effect of the parental income test on someone who has the same parental income in common. As a result of other proposed measures in this Bill, many senior secondary school students are likely to move off of Youth Allowance to become FTB children and would, under the current provisions, no longer be considered part of the same family pool. The clauses inserted by Item 16 will mean that the siblings of those who move from Youth Allowance to FTB will not have to bear the full effect of the parental income test as a result.

## **Concluding comments**

The measures in the Bill implement Gillard Government election commitments and two other non-Budget measures. They are largely uncontroversial and have not attracted significant commentary.

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