

Senate Community Affairs Committee
ANSWERS TO ESTIMATES QUESTIONS ON NOTICE
SOCIAL SERVICES PORTFOLIO
2015-16 Supplementary Estimates Hearings

Outcome Number: 1.10 Working Age Payments

Question No: SQ15-000966

Topic: Assets Test

Hansard page: 55

Senator Siewert, Rachel asked:

If I had some land, it was not cleared and I put it into what in WA we call Land for Wildlife—other states might call it something different—or, in other words, if I had put a covenant over it, would that count as an exemption?

Answer:

Registration in a scheme such as the Western Australian ‘Land for Wildlife’ scheme, which does not alter the legal status of the property, does not of itself impact on the decision as whether it qualifies for the assets test exemption of land adjacent to their principal home. Under that exemption, age pensioners and Carer Payment recipients of Age Pension age (and their partners) can have the maximum amount of land that can be exempted from the assets test increased from two hectares to encompass all land on the same title as the pensioner’s home.

To qualify for the exemption, a pensioner must demonstrate that they are making ‘effective use’ of their land. The pensioner must also have a long-term 20 year continuous attachment to their principal home and adjacent land.

The general principle is that, to satisfy the effective land use test, people are expected to use their land, given their capacity, to support themselves. If the pensioner is not making any attempt to work land that has potential to generate an income then they would not satisfy the effective land use test.

In determining a pensioner’s effective use of land, consideration is given to any current, or potential, commercial use of the land. Consideration is also given to any environmental constraint on the use of the land. For example, the land may be protected by law from use due to endangered flora or fauna and the pensioner is unable to generate any income from the land in which case the pensioner may satisfy the effective land use test.

Decisions are made on a case by case basis. The delegate making the decision whether to grant an exemption is required to weigh up these factors, given all the circumstances of the person, in deciding if a person is using the land to generate an income.

A person with uncleared land may be able to demonstrate that the land has limited potential to generate an income, and so they are able to satisfy the effective land use test. Registration in the Land for Wildlife would not change this assessment.

If the uncleared land has the potential to provide the pensioner with income, and the pensioner decides that they will not generate any income, they would not satisfy the effective

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land use test. Registration in the Land for Wildlife scheme would be irrelevant to this assessment.

A pensioner who places a legal restriction over a property, such as a caveat, that prevents them from using the land to its economic potential, may also fail the effective land use test.

In the event the pensioner's circumstances do not satisfy the criteria for gaining access to the extended land use exemption, the two-hectare maximum limit applies. If the two-hectare maximum limit applies, then the net market value of any land in excess of the two hectares is included in the calculation of a person's assets.

Where the value of land in excess of the two hectares is assessed, this does not necessarily mean a person's pension is affected. The assets test has free areas that permit people to have certain levels of assets without affecting their pension. Currently these free areas are \$205,500 for a single home owner and \$291,500 for a home owner couples. Where a person's rate of pension is worked out under the assets test, the value of their assets above the assets test free area reduces their pension by \$39 a year for each extra \$1,000 in assets. From 1 January 2017, the assets test free areas will increase to \$250,000 for single homeowners, and \$375,000 for couple homeowners.

People who receive a reduced rate of pension because of the assessment of their land may be able to obtain additional income through the Pension Loans Scheme. The Pension Loans Scheme is available through Centrelink to part-rate pensioners and some self-funded retirees who own real estate. Under this scheme, a person who is of Age Pension age, or the partner of someone who is, may be able to obtain a loan that will bring their fortnightly payment up to the maximum pension rate. Repayments can be made at any time or the debt can be left, including the accrued interest, to be recovered from the person's estate. The loan is secured against the value of any real estate they own.