

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio
Supplementary Budget Estimates 1 - 2 November 2006

Question: sbt 47
Topic: Welfare to Work payments
Hansard Page: E80-82

Senator WONG asked:

Can I go to table G2. I presume that the tax expenditure of \$1.84 million for senior Australian tax offset relates only to that particular tax offset? Is that correct?

Mr Ray—Yes.

Senator WONG—Can you tell me what tax offsets are included in the next line item?

Mr Gallagher—In order to ensure that full rate allowees do not pay tax there is a beneficiary tax offset. There is also a pensioner tax offset which is available largely now to sole parents. Disability support pensioners do not need an offset because their pension is not taxable. They are the major ones: the beneficiary tax offset and the pensioner tax offset.

Senator WONG—Is the mature age workers tax offset included in that line item or is that separately accounted for?

Mr Gallagher—That line item is for recipients of social security.

Senator WONG—Are you able, on notice, to provide me with a disaggregation of that costing as between the different tax offsets which it comprises?

Mr Gallagher—I expect that the disaggregation is in the tax expenditure statement. We are finding exactly where.

Senator WONG—They commence at A28 but they seem to be aggregated there—that is at page 59, I think. I have a PDF copy so I am not sure if that correlates in terms of the pagination. For example, that line item there, which is 1.3 for the 05-06 year which correlates. That includes both the BTO and the PTO?

Mr Gallagher—We can look back to the underlying work. I will take the question on notice.

Senator WONG—I would appreciate that. Just to clarify: it is only pensioner tax offset and beneficiary offset that are included in the \$1.3 million costing; is that right?

Mr Ray—If you look at the description of the tax expenditure at page 55, it includes—

Senator WONG—Is this table A28?

Mr Ray—This is the entry for A28. It includes various income support payments, including Newstart and sickness allowance, various pensions and Australian education and training payments.

Senator WONG—So it is all those dot points. Can I have the disaggregation in terms of cost in relation to all of those components?

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Mr Ray—We will take that on notice.

Senator WONG—Thank you. Are you able to do that for the forward estimate period that is set out in A28?

Mr Ray—Yes, we can take it on notice across the whole of the eight years.

Senator WONG—Are you able to tell me—and I assume this goes into your projections in relation to each particular number of individuals for each of the offsets—what the actual assumptions are regarding how many people will be claiming in each category?

Mr Gallagher—That would be a feature of the calculation, so we will take it on notice.

Senator WONG—Thank you. Do you analyse it—and I assume you would because the entitlement would relate to your social security recipient status—in terms of the number of people on DSP, sole parent payment, Newstart et cetera?

Mr Gallagher—For the tax extensions we do not do disability support pension because it is not taxable.

Senator WONG—Because it is not taxable—so sole parent pension or Newstart, which are the two, and sickness allowance.

Mr Gallagher—I would have to check. The numbers are compiled by the Australian Taxation Office. I am not directly responsible for the compilation of the numbers. We do run checks on the size of the estimate, but because I do not produce it I am not sure how extensively it is disaggregated.

Senator WONG—Is there anyone from the ATO who could just let me know what the data set is so I can clarify the questions I can put on notice?

Mr D'Ascenzo—We do not have anybody here at the moment that covers that information. If you put it on notice we will certainly work with Treasury to provide a response.

Senator WONG—I would appreciate that. I am interested also in numbers of particular claimant categories which are comprised in those estimates and the tax expenditure statement.

Mr Gallagher—Those numbers are obviously contingent on the income distribution—the taxable income distribution of those pensioners and beneficiaries—as well.

Senator WONG—I think on a previous occasion—and I cannot recall who answered this—I was asking some questions about the projected effects of the Welfare to Work policies in terms of the estimated numbers to move into work. I assume that those assessments underpin some of these projections?

Mr Gallagher—I am not sure to what extent that would be the case, given that I do not know that the Australian Taxation Office would have any particular expertise in the effect of Welfare to Work measures on beneficiary numbers or on pensioner numbers.

Senator WONG—No, but Treasury previously provided advice through estimates about the assumed number, or the estimated number, of people who would move into work from each of the benefit recipient categories arising out of the Welfare to Work changes. I have to say I cannot recall off the top of my head what it was; I think it was 109,000. I am not sure if that has been changed in terms of the revision.

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Mr Ray—That is a different outcome. That analysis would have been done in our fiscal group.

Senator WONG—Yes, I understand that, but my point is that, if you are assuming more people are moving to work, you are assuming more people gain income and, therefore, it has an impact on your costing of a tax offset over the forward estimate period. No?

Mr Gallagher—That would have been desirable. I do not guarantee that is actually what has occurred.

Senator WONG—Fair enough. Has there been any change to that assumption in terms of what is in the 2005 tax expenditure statement about the numbers?

Mr Gallagher—The other thing, of course, that is important is that the number of sole parent pensioners and allowees who are in a taxable situation is quite a lot smaller than the total number of people on payment. Whatever number is in there is a very small proportion of those populations. In that sense the numbers do not correspond because there is a very small subset that actually are in a position to make use of the offsets.

Senator WONG—Are you able to tell me whether there is an assumption about entry into the benefit group which underpin the figures in the tax expenditure statement?

Mr Gallagher—As I said, I am not responsible for compiling these numbers, so I am not sure of the assumptions.

Senator WONG—Perhaps if you could take it on notice?

Mr Gallagher—I will take it on notice.

Senator WONG—I am seeking the assumptions on the inflow—that is, the number of people coming on to the relevant benefit—which underpin the tax expenditure statement estimates for each of the benefit recipient groups. Do you assume for the purposes of calculating expenditure a benefit level?

Mr Gallagher—I think the important thing is the nature of the assumption about taxable income. Taxable income will have included in it benefits. I doubt very much that it has been disaggregated separately in terms of the benefit component and the private income component.

Senator WONG—Could you provide me then with the assumptions as to taxable income which underpin those forward estimates?

Mr Gallagher—I will take that on notice.

Senator WONG—If it is available as a component of that, can I also have the assumption as to benefit level inbuilt into that? If I have questions about the movement into work, Mr Ray, I should put them on notice for your fiscal group. Is that right?

Mr Ray—That is correct.

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Answer:

1 – The payments included in the modelling of the pensioner tax offset are Carer Payment, Wife Pension, Parenting Payment (Single) and Widow B Pension. The payments included in the modelling of the beneficiary tax offset are Newstart Allowance, Mature Age Allowance, Partner Allowance, Sickness Allowance, Special Benefit, Widow Allowance, Parenting Payment (Partnered), Youth Allowance, Community Development Employment Project (CDEP) supplement.

The methodology used to estimate the tax expenditure does not separate out the payment types of people who have lodged tax returns.

2 – The numbers of clients for estimating the pension and beneficiary tax offset was taken from client statistics for 2004. These are published by the Department of Families, Community Services and Indigenous Affairs and the most recent summary of client numbers is overleaf.

For years after 2003-04, the total value of payments has been increased using a growth estimate which implicitly includes movement in client numbers. Welfare to work client transfers were not factored into the tax expenditure estimates.

3 – No particular assumptions were made about inflows or outflows from the payment. The tax expenditure was estimated from the historical or projected stock of clients, not the flows.

4. Assumptions were made regarding receipt of other income based on information in the FACS Occasional Paper No 7, 2001. This guided the calculation of the utilisation of the tax offset of non-lodgers.

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As the statistics in this publication refer in the main to June 2004 data, the FaCS acronym has been used in most instances to refer to the Department now known as FaCSIA.

Table 1: Summary of income support recipients by payment type, 1994 to 2004^(a)

PAYMENT TYPE	1994	1995	1996	1997	1998	1999	2000	2001^(b)	2002	2003	2004
Age Pension (including Department of Veterans' Affairs (DVA) Age Pensions)	1,581,874	1,578,698	1,602,834	1,680,214	1,682,618	1,718,792	1,738,215	1,793,426	1,818,205	1,861,055	1,876,250
Disability Support Pension	436,234	464,430	499,235	527,514	553,336	577,682	602,280	623,926	658,915	673,334	696,742
Wife Pension (partner receives Age Pension)	36,539	39,611	41,125	36,577	36,233	32,196	31,406	26,476	23,730	20,230	19,646
Wife Pension (partner receives Disability Support Pension)	116,036	121,839	107,803	91,307	79,892	68,532	59,935	51,225	44,238	37,880	33,183
Widow B Pension	59,916	54,936	49,875	18,820	13,579	10,519	8,892	6,456	5,130	2,986	1,879
Rehabilitation Allowance and Wives	198	41	14	3	-	-	-	-	-	-	-
Unemployment payments	848,598	-	-	-	-	-	-	-	-	-	-
Newstart Allowance	-	800,714	812,365	797,961	778,880	654,752	589,911	580,703	582,945	512,332	483,093
Mature Age Allowance	-	38,866	45,931	53,386	50,771	45,253	41,840	39,149	40,498	41,078	32,912
Sickness Allowance	45,848	46,050	34,578	15,633	16,285	11,181	10,773	10,942	9,522	8,755	8,478
Partner Allowance	237,500	216,739	69,840	72,117	75,021	81,359	89,684	92,492	103,892	102,811	90,936
Widow Allowance	-	8,733	11,723	17,508	24,759	27,524	32,570	36,416	41,659	43,209	45,328
Carer Payment	17,699	20,098	25,037	29,558	33,979	40,070	47,550	57,190	67,260	75,937	84,082
Parenting Payment (Single)	313,437	324,941	342,290	358,893	372,286	382,323	391,393	416,661	427,846	436,958	449,312
Parenting Payment (Partnered)	-	-	237,321	239,317	236,550	227,677	218,013	204,576	191,573	181,405	177,157

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AUSTUDY	394,062	394,259	410,808	361,497	352,148	-	-	-	-	-	-
Youth Allowance (Full-time students)	-	-	-	-	-	307,813	309,366	308,177	315,152	304,946	297,140
Youth Allowance (other)	-	-	-	-	-	84,773	82,408	85,053	90,339	87,486	84,665
Austudy Payment	-	-	-	-	-	47,170	42,838	41,992	41,187	38,779	35,026
Special Benefit	25,542	20,440	18,885	14,700	10,236	11,808	10,971	12,712	13,315	12,228	11,216
Other income support ^(c)											
ABSTUDY	24,425	32,137	36,154	42,455	43,822	45,528	42,754	44,627	46,255	47,028	46,555
DVA service pension and income support supplement	352,883	411,838	399,989	387,054	387,596	382,287	373,076	378,058	370,721	368,572	341,020
Total	4,490,791	4,574,370	4,745,747	4,744,514	4,747,998	4,754,239	4,723,875	4,810,257	4,892,385	4,857,009	4,814,620

(a) Data sourced from Centrelink's Administrative data, numbers are point in time (June of year) or averages as available.

(b) Break in series for allowances. Previously customers counted on a 'paid' in the fortnight ending basis. Numbers now represent the customers 'current' at point in time (excludes suspended recipients).

(c) Payments administered by authorities other than Australian Government Department of Family and Community Services (FaCS).