

**SENATE STANDING COMMITTEE ON
EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS**

**QUESTIONS ON NOTICE
BUDGET ESTIMATES 2009-10**

Outcome **4**

DEEWR Question No. EW0040_10

Senator Siewert asked in writing.

Question

Treatment of compensation income for Parenting Payment

How are Comcare payments taken into account in determining eligibility for parenting payments?

Answer

Subject to a person meeting all other qualifying criteria when claiming Parenting Payment; any compensation payments a person may be receiving, whether a lump sum, periodic payment or both, are subject to specific compensation rules under the social security law.

Lump sum compensation

Where a person receives a lump sum compensation payment that relates to lost earnings or lost capacity to earn, the person is expected to use these funds to support themselves for a period of time, known as a preclusion period, before they become eligible for payment.

The preclusion period is calculated by dividing the economic loss component of the lump sum by the amount a person can earn under the social security income test before their income support payment is reduced to zero. The resulting figure represents the preclusion period in weeks that a person must serve before being potentially eligible for income support.

The economic loss component used in calculating the preclusion period varies depending on whether the lump sum was settled by consent or awarded by a court or tribunal judgement after a full and contested hearing.

In the case of a lump sum compensation payment being received as a settlement by consent, the economic loss component is determined by the 50 per cent rule. Under the 50 per cent rule, half of a person's settlement is taken to be in respect of lost earnings or lost capacity to earn. The remaining half of the settlement is ignored in this calculation in recognition that a person has other costs associated with their injury.

Where a judgement has been formed through a contested hearing before a court, tribunal or arbitrator, the economic loss component is the specific amount awarded by the court for economic loss.

Periodic compensation

Periodic compensation paid in respect of economic loss is assessed at a dollar-for-dollar rate reduction against the rate otherwise payable. If the weekly compensation payments are greater than any income support payment the person may be entitled to, they are not able to receive income support payments. If the person was in receipt of Parenting Payment at the time of the compensable event, the person's periodic compensation is assessed as ordinary income and the existing income test free areas and taper rates apply.

Where a compensation recipient's partner receives Parenting Payment

Where a person receiving income support, such as Parenting Payment, has a partner who has been awarded periodic compensation, the income support recipient's fortnightly entitlements may also be affected. If any compensation money is left over after the compensation recipient's income support payment has been reduced to nil through the application of the dollar-for-dollar rate reduction (described above), it is counted as ordinary income for their partner and the existing income test free areas and taper rates apply.