

AUSTRALIA 1999

1. Overview of the system

Australia has flat-rate, means-tested unemployment benefits. An administrative distinction is made between long-term and initial benefits, although this does not affect the value of entitlements other than some minor employment conditional benefits (for example see section 8). There are separate provisions for spouses. Family, housing and child-care benefits are available to all low-income families. Benefits are withdrawn gradually as income increases. Recent changes have made benefit receipt and means tests partly based on individual circumstances rather than that of the family. The 1999 APW level is AUD 39 817.

2. Unemployment insurance

There is no unemployment insurance.

3. Unemployment assistance

Unemployment benefits can be split into two main parts, activity tested and non activity-tested payments. Newstart Allowance (NSA) and Youth Allowance (YA) are activity tested payments.

- NSA is paid to unemployed people aged 21 or over and under Age Pension age (see below for clarification of Age Pension age).
- YA is paid to unemployed people under 21 years and to full-time students between 15 and 24 years. Recipients must be studying full-time or, if between 18 and 20 years and unemployed, looking for full-time work or undertaking a combination of activities that make up a full-time load (such as part-time study and part-time work). 16 to 18 year old unemployed persons will only receive benefits if an activity agreement is in place or secondary school (or equivalent) has been completed.

Recipients of non-activity tested payments are not required to look for work or otherwise satisfy the activity test. Payments are targeted to unemployed people of workforce age with no recent workforce experience, or with caring responsibilities. Descriptions of non-activity tested payments are below.

- Mature Age Allowance is paid to people over 60 and below Age Pension age. In July 1999, the pension age for women was 61.5 compared to 65 for men. The pension age for women will gradually increase to 65 years by the year 2013.

- Partner Allowance is paid to partners of income support recipients who face barriers to finding work because of their limited workforce participation. Payment is limited to partners born on or before 1 July 1975 who have no dependent children.
- Widow Allowance is paid to women aged 50 years or more, who became widowed, divorced or separated after turning 40 years of age. The payment is not available to persons born after 1 July 1955.
- Special Benefit is paid to people in severe financial need, who have no other means of support and for whom no other benefit is available.
- Parenting Payment provides income support to people who are primary carers for children under 16 years of age, and who are unable to fully support themselves. In the case of couples, only one partner may receive Parenting Payment (see Section 9).

3.1 *Conditions for receipt*

All benefits are flat rate, however, rates are dependent on age, marital status, presence of dependent children, and whether people are renting in the private rental market. NSA and YA(o) recipients must be actively seeking work and must be available for and willing to accept suitable work, including part-time and casual employment. In certain circumstances, recipients may be exempt from these requirements (e.g. incapacitated, personal crisis or caring duties).

3.1.1 *Employment conditions*

None.

3.1.2 *Contribution conditions*

None.

3.2 *Calculation of benefit amount*

3.2.1 Calculation of gross benefit

If both partners in a couple are unemployed, each needs to establish an entitlement in their own right. Unemployment payment rates as at September 1999 are listed below.

YA(o) (September 1999 rates)

Category of beneficiary	(AUD fortnightly)	(AUD per month)
Single, under 18, at home	146.40	317.20
Single, 18-20, at home	176.00	381.33
Single, under 21, away from home	267.40	579.37
Single, under 21, with children	350.20	758.77
Couple, under 21, without children (each)	267.40	579.37
Couple, under 21, with children (each)	293.60	636.13

Source: A Guide to Commonwealth Government payments, 20 September to 31 December 1999

NSA (September 1999 rates)

Category of beneficiary	(AUD fortnightly)	(AUD per month)
Single, 21 and over, without children	326.70	707.85
Single, 21 and over, with children	353.40	765.70
Single, 60 and over, after 9 months unemployment	353.40	765.70
Couple, over 21 (each)	294.70	638.52

Source: A Guide to Commonwealth Government payments, 20 September to 31 December 1999

3.2.2 Income and earnings disregards

Benefit receipt is dependent on income and assets tests. Spouses each receive half of the total allowance payable to a couple, with the benefits of each means-tested individually. After an initial “free area” (or disregard) of AUD 60.00 per fortnight, 50 per cent of income up to AUD 140.00 is withdrawn against the benefit. Thereafter the withdrawal rate is 70 per cent. If the higher earning partner loses all entitlement to benefit (under 1999 rules, occurring when income exceeds AUD 503.86 per fortnight for NSA recipients), the spouse’s allowance is reduced by 70 per cent of each dollar his/her partner earns in excess of that amount. Other benefit income is not included in the NSA income test. YA is subject to both the personal income test and parental means tests.

3.3 Tax treatment of benefit

NSA and YA are taxable, but the tax system is structured such that a year-long recipient without other income will pay no tax because of the beneficiary rebate for recipients of allowances.

Total income tax and social security contributions should be zero for a full-year maximum rate NSA recipient with no private income, because of a special "beneficiary rebate".

3.4 *Benefit duration*

There are no restrictions on the duration of unemployment benefit. Generally, there is a one-week waiting period for unemployment benefits after lodgement of an application form. This is known as the "ordinary waiting period". Other waiting periods may apply in the following circumstances:

- If a person receives leave entitlements from their previous employment, including annual leave, long service leave, sick leave and maternity leave, they may have to serve an Income Maintenance Period. Under the Income Maintenance Period, leave payments are treated as income from the date of payment for the period of leave.
- If a person has liquid assets beyond a set level on the day they or their partner become unemployed or incapacitated, they may have to serve a Liquid Assets Waiting Period.
- If a person or their partner is engaged in high income seasonal or intermittent work in the six months prior to claim, they may have to service a Seasonal Work Preclusion Period.
- From 1996, newly arrived migrants must generally serve a two-year waiting period, except where individuals are given refugee or humanitarian status.

3.5 *Treatment of particular groups*

3.5.1 *Young persons*

YA is an income support payment for young people who are studying, training or looking for work. It allows them to combine elements of study and work, and assists with the transition from school to work. YA encourages young people to further their education and training. Families are, where possible, expected to support young people until they have achieved financial independence. The Parental Means Test measures this financial capacity, based on the parents' income, assets and actual means.

YA also provides additional assistance to young people who need to live away from home to study or look for work, especially those from rural areas. This includes a higher basic rate of payment, Rent Assistance, Pharmaceutical Allowance, Remote Area Allowance and Fares Allowance (for full-time students only). This assistance helps young people access education or training opportunities. Section 3.2.1 contains a list of YA payment rates.

3.5.2 *Older workers*

Mature Age Allowance is paid to long-term unemployed people aged 60 and over and below Age Pension age. To be eligible, a person must:

- have no recent work experience; and
- have received an income support payment for at least nine months and be on NSA at the time of the claim; or

- have received a social security pension, Veteran’s Affairs service pension, or a widow, partner, sickness or parenting payment at any time within the 13 weeks immediately before the claim; or
- have previously received Mature Age Allowance.

4. Social assistance

Special Benefit serves as a benefit of last resort. It is paid to people in severe financial need, who have no other means of support and for whom no other benefit is available. The benefit is not payable when the available funds and liquid assets of the person are AUD 5,000.00 or more. Payment rates are at the discretion of the Secretary of the Department of Family and Community Services (FaCS) but cannot exceed the maximum NSA, YA or Austudy payment rates that would otherwise be payable to the person. In practice, the policy is to pay the rate that most closely resembles the person’s circumstances. (For example, a person under 21 years is paid at the YA rate.) The benefit is means tested against any income with a 100 per cent withdrawal rate. Any amount of in-kind income support, such as free board and lodgings, also reduces the rate of payment.

Australia also has an Emergency Relief programme which pays funds to community based centres that help families in crises.

5. Housing benefits

5.1 *Conditions for receipt*

Housing Assistance exists in two main forms:

- Rent Assistance (RA) is a non-taxable income supplement paid to Department of Family and Community clients who rent in the private rental market and pay rent above the applicable rent threshold.
- Public housing is provided by state governments to low income households through a joint Commonwealth-State Housing Agreement.

5.2 *Calculation of benefit amount*

5.2.1 Calculation of gross benefit

RA is paid at the rate of 75 cents for every dollar of rent paid above the specified minimum rent threshold until the maximum rate is reached. The maximum rates and thresholds vary according to a customer's family situation, the number of children they have and for singles without children whether accommodation is shared with others. Rent thresholds and maximum rates are indexed in March and September each year to reflect CPI increases.

Rent Assistance (September 1999 rates)

	Maximum Rate of RA (AUD per week)	Minimum Rent threshold (AUD per week)	Rent at which Maximum RA Paid (AUD per week)
single, no children	\$38.00	\$36.40	\$87.07
single, no children, sharer	\$25.35	\$36.40	\$70.20
couple, no children	\$35.80	\$59.20	\$106.93
single, 1 or 2 children	\$44.40	\$47.80	\$107.00
single, 3 or more children	\$50.20	\$47.80	\$114.73
couple, 1 or 2 children	\$44.40	\$70.70	\$129.90
couple, 3 or more children	\$50.20	\$70.70	\$137.63
One of a couple who are separated due to illness, no children	\$38.00	\$36.40	\$87.07
One of a couple who are temporarily separated, no children	\$35.80	\$36.40	\$84.13

5.2.2 Income and earnings disregards

RA is added to family payments for abatement purposes in the case of single parents and couples with children. For families with children RA is withdrawn at the rate of 30 cents in the dollar. RA is added to the basic benefit for people without children and withdrawn at the rate of 70 cents in the dollar after basic benefit under the benefits abatement regime.

5.2.3 Public housing rents

Public housing rents are set by state governments at levels that ensure tenants pay no more than 20-25 per cent of their income in housing costs.

5.3 Tax treatment of benefit

Housing benefits are not taxable.

6. Family benefits

Family benefits consist of the Family Allowance (FA), the Family Tax Initiative (Family Tax Assistance – FTA), maternity allowances and double orphan pensions. FA is an allowance paid to help

parents and guardians with the cost of raising children. FTI provides extra assistance to families with dependent children either in the form of reduced taxes or as a regular fortnightly payment. Maternity allowance (MA) is a lump sum payment that helps families with the extra costs incurred at the time of having a new baby. Maternity Immunisation Allowance is a one off lump sum payment paid for a child at age 18 months if the child has been immunised or has gained an exception to the immunisation requirements.

6.1 *Conditions for receipt*

Family Allowance (FA) is generally paid in respect of dependent children up to the age of 16 years but can also be paid for secondary school students up to the age of 18 years. From 1 October 1999 assistance was extended to children aged under 21 and fulltime time students aged 21-24 who are not receiving Youth Allowance. It is paid to the primary care giver subject to the family income and assets test and residence requirements. Families receiving an income support payment receive FA free of the income and assets tests.

The Family Tax Assistance (FTA) was introduced on 1 January 1997. It is available to all families with dependent children subject to an income test. Families can receive their assistance through the tax system or as a fortnightly payment (Family Tax Payment) if their income is such that they would not receive the full benefit through the tax system. FTI has two parts:

Part A provides one parent with a AUD 1,000 a year increase in their tax free threshold for each dependent child (an increase in disposable income of AUD 7.70/fortnight for each child); and

Part B provides one parent in families with at least one child under 5 years with an additional AUD 2,500 increase in their tax free threshold (AUD 19.24/fortnight).

6.2 *Calculation of benefit amount*

The benefit amounts are differentiated into four age groups for children aged under 13, 13-15, 16-18, and 18-24. From 1 October 1999 the age groups and some rates for Family Allowance changed.

6.2.1 *Calculation of Family Allowance – January to September*

In the period 1 January 1999 to 30 September 1999 Family Allowance was paid at the rates in the following table.

Family Allowance	
	Fortnightly rate (AUD)
	January to September 1999
Minimum rate, each	23.70
Max rate, child under 13	99.00
Max rate, child 13-15	128.80
Max rate, student 16-18	23.70
Child in approved care	31.40
Large family supplement (after 3rd child)	7.80
Multiple births allow.	94.70 (triplets) 126.30 (quads)
Guardian allowance	37.00
Double Orphan pension	37.90

6.2.2 *Calculation of Family Allowance – October to December*

In the period 1 October 1999 to 31 December 1999 Family Allowance was paid for additional child categories at the rates in the following table.

Family Allowance	
	Fortnightly rate (AUD)
	October to December 1999
Min. rate, child 0-17	23.70
Min. rate, child 18-20	50.00
Min. rate, student 21-24	50.00
Max rate, child under 13	99.00
Max rate, child 13-15	128.80
Max rate, child 0-17	23.70
Max rate, child 18-20	50.00
Max rate, student 21-24	50.00
Child in approved care	31.40
Large family supplement (after 3rd child)	7.80
Multiple births allow.	94.70 (triplets) 126.30 (quads)
Guardian allowance	37.00
Double Orphan pension	37.90

6.2.3 *Maternity Allowances*

Maternity allowance is a one off payment of \$A750.00. Maternity Immunisation Allowance is a one off lump sum payment of \$200.00.

6.2.4 *Income and earnings disregards*

FA and the associated benefits (GA, RA MA and MIA) are income and assets tested. Income includes taxable income, foreign income, certain employer provided fringe benefits and net rental property. Family Allowance is reduced by 50 cents per dollar income above AUD 23,550 a year plus AUD 624 for each additional child after the first). Above certain limits, only minimum FA is paid (AUD 27,466 plus AUD 4,540 for each additional child under 13, or AUD 29,016 plus AUD 6,089 for each additional child 13-15). All FA ceases when family income exceeds AUD 66,403 plus AUD 3,322 for each additional child after the first.

There are two parts to the Family Tax Assistance. Families may be entitled to one or both parts depending on their family circumstances.

Eligibility for Part A benefit is based upon the combined taxable incomes of the parents. The income ceiling of AUD 70 000 upon which eligibility is measured increases by AUD 3 000 for the second and additional children.

Eligibility for Part B benefit is contingent upon the main income earner and their spouse meeting separate income tests and the existence of at least one dependant child under the age of five. The income ceiling of AUD 65,000 for the main income earner increases by AUD 3,000 for the second and additional dependent children irrespective of their age(s). The spouse income test is the same as the cut-off for basic parenting payment (AUD 178.86 per fortnight).

6.3 *Tax treatment of benefit*

Family benefits are not taxable.

7. **Child-care benefits**

There are two forms of Commonwealth assistance for childcare: Childcare Assistance (CA) and Childcare Rebate (CR).

7.1 *Conditions for receipt*

Families with low to middle incomes whose children are in approved child-care services are eligible for CA. CR is payable regardless of family income, but a lower rebate percentage applies to family incomes higher than AUD 70,000 plus AUD 3,000 for each additional child.

Approved child care services receive childcare payments from the Government on behalf of the families to reduce their fees.

7.2 Calculation of benefit amount

7.2.1 Calculation of gross benefit

The maximum fee or ceiling on which CA will be paid in approved long day care, family day care and some occasional care services is AUD 2.34 an hour for non-school children and AUD 1.99 for school children. This is a maximum of AUD 117.00 for a non-school child and AUD 99.50 for a school child using 50 hours of care.

Under CR, the maximum weekly child-care expenses on which families can claim is AUD 117.00 per week for one child in care; or AUD 234.00 per week per child for two or more children in care. Families can claim up to 30 per cent of their weekly child-care costs, after paying the first AUD 20.50 and deducting any CA paid. The maximum weekly rebate is AUD 28.95 per week for one child in care or AUD 64.05 per week for two or more children in care.

Families where both parents (or a lone parent) are working, studying or training for work or looking for work may be eligible to both CA *and* CR.

From 1 July 2000, Child Care Benefit (CCB) will replace both the Childcare Assistance and Childcare Rebate.

7.2.2 Income and earnings disregards

Families are eligible for some CA if their incomes are less than AUD 1,277 a week before tax (for families with one dependent child in care) or AUD 1,498 a week before tax (for families with two or more dependent children in care), or AUD 1,828 a week for three or more dependent children in care

7.3 Tax treatment of benefit

CA and CR are not taxable.

8. Employment-conditional benefits

The Employment Entry Payment is a lump sum payment of AUD 100.00 made to people moving into full-time employment. To be eligible, a person must be either a lone parent receiving Parenting Payment, or a long term income support recipient (12 months or more) receiving NSA, Partner Allowance, Widow Allowance or Mature Age Allowance. Each individual is only eligible once every 12 months.

9. Parents

9.1 Conditions for Receipt

Parenting Payment provides income support to people who are primary carers for children under 16 years of age, and who are unable to fully support themselves. In the case of a couple, only one partner is eligible.

Parenting Payment is a non-activity tested payment. Therefore, a person receiving unemployment assistance (NSA) is not eligible for PP.

9.1.1. Employment conditions

None.

9.1.2. Contribution conditions

None.

9.2 Calculation of benefit amount

9.2.1 Calculation of gross benefit

Lone Parents

The maximum rate for lone parents as at 20 September 1999 was AUD 366.50 per fortnight, plus AUD 5.40 per fortnight Pharmaceutical Allowance. The rate is indexed in line with the Consumer Price Index in March and September each year and to 25 per cent of Male Total Average Weekly Earnings. Recipients are also entitled to a maximum rate family payment (see Section 6.2) and Guardian Allowance (GA) at a rate of AUD 37.00 per fortnight.

Partnered Parents

The payment to partnered parents has two parts:

- A basic rate of up to AUD 66.20 per fortnight which is neither taxable nor asset tested and is not affected by the level of partner's income; and
- An additional component only available to low-income families of up to AUD 228.50 a fortnight, which is taxable and asset tested and may be reduced by partner income.

Both components may be paid together, resulting in a total rate of AUD 294.70 per fortnight.

9.2.2 Income and earnings disregard

Lone Parents

After the income disregard of AUD 102.00 per fortnight plus AUD 24.00 per fortnight for each child, the payment is withdrawn at the rate of AUD 0.50 in the dollar.

Partnered Parents

Income tests for the recipient's income, and that of their partner, are applied separately. Partner income is not applied to the basic amount of Parenting Payment.

For the recipient, there is an initial income disregard of AUD 60.00 per fortnight after which 50 per cent of income between the income disregard and AUD 140.00 per fortnight is withdrawn from the benefit. The withdrawal rate for income above AUD 140.00 per fortnight is 70 per cent.

Partner income is only taken into account when it exceeds the allowable partner income disregard of AUD 503.86 per fortnight. Parenting Payment is reduced by 70 per cent of partner income in excess of the income disregard.

9.3 Tax treatment of benefit

Parenting Payment for sole parents, and the additional component paid to partnered parents, is taxable. The tax system provides rebates for a year long recipient with no other income (these recipients pay no tax). For sole parents, the rebate also enables a year long recipient to have other income up to the disregard without the tax becoming payable.

The basic component of Parenting Payment for partnered persons is not taxable. However, the amount of the Dependent Spouse Rebate available to the dependent partner through the tax system is reduced on a AUD 1.00 for AUD 1.00 basis by the amount of basic Parenting Payment received during the year.

9.4 Benefit duration

There are no restrictions on the duration of payment. However, to qualify, claimants must have been resident in Australia for at least two years, or have become a sole parent while resident in Australia.

Parenting Payment is affected by an Income Maintenance Period, which treats lump sum payments as income over a period for which the leave payment was made. Depending on the level of income produced by the Income Maintenance Period arrangements, the start date for Parenting Payment may be deferred. A Seasonal Work Preclusion Period may also affect partnered parents. This delays either the commencement of payment, or payment of the "additional component", for people with high seasonal earnings if they or their partner have engaged in seasonal work in the previous six months.

10. Tax system

10.1 Income tax

10.1.1 Tax allowances and credits

There are no tax allowances

Credits:

Standard marital status relief: A taxpayer may claim a tax credit where he or she contributes to the maintenance of a dependent spouse (legal or de facto). The credit is AUD 1,340 for a dependent spouse and AUD 1,452 where there are dependent children. The credit is reduced by AUD 1 for every AUD 4 by which the spouse's separate net income exceeds AUD 282.

A tax credit of AUD 1,258 was available to a resident single, widowed or divorced taxpayer who had the sole care of a dependent child in 1999–00.

Relief for low income earners: an AUD 150 tax credit is available for taxpayers whose taxable income was less than AUD 20,700. This credit is reduced by four cents for every AUD 1 by which the taxpayer's taxable income exceeds this amount, and no tax credit is available once the taxpayer's taxable income exceeds AUD 24,450.

10.1.2. *Income Tax schedule*

General rates of tax -- resident individuals

Taxable income (AUD)		Tax at general rates on total taxable income
Not less than	Not more than	
0	5 400	NIL
5 400	20 700	NIL + 20c for each AUD in excess of AUD 5 400
20 700	38 000	AUD 3 060 + 34c for each AUD in excess of AUD 20 700
38 000	50 000	AUD 8 942 + 43c for each AUD in excess of AUD 38 000
50 000 and over		AUD 14 102 + 47c for each AUD in excess of AUD 50 000

To contribute towards the cost of basic medical and hospital care a Medicare Levy is imposed on the taxable incomes of resident taxpayers. In 1999–00 the levy applied at the rate of 1.5 per cent of the taxable income of an individual.

Certain thresholds are applied before the levy is imposed. For example, a single taxpayer was exempt from the levy where the taxable income was less than or equal to AUD 13,550. Where a taxpayer was married or was entitled to a child-housekeeper, housekeeper or sole parent rebate no levy was payable if the taxable family income did not exceed AUD 22,865, the threshold increasing by AUD 2,100 for each dependent child. Where taxable income exceeded AUD 13,550 but did not exceed AUD 14,648 shading-in provisions applied under which the levy payable was 20 per cent of the excess of taxable income over AUD 13,550.

10.1.3 *State and Local Income Taxes*

In Australia no states or territories levy a tax based on a resident's income.

10.2 *Tax unit and treatment of benefits*

All individuals are taxed separately. Some benefits are taxable, some are not. The details are given below.

These payments are taxable:	These payments are not taxable:
<ul style="list-style-type: none"> • Age Pension • Austudy • Bereavement Allowance • Carer Payment (<i>only if either the carer or the person being cared for is of Age Pension age.</i>) • Disability Support Pension (<i>only if the recipient is of Age Pension age</i>) • Education Entry Payment • Exceptional Circumstances Relief Payment, Restart Income Support or Farm Household Support – by way of grant of financial assistance (<i>formerly drought relief payments</i>) • Mature Age Allowance • Mature Age Partner Allowance (<i>if granted before 1 July 1996</i>) • Newstart Allowance • Parenting Payment (single) • Parenting Payment (partnered) (<i>other than basic component</i>) • Partner Allowance • Sickness Allowance • Special Benefit • Widow Allowance • Widow Pension (class B) • Wife Pension (<i>if either the taxpayer or partner is of Age Pension age</i>) • Youth Allowance 	<ul style="list-style-type: none"> • Carer Payment (<i>if both carer and the person being cared for are under Age Pension age</i>) • Carer Allowance • Disability Support Pension (<i>for those recipients below Age Pension age</i>) • Disaster Relief Payments • Double Orphan Pension • Employment Entry Payment • Family Allowance • Family Allowance Advance • Family Tax Payment • Guardian Allowance • Incentive Allowance • Maternity Allowance • Maternity Immunisation Allowance • Mobility Allowance • Multiple Birth Allowance • Parenting Payment (partnered) (<i>basic component – any amounts received by taxpayer or spouse will reduce the Dependent Spouse Rebate</i>) • Pension bonus • Pension education supplement • Pharmaceutical Allowance • Remote Area Allowance (<i>however, any income tax zone rebate will be reduced by the amount of the allowance paid</i>) • Rent Assistance • Telephone Allowance • Wife Pension (<i>if both the pensioner and partner are below Age Pension age</i>)

10.3 Social security contribution schedule

The Medicare Levy for 1999–00 is 1.5% of taxable income. No levy is payable where taxable income is less than AUD 13,550 for a single person or where family income is less than AUD 22,865 in the case of a married (legal or de facto) couple. The higher threshold also applies to taxpayers entitled to a Child-Housekeeper, Housekeeper, or Sole Parent Rebate. The threshold is increased by AUD 2,100 for each dependent child or student. The levy is phased in at the rate of 20% of taxable income above the relevant threshold until the amount of the levy reaches 1.5% of all taxable income. Full or partial exemption from the levy may be given to blind pensioners and recipients of Sickness Allowance for periods in which they were in receipt of the pension or allowance. An additional surcharge of 1% applies to high-income earners who have not taken out private health insurance (singles without dependants earning AUD 50,000 or more per annum and couples or singles with dependants earning AUD 100,000 or more per annum, plus an additional AUD 1,500 for each dependant child after the first).

The Medicare levy is not intended to provide total funding of the health care scheme. It is paid into Consolidated Revenue and the revenue it raises is not sufficient to fund universal health care.

11. Part-time work

11.1 Benefit rules for part-time work

All benefit recipients are able to engage in some part-time work while continuing to receive benefit income. Initial free areas (or earnings disregards) and benefit withdrawal rates are a feature of most payments. (See sections 3.2.2, 4 and 9.2.2.)

11.2 Special tax and social security contribution rules for part-time work

None.

12. Policy developments

12.1 Policy changes introduced in the last year

Parenting Payment was introduced on 20 March 1998 to replace the Sole Parent Pension and Parenting Allowance. Sole parents became subject to a non-tapered assets test, an Income Maintenance Period, a reduction in portability from 52 weeks to 26 weeks, and a reduction in residence requirements from five to two years. Partnered parents had an increase in portability from 13 weeks to 26 weeks, and had a two-year residence requirement imposed.

Introduction of YA on 1 July 1998. YA replaced Newstart Allowance (NSA), Sickness Allowance and Youth Training Allowance for those under 21 years, AUSTUDY for students under 25 years, and Family Payment for secondary students aged 16 to 18 years and not on AUSTUDY.

From 1 July 1998, customers aged 18 to 24 years who had received unemployment payments for six months were required to undertake an activity in addition to their job search requirements. Activities that jobseekers may undertake include part-time work, voluntary work, education, training, Work for the Dole, and literacy and numeracy training. From 1 July 1999, this requirement was extended to people aged 25 to 34 years who had received unemployment payments for 12 months or more. This is known as the Mutual Obligation Initiative. In addition, eligible jobseekers unemployed for more than six months (18 to 24 years) or 12 months (25 to 34 years) and not undertaking a mutual obligation activity may be required to participate in a six month Work for the Dole project each year, as places become available.

The definition of suitable work was expanded for out of area job search from November 1999. NSA recipients who seek and are offered suitable work outside their local area are required to accept that work or be subject to an activity test breach.

The Seasonal Work Preclusion Period commenced on 1 January 1999. It applies to new claimants for NSA, YA(o), Mature Age Allowance, Partner Allowance, Widow Allowance and partnered parents claiming Parenting Payment. The Seasonal Work Preclusion Period applies where the person or their partner is engaged in high income seasonal or intermittent work in the six months prior to claim. It ensures that higher income seasonal and intermittent workers use their resources to support themselves

financially for a period after ceasing work, rather than immediately calling on the community for assistance by way of income support.

As part of a continuing simplification of waiting periods, common waiver rules for the Liquid Assets Waiting Period and Income Maintenance Period were introduced in 1 July 1998 and 1 July 1999 respectively (for NSA and related payments).

A Special Employment Advance payment commenced in November 1999. An advance of between AUD 50 to AUD 500 became available to customers who are, or would be, in financial hardship due to either having earned income that they have not yet received or to the costs of taking up a definite job offer.

Rent Certificates and Rent Declarations were introduced in September 1999 as part of the "Improved Rent Assistance Compliance" Budget Measure for customers living in informal rental arrangements (i.e. without a formal written tenancy lease agreement). For RA assessment purposes, customers must produce evidence (Rent Verification) of the rent amount paid for their accommodation.

Customers lodging in marginal accommodation who were affected by the sharers rate of RA became exempt from the sharers rate and entitled to the full rate of RA commensurate with their rental circumstances from January 1999

New or change customers who sub-let in Public Housing cease to be eligible for RA from 1st January 1998 unless: their primary tenant pays market rent, or the relevant Housing Authority has been advised that that a sub-tenant lives there. In April 1998 Customers who were in receipt of RA prior to 1st January 1998 commence to be effected by the sub-let measure introduced.

Government approved residential age care facilities, RCA ceased to be payable by DSS in October 1997. It was replaced with a pension supplement paid directly to the provider by the Department of Health and Family Services.

Single customers without dependants who share their accommodation with other people had the maximum rate of RA they could receive limited to 2/3 of the maximum rate for singles who live alone from July 1997.

Customers Who Go Overseas - From 20 September 2000, customers receiving social security payments are entitled to RA while overseas for up to 26 weeks. From 1 July 2000, customers receiving RA with their FTB are eligible to receive RA for periods of temporary absence overseas of up to 26 weeks. These entitlements are conditional to customers maintaining a continuing liability to pay rent for their principal home in Australia.

The latest Commonwealth-State Housing Agreement (CSHA) came into effect on 1 July 1999 and expires on 30 June 2003. The agreement provides funding to states for the provision of housing assistance that is targeted to low income households and those who have difficulty accessing the private rental market for reasons such as discrimination or special needs. The agreement comprises a nation-wide multilateral agreement between the Commonwealth and all states. Bilateral agreements between the Commonwealth and each state also form an important part of the CSHA and enable more flexible responses to the particular needs and priorities for housing assistance in each state.

12.2 Policy changes announced

From 1 July 2000, all new claimants of NSA and YA who have an activity test requirement will be required to enter a Preparing for Work Agreement. The Preparing for Work Agreement, which is an Activity Agreement under the *Social Security Act*, ensures that customers are aware of their rights and obligations from grant of payment and will streamline unemployment processes. Changes to payment and taper rates will result from the introduction of the Goods and Services Tax (from 1 July 2000):

- The maximum rate of pensions and allowances will increase by 4 per cent.
- The income free areas (i.e. the level of income and assets that a customer can earn without affecting their payment) will increase by 2.5 per cent.
- Taper rates for sole parents will be reduced from 50 to 40 cents in the dollar (for each dollar of private income above the AUD 62.00 per fortnight free area).
- Taper rates for partnered parents will be reduced from 70 to 50 cents in the dollar (for each dollar of private income between AUD 140.00 to AUD 245.00 per fortnight).
- Basic (non-benefit) Parenting Payment will be replaced by Family Tax Benefit Part B. Approximately 63 per cent of the total Parenting Payment customer population will transfer to Family Tax Benefit Part B.

Simplifying the Structure and Delivery of family assistance A new structure of assistance for families will be implemented from July 2000. The new structure will reduce the types of assistance for families through the tax and social security systems from twelve to three.

The Family Tax Benefit Part A (FTB (A)) will merge the four forms of assistance currently provided to help families with the costs of raising children. This will replace Family Allowance (both minimum rate and more than minimum rate Family Allowance), Family Tax Payment Part A and Family Tax Assistance Part A.

The Family Tax Benefit Part B (FTB (B)) will merge the six forms of assistance that currently provide additional help for single income families including lone parents. This will replace the Dependent Spouse Rebate (with child rate), the Sole Parent Rebate, Family Tax Assistance Part B, Family Tax Payment Part B, Basic Parenting Payment, and Guardian Allowance.

Child Care Benefit (CCB) will merge the two forms of assistance available to help families with the costs of formal child care, Child Care Assistance and the Childcare Cash Rebate.

AUSTRALIA

The annual tax/benefit position of an unemployed single person, 1999 (in Australian dollars)

A. Taxable benefits	
Means-tested benefits	
New Start Allowance	8 494
Total taxable benefits	8 494
B. Income tax and social security contributions	
Income tax allowances	0
Taxable income	8 494
Income tax liabilities	619
Income tax credits	150
Social security contributions	0
Total income tax and social security contributions	0^a
C. Non-taxable benefits	1 976
Rent Assistance	1 976
D. Net income out of work (A-B+C)	10 470
E. Net income in work	31 472
F. Net replacement rate (D/E) (per cent)	33

Note: there is no unemployment insurance. All unemployed are under unemployment assistance.

a) Total income tax and social security contributions should be zero for a full-year maximum rate NSA recipient with no private income, because of a special "beneficiary rebate"(see section 3.3).

AUSTRALIA

The annual tax/benefit position of an unemployed married couple with two children (6 and 4 years old)

1999

(in Australian dollars)

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A. Taxable benefits	
Means-tested benefits	
Newstart Allowance	7 662
Parenting Payment	7 662
Total taxable benefits	15 324^a
B. Income tax and social security contributions	
Income tax allowances	0
Taxable income	15 324 ^a
Income tax liabilities	560
Income tax credits	300
Social security contributions	0
Total income tax and social security contributions	0^b
C. Non-taxable benefits	
Means-tested benefits	
Family Allowance	7 197
Rent Assistance	2 309
Family Tax Allowance (FTA)	901
Total non-taxable benefits	10 407
D. Net income out of work (A-B+C)	25 731
E. Net income in work	41 624
F. Net replacement rate (D/E) (per cent)	62
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a) The basic component of Parenting Payment for partnered persons is not taxable (see section 9.3).

b) Total income tax and social security contributions should be zero for a full-year maximum rate NSA recipient with no private income, because of a special "beneficiary rebate"(see section 3.3).

AUSTRALIA

**The annual tax/benefit position of an unemployed lone parent with two children
(6 and 4 years old)
1999
(in Australian dollars)**

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A. Taxable benefits	
Means-tested benefits	
NSA	9 188
Total taxable benefits	9 188
B. Income tax and social security contributions	
Income tax allowances	0
Taxable income	9 188
Income tax liabilities	758
Income tax credits	1 408
Social security contributions	0
Total income tax and social security contributions	0^a
C. Non-taxable benefits	
Means-tested benefits	
Family Allowance	6 581
Rent Assistance	2 309
Family Tax Allowance (FTA)	901
Total non-taxable benefits	9 791
D. Net income out of work (A-B+C)	18 979
E. Net income in work	40 545
F. Net replacement rate (D/E) (per cent)	47
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a) Total income tax and social security contributions should be zero for a full-year maximum rate NSA recipient with no private income, because of a special "beneficiary rebate"(see section 3.3). In this case, total income tax was zero anyway.