
AUSTRALIA 2002

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 childcare benefits are available to all low-income families. Benefits are withdrawn gradually as income increases. Benefit receipt and means tests are partly based on individual circumstances rather than that of the family. The 2002 Average Wage (AW) level is AUD 43 441.

The reference period is from July 1st 2001 to June 30th 2002.

2. Unemployment insurance

There is no unemployment insurance.

3. Unemployment assistance

There are two unemployment payments: Newstart Allowance (NSA) and Youth Allowance (YA). These are both activity-tested payments. For an unemployed person to qualify they must be actively looking for any suitable work or undertaking an activity to improve their employment prospects.

- 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 work, undertaking a combination of part-time study and part-time work or some other approved activity. Unemployed persons 16 to 18 years old will only receive benefits if an activity agreement is in place or secondary school (or equivalent) has been completed.

There are a number of non-activity tested payments for people of workforce age who are unable to fully support themselves. 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. Payments include Mature Age Allowance

(MAA), Partner Allowance (PA), Widow Allowance (WA), Special Benefit (SB), and Parenting Payment (PP). Descriptions of non-activity tested payments are below:

- Mature Age Allowance is paid to people between 60 and Age Pension age. In July 2002, the pension age for women was 62 compared to 65 for men. The pension age for women will gradually increase to 65 years by the year 2014.
- 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 1955 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. From 1 July 2005, the payment will be available only to women born before 1 July 1955.
- Parenting Payment provides income support to low-income people who have primary care of dependent children under 16 years of age. In the case of couples, only one partner may receive Parenting Payment (see section 9).
- 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.

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 recipients must be actively seeking work or undertaking an activity to improve employment prospects 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. Basic payment rates for Newstart and Youth Allowance for the period 1 July to 19 September 2002 are listed below. Supplementary payments, such as Rent Assistance and Pharmaceutical Allowance, may also be payable depending on the person's circumstances. Maximum rates are indexed in March and September each year to reflect increases in the Consumer Price Index (CPI).

Youth Allowance (YA)*

1 July to 19 September 2002 rates

Category of beneficiary	(AUD fortnightly)	(AUD per month)
Single, under 18, at home	165.10	357.72
Single, under 18, away from home	301.70	653.68
Single, 18 and over away from home	301.70	653.68
Single, with children	395.30	856.48
Partnered, without children (each)	301.70	653.68
Partnered, with children (each)	331.30	717.82

* Rent Assistance may be available for all except the first category.

Source: A Guide to Commonwealth Government payments, 1 July to 19 September 2002.

Newstart Allowance (NSA)*

1 July to 19 September 2002 rates

Category of beneficiary	(AUD fortnightly)	(AUD per month)
Single, 21 and over, without children	369.00	799.50
Single, 21 and over, with children	399.00	864.50
Single, 60 and over, after 9 months unemployment	399.00	864.50
Couple, over 21 (each)	332.80	721.07

* Rent Assistance may be available for all categories.

Source: A Guide to Commonwealth Government payments, 1 July to 19 September 2002.

3.2.2 *Income and earnings disregards*

Benefit receipt is dependent on income and assets tests. For single allowees, after an initial “free area” (or disregard) of AUD 62 per fortnight, 50 per cent of income up to AUD 142 is withdrawn against the benefit. Thereafter the withdrawal rate is 70 per cent. For partnered allowees, each receives an allowance with both individual and partner income being taken into account. If the higher earning partner loses all entitlement to benefit (occurring when income exceeds AUD 560 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. Youth Allowance is subject to the personal income and assets test and parental means test.

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.

3.4 *Benefit duration*

There are no restrictions on the duration of unemployment payments. Generally, there is a one-week waiting period for unemployment payments after lodgement of an application form. This is known as the “ordinary waiting period”. Other waiting periods, during which payment is not made, 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. The maximum waiting period is 13 weeks. Liquid assets include cash, shares and debentures, and bank (including term) deposits.
- If a person or their partner is engaged in high income seasonal work in the six months prior to claim they may have to serve a Seasonal Work Preclusion Period.
- Newly arrived migrants must generally serve a two-year waiting period, except where individuals are given refugee or humanitarian status.
- If a person reduces their chances of getting a job (without sufficient reason) by relocating to an area where the likelihood of finding work is significantly lower, they may have to wait 26 weeks before receiving payment.

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 longer-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, Veterans' 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.

3.5.3 Lone Parents

Lone Parents generally do not claim unemployment benefits, but rely instead on the Parenting Payment (section 9). Eligibility for parenting payment, however, ceases once the dependent child turns 16. There are some circumstances where single people receiving unemployment benefits may have whole or substantial responsibility for a dependent child. In these instances, a higher rate of payment is paid (see Section 3.2). For instance:

- When a young person turns 16, they may attract Youth Allowance if their parent is in receipt of unemployment benefits (for instance if the parent moved onto Newstart Allowance once they lost eligibility for Parenting Payment); or
- Where a Newstart Allowance recipient is legally responsible (jointly or otherwise) for at least 30 per cent of the care of a young person aged under 16, or where a young person is wholly or substantially in their care.

4. Social assistance

Special Benefit serves as a benefit of last resort. It is paid to people in severe financial hardship, who have no other means of support and for whom no other benefit is available. For long-term cases, Special Benefit is not payable when the available funds and liquid assets of the person are AUD 5 000 or more. In cases of short-term need, the benefit is not payable if readily available funds exceed two weeks' special benefit plus Family Tax Benefit (FTB). 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. The usual rate of payment is the maximum rate. The benefit is means-tested against any income with a 100 per cent reduction rate. Any amount of regular in-kind income support, such as the provision of pharmaceutical items, also reduces the rate of payment.

Australia also has an Emergency Relief program, which pays funds to community-based centres that help families in crises. A Crisis Payment is also available to provide immediate financial assistance to clients in severe financial hardship, subject to certain criteria. This is a one-off non-refundable payment.

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 eligible Department of Family and Community Services, Department of Veterans Affairs, and Abstudy customers 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 (RA)

20 March to 19 September 2002 rates (in AUD)

Family situation	Maximum payment per fortnight	No payment if fortnightly rent is less than	Maximum payment if fortnightly rent is more than
Single, no children	90.60	80.40	201.20
Single, no children, sharer	60.40	80.40	160.93
Single, 1 or 2 children	106.26	105.84	247.52
Single, 3 or more children	120.12	105.84	266.00
Couple, no children	85.40	131.00	244.87
Couple, 1 or 2 children	106.26	156.66	298.34
Couple, 3 or more children	120.12	156.66	316.82
One of a couple, separated due to illness, no children	90.60	80.40	201.20
One of a couple, temporarily separated, no children	85.40	80.40	194.27

Source: A Guide to Commonwealth Government payments, 1 July to 19 September 2002.

5.2.2 Income and earnings disregards

RA is added to family benefits for abatement purposes in the case of single parents and couples with children. RA is added to the basic benefit for people without children and withdrawn under the relevant benefits abatement regime (for example see section 3.2.2).

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

A new structure and delivery of family benefits called Family Tax Benefit (FTB) was introduced in July 2000 merging ten types of assistance into two. Family payments consist of FTB Part A and FTB Part B, Maternity Allowances and Double Orphan Pension.

FTB Part A helps families with the cost of raising children. FTB Part B provides extra help for families with one main income, including sole parents. It also gives extra assistance to families who have a child under the age of five years. Families have two choices in the way they claim their FTB:

- Through the Family Assistance Office as either a fortnightly payment directly into their banking account, or a lump sum after the end of the financial year.
- As a lump sum through the tax system when they lodge a tax return. In addition, a family can anticipate the end-of-year tax claim through reduced Pay As You Go taxation withholdings from their wages, by providing their employer with a withholding declaration. They would also need to lodge an FTB tax claim with their tax return.

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 (MIA) 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 exemption to the immunisation requirements.

6.1 *Conditions for receipt*

Family Tax Benefit (FTB) is paid to the primary care-giver subject to income testing and residence requirements.

- To receive FTB Part A, the primary care-giver must have a dependent child under 21, or a qualifying dependent full-time student aged 21 to 24 years. The payment is subject to a family income test. Families receiving income support payments are not subject to the income test.
- To receive FTB Part B, the family must have a dependent child under 16, or a qualifying dependent full-time student up to the age of 18 (who does not get Youth Allowance or a similar payment).

Double Orphan Pension (DOP) is payable for child(ren) aged under 16 who are in the care and control of the recipient, and for full-time dependent students 16-21 who do not receive Youth Allowance. DOP is payable when both of the child's parents are dead; or when one parent is dead and the other parent is absent for an indefinite period (e.g. in prison for not less than 10 years, or a patient of a mental hospital or nursing home indefinitely, or their whereabouts are unknown to the claimants).

Maternity Allowance (MA) is paid for all babies (including stillborn babies and babies who die shortly after birth). The claimant must qualify for Family Tax Benefit Part A within 13 weeks of the baby's birth (or would have qualified if the baby had lived). Adoptive parents may qualify within 13 weeks of the child being entrusted to their care, where the child was under 26 weeks of age at the date of placement. A carer, who is not the natural parent, may qualify if the child is entrusted to their care within 13 weeks of birth and is likely to remain in their care for not less than 13 weeks.

Maternity Immunisation Allowance (MIA) is paid for 18 month old children who are fully immunised. It may be paid for stillborn babies and children who die before 24 months. The claimant must have been eligible for Maternity Allowance or be eligible for Family Tax Benefit Part A. MIA must be claimed prior to the child's second birthday. A child can be exempt from the immunisation requirements for medical reasons or if the parent or guardian conscientiously objects.

6.2 *Calculation of benefit amount*

The amount families receive varies according to the number and ages of the children and their income.

6.2.1 *Calculation of family benefits*

In the period July to September 2002 Family Tax Benefit and Double Orphan Pension were paid at the rates in the following tables. FTB(A) is paid for each dependent child. FTB(B), is a family-based payment. The rate of payment is based on the age of the youngest child.

Family Tax Benefit Part A

1 July to 19 September 2002 rates – amount is for each child (in AUD)

	Fortnightly rate	Yearly rate
Base rate, child under 18	40.74	1 062.15
Base rate, child 18-24	54.74	1 427.15
Maximum rate, child under 13	126.70	3 303.25
Maximum rate, child 13-15	160.72	4 190.20
Maximum rate, child 16-17	40.74	1 062.15
Maximum rate, child 18-24	54.74	1 427.15
Child in approved care 0-24	40.74	1 062.15
Large family supplement (after 3rd child)	8.68	226.30
Multiple births allowance for children under 6	105.98 (triplets) 141.40 (quads or more)	2 763.05 (triplets) 3 686.50 (quads or more)
Double Orphan Pension	42.80	1 115.85

Family Tax Benefit Part B

Amount is for each family (in AUD)

Age of youngest child	Fortnightly rate	Yearly rate
Under 5 years	108.78	2 836.05
5 - 15 years, (or 16 - 18 years if a full-time student)	75.88	1 978.30

Maternity allowance is a one off payment of AUD 798.72 for each child. Maternity Immunisation Allowance is a one off lump sum payment of AUD 208.

6.2.2 *Income and earnings disregards*

Double Orphan Pension is not subject to an income test.

Family Tax Benefit (FTB) and the associated benefits (RA, MA and MIA) are income tested. Income includes taxable income, foreign income, certain employer provided fringe benefits and net rental property loss.

FTB Part A is subject to a family income test.

- The income test does not apply to those who receive, or whose partners receive, an income support payment such as pension, benefit or allowance, or a Department of Veteran's Affairs Service Pension.
- If family income is more than AUD 30 806 a year, the payment is reduced by 30 cents for each dollar above AUD 30 806, until the payment reaches the base rate of FTB Part A.

- FTB Part A stays at that rate until family income reaches AUD 79 643 a year (plus AUD 3 212 for each FTB child after the first). FTB Part A is then reduced by 30 cents for every dollar over that amount until the payment reaches nil.

Income limit beyond which only base rate of FTB Part A is paid

In AUD per year

Number of children 0-12 years	Number of Children 13-15 years			
	None	One	Two	Three
None	..	41 232	51 659	62 086
One	38 276	48 703	59 130	69 556
Two	45 746	56 173	66 600	77 027
Three	53 216	63 643	74 070	84 497

Note: Income limit is higher if the claimant is eligible for Rent Assistance.

Income limit at which FTB Part A stops

In AUD per year

Number of children 0-17 years	Number of Children 18-24 years			
	None	One	Two	Three
None	..	84 401	92 370	100 339
One	83 184	91 153	99 122	107 846
Two	89 986	97 906	106 629	115 353
Three	96 689	105 412	114 136	122 859

Note: Income limit is higher if the claimant is eligible for Multiple Birth Allowance.

FTB Part B is available to sole parents with no income test. For couples, the primary earner's income is not taken into account. The adjusted taxable income of the second income earner (including income received from a taxable income support payment) is taken into account if income is above AUD 1 752 a year. Payments are then reduced by 30 cents for each extra dollar of taxable income. A secondary earner can still get some Family Tax Benefit Part B if their income is below:

- AUD 11 206 a year if the youngest child is under 5; **or**
- AUD 8 347 a year if the youngest child is between 5 and 18 years.

6.3 Tax treatment of benefit

Family payments are not taxable.

7. Childcare benefits

The Commonwealth Government provides fee assistance with the cost of childcare by way of Child Care Benefit. Child Care Benefit (CCB) is available for two different forms of childcare: approved care and registered care. Approved Child Care services include most long day care, family day care, outside school hours day care, vacation care, some occasional care services and some in-home care. To claim the payment for Registered Child Care the provider needs to be registered with the Family Assistance Office.

Approved childcare services receive childcare payments from the Government on behalf of families to reduce their fees. CCB replaced the previous Child Care Assistance and Child Care Rebate from 1 July 2000.

7.1 *Conditions for receipt*

Families where both parents (or a single parent) are working, studying or training or looking for work may be eligible for CCB for both approved care and registered care. Families where both parents (or a single parent) are **not** working, studying, training or looking for work are eligible for up to 20 hours' CCB of approved care but are not eligible for CCB for registered care.

7.2 *Calculation of benefit amount*

7.2.1 *Calculation of gross benefit*

Families whose children are in approved childcare services are eligible for CCB at the minimum rate or more than the minimum rate. Families whose children are in registered care are eligible for CCB only at the minimum rate.

The maximum rate of CCB for one non-school child in approved childcare services is AUD 2.66 an hour. The maximum rate of CCB for one school child in approved childcare is AUD 2.26 an hour. This is a maximum of AUD 133 for a non-school child for a 50 hour week (maximum of AUD 278 per week for two children and AUD 433.91 per week for three children) and AUD 113.05 for a school child using 50 hours of care a week.

The minimum rate of CCB in approved childcare services and in registered care is AUD 0.447 an hour for non-school children and AUD 0.38 an hour for school children; or AUD 22.35 for a non-school child and AUD 19 for a school child using 50 hours of care a week.

7.2.2 *Income test for CCB*

CCB for approved childcare is a means-tested payment based on family income. Families on the lowest incomes receive the highest rates of assistance (maximum rate). The CCB rate for approved childcare is gradually reduced as assessed family income increases, to the point where families receive the minimum rate. The tapers vary according to the number of children in childcare.

Families with one child in approved childcare and a family income of up to AUD 30 806 per year receive the maximum rate of CCB. Thereafter, a 10 per cent taper applies up to the income limit of AUD 88 344 per year. Minimum CCB of AUD 22.35 per week then applies regardless of income for families whose annual income is higher than AUD 88 334.

Families with two children in approved childcare and a family income up to AUD 30 806 per year receive the maximum rate of CCB. Thereafter, a 15 per cent taper applies up to the second threshold of AUD 71 993 per year. Thereafter, a 25 per cent taper applies up to the income limit of AUD 95 808 per year. Minimum CCB of AUD 22.35 per week per child applies to families whose annual income is higher than AUD 95 808.

Families with three or more children in approved childcare and a family income up to AUD 30 806 per year receive the maximum rate of CCB. Thereafter, a 15 per cent taper applies up to the second threshold of AUD 71 993 per year. Thereafter, a 35 per cent taper applies up to the income limit of AUD 108 847 per year (plus AUD 18 168 for each additional child after the third). Minimum CCB of

AUD 22.35 per week for each child applies to families whose annual income is higher than AUD 108 847 (plus AUD 18 168 for each additional child).

CCB for registered care is not means-tested.

7.3 Tax treatment of benefit

CCB is not taxable.

8. Employment-conditional benefits

The Employment Entry Payment is a lump sum payment of AUD 104 made to people moving into full-time employment. To be eligible, a person must be either a single parent receiving Parenting Payment, or a long-term income support recipient (12 months or more) receiving Newstart Allowance, 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 (PP) provides income support to low income people who have primary care of children under 16 years of age. In the case of a couple, only one partner is eligible. Parenting Payment is paid under two sets of conditions: Parenting Payment single for single parents and Parenting Payment partnered for a parent who is a member of a couple.

Parenting Payment has been a non-activity tested payment. From September 2002, all new claimants for parenting payment have been given additional information about the benefits of paid work and the assistance available to achieve this. Recipients with a youngest child aged 12-15 have an annual interview to assist them to plan to return to work. From September 2003 planning interviews will be extended to recipients with a youngest child aged six and over, and those with a youngest child aged 13-15 will have a modest activity requirement. A person receiving any other income support payment is not eligible for Parenting Payment.

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

Single Parents

The maximum rate for single parents between July and September 2002 was AUD 421.80 per fortnight, plus AUD 5.80 per fortnight Pharmaceutical Allowance. The rate is indexed in line with the Consumer Price Index in March and September each year and benchmarked to 25 per cent of Male Total Average Weekly Earnings. Recipients are also entitled to maximum rate Family Tax Benefit.

Partnered Parents

The maximum rate of payment for partnered parents is AUD 332.80 per fortnight (up to AUD 399 per fortnight if illness separated or respite care couple, or partner in gaol).

Education Entry Payment of AUD 208 may be payable to all Parenting Payment recipients.

9.2.2 Income and earnings disregard

Single Parents

After the income disregard of AUD 116 per fortnight plus AUD 24.60 per fortnight for each child, the payment is withdrawn at the rate of AUD 40 cents in each dollar. A single parent with one child will receive full payment if income is less than AUD 140.60 and no payment if income exceeds AUD 1 209.60 a fortnight.

Partnered Parents

Partner is not a pensioner

- Parenting Payment recipient's personal income reduces the rate by 50 cents for each dollar between AUD 62 and AUD 245, and by 70 cents for each dollar above AUD 245 per fortnight.
- Partner's income up to AUD 561 per fortnight has no effect on the Parenting Payment. Income over this limit reduces the Parenting Payment rate by 70 cents for each extra dollar.
- A part payment may be available provided **all** of the following conditions are met:
 - Parenting Payment recipient's income must be less than AUD 589.71 per fortnight; and
 - Partner's income must be less than AUD 1 036.43 per fortnight; and
 - The combined income of the couple must be less than AUD 1 150.71.
- Different limits apply if the partner receives Youth Allowance or Austudy payment and a different means test applies if the partner receives a pension payment.

Partner is a pensioner (i.e. Disability Pension or Age Pension)

- Couple's combined income reduces rate by 25 cents for each dollar between AUD 124 and AUD 490, and by 35 cents for each dollar above AUD 490 per fortnight.
- For maximum payment the couple's combined income must be no more than AUD 124 per fortnight.

- For part payment the couple's combined income must be less than AUD 1 179.42 per fortnight.

9.3 *Tax treatment of benefit*

Parenting Payment is assessable income for tax purposes. Tax offsets ensure a year-long recipient with no other income pays no tax. The offset for sole parents also enables a year-long recipient to have other income without tax becoming payable.

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 the commencement of payment 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 offset where he or she contributes to the maintenance of a dependent spouse (legal or *de facto*). The credit is AUD 1 489 for a dependent spouse. The credit is reduced by AUD 1 for every AUD 4 by which the spouse's separate net income exceeds AUD 282. The offset for a dependent spouse with a dependent child has been replaced by the Family Tax Benefit system (see section 12.1 below).

Relief for low income earners: an AUD 150 tax offset 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.

The beneficiary tax offset is generally available to recipients of taxable social security payments that are not pensions. The benefits included are Newstart Allowance, Youth Allowance, Widow Allowance, Mature Age Allowance, Partner Allowance, Parenting Payment (partnered), Sickness Allowance, Special Benefit and Austudy. The tax offset is calculated using the following formula:

- If the person's benefit amount is not more than AUD 20 000:

$$\text{Beneficiary tax offset} = 0.17 \times (\text{amount of benefit or allowance received} - \text{tax free threshold})$$

- If the person's benefit amount is more than AUD 20 000:

Beneficiary tax offset = (the same formula as above) PLUS 0.13 x (amount of benefit or allowance received – AUD 20 000)

If the amount of benefit/allowance received in the financial year is less than the tax free threshold then no beneficiary tax offset is available. It should also be noted that very few people receive more than AUD 20 000 in rebatable benefits in a year (so the modification formula affects only a few).

The pensioner tax offset is available to people who receive Commonwealth Government pensions or allowances and who are not eligible to receive the Senior Australians tax offset because they have not met all four of the eligibility conditions. For example, they have not reached Age Pension age within the meaning of the Social Security Act 1991. The pensioner tax offset does not apply to pensions that are not taxable. Parenting Payment single recipients are eligible for this offset.

Pensioner tax offset (generally for pensioners under Age Pension age)

AUD per annum

	Maximum tax offset amount	Shade-out threshold ^a	Taxable income above which tax becomes payable ^b	Cut-out threshold ^c
Single	1 811	16 653	17 164	31 141
Couple ^d				
General	1 324	13 789	14 300	24 381
Living apart due to illness or infirmity ^e	1 665	15 795	16 795	29 115

- The shade-out threshold is the maximum taxable income at which pensioners eligible for the pensioner tax offset will receive the maximum tax offset amount. The tax offset reduces by 12.5 cents for each dollar of taxable income in excess of the shade-out threshold. The pensioner tax offset shade-out threshold does not allow for the low-income tax offset.
- These figures show the taxable income above which tax liability exceeds the sum of the pensioner and low-income tax offset.
- The cut-out threshold is the level of taxable income where the pensioner tax offset is reduced to nil.
- Any unused portion of the pensioner tax offset of a partnered pensioner can be transferred to his or her partner if they are eligible for the pensioner tax offset or Senior Australians tax offset.
- Pensioner couples separated because of illness receive the (higher) single rate of payment but the same income test free area as other pensioner couples. Therefore, the tax offset level for this category is higher than the level for pensioner couples not separated because of illness but lower than that for single pensioners.

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	6 000	NIL
6 001	20 000	NIL + 17c for each AUD in excess of AUD 6 000
20 001	50 000	AUD 2 380 + 30c for each AUD in excess of AUD 20 000
50 001	60 000	AUD 11 380 + 42c for each AUD in excess of AUD 50 000
60 001 and over		AUD 15 580 + 47c for each AUD in excess of AUD 60 000

To contribute towards the cost of basic medical and hospital care a Medicare Levy is imposed on the taxable incomes of resident taxpayers (see section 10.3).

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. ● Disability Support Pension (for people of Age Pension age). ● Widow Pension. ● Carer Payment (if carer or person being cared for is of Age Pension age). ● Wife Pension (if wife or husband of Age Pension age). ● Parenting Payment. ● Bereavement Allowance. ● Newstart Allowance. ● Widow Allowance. ● Sickness Allowance. ● Special Benefit. ● Youth Allowance. ● Mature Age Allowance. ● Mature Age Partner Allowance. ● Partner Allowance. ● Austudy Payment. ● ABSTUDY Payment Living Allowance and Dependant Spouse Allowance. ● Education Entry Payment. 	<ul style="list-style-type: none"> ● Disability Support Pension (if under Age Pension age). ● Wife Pension for DSP wives (if both spouses are under Age Pension age). ● Carer Payment (if carer and person being cared for are both under Age Pension age). ● Rehabilitation Allowance. ● Family Tax Benefit, MAT, MIA and related allowances. ● Double Orphan Pension. ● Carer Allowance. ● Youth Disability Supplement. ● Student Financial Supplement Scheme. ● Fares Allowance. ● Mobility Allowance. ● Pharmaceutical Allowance. ● Employment Entry Payment. ● Remote Area Allowance (offsets the Zone Tax Rebate). ● Rent Assistance. ● Telephone Allowance. ● Assistance for Isolated Children (AIC) Scheme allowances. ● Pensioner Education Supplement. ● ABSTUDY Payment supplementary benefits. ● Pension Bonus Scheme. ● Pension Loans Scheme.

10.3 Social security contribution schedule

The Medicare Levy for 2002-03 is 1.5 per cent of taxable income. No levy is payable where taxable income is less than AUD 15 062 for a single person or where family income is less than AUD 25 417 in the case of a married (legal or *de facto*) couple, or sole parent. The threshold is increased by AUD 2 334 for each dependent child or student. Individuals eligible for the pensioner tax offset do not pay the Medicare Levy if taxable income is below AUD 17 164.

The levy is phased in at the rate of 20 per cent of taxable income above the relevant threshold until the amount of the levy reaches 1.5 per cent 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 per cent applies to high-income earners who have not taken out private health insurance (singles without dependents earning AUD 50 000 or more per year and couples or singles with dependants earning AUD 100 000 or more per year, plus an additional AUD 1 500 for each dependent 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*

Implementation of policy changes announced in 2001

In 2001 the Government announced the Australians Working Together (AWT) package, as its initial response to the McClure report on welfare reform. It is the first step on the path of longer-term, whole-of-government reform. It encourages people to help themselves and their communities. Implementation of this package has now begun:

- The *Personal Support Programme* is designed to help people who face multiple, non-vocational barriers (e.g. homelessness, drug and alcohol problems, psychological disorders/mental health issues, and/or long-term unemployment) that prevent them from participating fully in their community or in the workforce. The programme commenced on 1 July 2002 and endeavours to bridge short-term crisis assistance and employment related assistance.
- The *Personal Advisers Programme*, providing extra, personalised help to people to participate economically and socially, commenced on 20 September 2002. More than 450 Personal Advisors across Australia assisted 30 000 customers in the first three months.
- Phase one of the *Helping Parents Return to Work* measure was also introduced on 20 September 2002, with new claimants receiving information on the benefits of returning to work, and the help available through Centrelink. Compulsory annual participation interviews for parents whose youngest child is aged 12 to 15 also commenced.
- The *Transition to Work Programme*, (administered by the Department of Employment and Workplace Relations), which provides assistance to parents, carers and mature aged people who have been out of the workforce for an extended period, commenced on 1 July 2002.
- As with the Helping Parents Return to Work measure, Phase 1 of the *A Fair Go for mature age people* measure commenced on 20 September 2002, with recipients of Mature Age, Partner and Widow allowance payments being invited to attend ongoing voluntary interviews with a Personal Advisor. The take up rate to date has been low (4 per cent), so as a

contingency Centrelink have commenced alternative methods of engaging these customers such as information seminars in partnership with local agencies.

- Aspects of the *Promoting Self-reliance for Indigenous Australians* measure have commenced. Indigenous Employment Centres (IECs), designed to help provide Indigenous Australians with the skills and experience they need to make the transition to the paid workforce, opened in April 2002.
- The *Training Credits* measure (administered by the Department of Employment Workplace Relations) commenced on 1 July 2002, providing between AUD 500 and 800 in credits for eligible job seekers who have fully participated in Work for the Dole or Community Work programmes.
- The *Early Intervention and Better Assessment* measure, designed to improve work capacity assessments of new claimants for Disability Support Pension (DSP), or Newstart or Youth Allowance recipients seeking a temporary incapacity exemption from the activity test, commenced on 20 September 2002.
- The *Prime Minister's Community Business Partnership* is encouraging corporate social responsibility through showcasing community business partnerships, Awards for Excellence, developing a business community partnerships brokerage service, looking at innovative ways to encourage philanthropy including amendments to taxation legislation; developing close links with Australian peak business bodies, facilitating the establishment of an Australian Employers Forum for people with disabilities; and developing triple bottom line information tools for Australian businesses.

Policies for youth and children

The government has focused a much greater emphasis on policy to improve the lives of young people, and giving children the best possible start in life. A new Ministry for Children and Youth Affairs was created in November 2001, located within the existing Department of Family and Community Services portfolio. This ministry has become central to a whole of government approach to supporting youth, including developing a cross-departmental youth servicing strategy, and leading the creation of The Secretaries' Advisory Group on Youth, which brings together senior representatives from eight Commonwealth agencies to advance youth issues across portfolios. It is also fundamental in following through on the significant changes which were made to the family payments structure in 2000.

The Youth Bureau, previously part of the Department of Education, Training and Youth Affairs, was also transferred to the Family and Community Services portfolio, and came under the auspices of the new Ministry.

Policies for older Australians

Changes were made to provisions for older Australians as part of the Government's *Acknowledging Older Australians* initiative. These were aimed to increase assistance, and included, for mature age workers, a measure to exempt superannuation assets from the social security means test for people aged between 55 and age pension age from 1 July 2001.

Profiling and compliance

Changes were made to the system for controlling compliance to income support regulations. A five year *Strategic Framework for Minimising Incorrect Payment and Fraud* was announced. Key measures were:

- The development of client risk profiles to link customer characteristics to enhanced correctness of payments, activity testing and social and economic participation. The aim is to better understand and account for the relationship between specific customer characteristics and programme outcomes.
- The introduction of feasibility studies of the effectiveness of data-matching exercises with the Australian Taxation Office, to improve the detection of incorrect payments and fraudulent claims.

12.2 Policy changes announced

Welfare reform

The government has announced some changes to the implementation dates of certain AWT measures announced in 2001. These will now commence in 2003 instead of 2002:

- The *Working Credit* initiative, delayed from 20 September 2002 to 28 April 2003 (and subsequently to September 2003).
- The *Interim Evaluation* of the Australians Working Together (AWT) welfare reform package, delayed from 1 July 2002 to 1 July 2003, to better align with the timing of implementation of AWT measures.

Simplifying the payment system

As the next step in the welfare reform process, the Government announced in December 2002 that it would undertake a major review of the payment system, with a view to exploring the possibility of new payment structures, including the option of a single payment for all working aged people. A wide community consultation process will be undertaken to inform the government of community attitudes and input, starting with discussion of a consultation paper entitled *Building a simpler system to help jobless families and individuals*.

Compliance initiatives

Further measures on compliance and payment correctness have been announced, focussing on correctness of Rent Assistance payments, involving an additional 100 000 reviews annually. Also, changes will be made to processes for updating information on payment recipients, with a view to future possible lodgement and claiming on-line by customers.

AUSTRALIA

Long day care

Scenarios assume dual-income couple family (60/40 per cent income split)
 with children aged under 5. Full time = 50 hours per week per child.
 2002

Private income (AUD pa)	Disposable weekly income* (AUD)	Number of children	Hours paid	Childcare fee (AUD)	CCB (AUD)	Gap fee (AUD)	Gap fee as per cent of disposable income
25 000	556.13	1	50	186	133.00	53.00	10
	621.91	2	100	372	278.00	94.00	15
	683.37	3	150	558	433.91	124.09	18
60 000	949.70	1	50	186	76.86	109.14	11
	969.44	2	100	372	193.79	178.21	18
	989.18	3	150	558	349.69	208.31	21
90 000	1315.58	1	50	186	22.35	163.65	12
	1315.58	2	100	372	72.62	299.38	23
	1337.37	3	150	558	193.91	364.09	27

* This is weekly income less tax plus rebates plus social security payments (but not including CCB).