

## **AUSTRALIA 1997**

### **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 and education conditional benefits (for example see section 8). There are separate provisions for dependent spouses. Housing benefits 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 Benefits are withdrawn gradually as income increases.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 1997 APW level is A\$37 034.

### **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 Training Allowance (YTA) are activity tested payments and their descriptions are the following:

- Youth training allowance (YTA): paid to men or women aged 16 or 17 who are unemployed;
- Newstart Allowance (NSA): paid to unemployed aged 18 to 60 years old

Mature Age Allowance (MAA) is paid to people over 60 but not yet at an age entitling them to pensions. In July 1997, the pension age for women was 61 compared to 65 for men. Pension age will gradually increase for women to 65 years, by the year 2013. Starting on July 1, 1996 all new MAA recipients automatically receive the highest allowance rate of payment whereas a person of the same age has to have received NSA for more than 9 months to qualify.

Partner Allowance is paid to partners of income support recipients who have no recent work experience. Widow allowance is paid to older women who become widowed, divorced or separated later in life and who have no recent work experience. Special benefits are paid to people in severe financial need due to circumstances beyond their control, and for whom no other pension or allowance is payable, and no other support is available. Parenting allowance is payable to one partner of a low income couple with children.

### **3.1 Conditions for receipt**

All benefits are flat rate. NSA and YTA recipients must be actively seeking work and must be available for and willing to accept suitable work.

#### **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, one spouse can choose to receive Parenting Allowance (PgA) instead of Newstart Allowance. Active job search is not necessary for those receiving Parenting Allowance. Maximum amounts of benefit and means tests are not affected by the choice, although a component of Parenting Allowance -- called Basic Parenting Allowance -- is non taxable and subject only to a personal income test (A\$32.55 per week in September 1997), whereas YTA and NSA are taxable in their entirety. Youth training allowance replaced JSA for 16 to 17 year olds, while NSA replaced JSA for 18 to 60 year olds.

#### **Youth training Allowance, New Start Allowance and Parenting Allowance (September 1997 rates)**

Category of beneficiary	(A\$ fortnightly)	(A\$ per month)
Single person, 16-17 years old		
At home	145.00	314.17
Away from Home/Independent	239.30	518.48
Single person, 18-20 years old		
At home	174.30	377.65
Away from home	264.70	573.51
Single person, 21 years and over	321.50	696.58
Lone parent and those aged over 60 after 9 months unemployment	347.80	753.56
Couple 21 years and over, with or without children (each)	(each) 290.10	(each) 628.55

### *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 A\$60 per fortnight, 50 per cent of income up to A\$140 is withdrawn against the benefit. Thereafter the withdrawal rate is 70 per cent. If the higher earning partner loses all entitlement to benefit (under 1997 rules, occurring when income exceeds A\$479.29 per fortnight), the spouse’s allowance is reduced by 70% of each dollar his/her partner earns in excess of that amount. Other benefit income is not included in the NSA/PgA income test. Youth training allowance is subject to parental income and assets tests.

### *3.3 Tax treatment of benefit*

YTA and NSA 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*

A two-year waiting period was introduced for newly arrived migrants in 1996 unless the individual is given refugee or humanitarian status. There are no restrictions on the duration of unemployment benefit. The waiting period is 7 days. Longer waiting periods may be served by education leavers and applicants with annual leave entitlements or available funds exceeding specified limits. The liquid assets waiting period (LAWP) was extended to a maximum of 13 weeks. The annual leave waiting period (ALWP) was replaced by the Income maintenance period (IMP) under which leave payments are treated as income from date of payment for the period of leave.

### *3.5 Treatment of particular groups*

#### *3.5.1 Young persons*

Youth Training Allowance (YTA) rate of A\$518.48 per month is paid to unemployed people under the age of 18 years, living away from home or classified as ‘independent’. Trainees under 18 years who live at home receive A\$ 347.17 per month.

#### *3.5.2 Older workers*

Mature Age Allowance (MAA) is paid to the long-term unemployed aged 60 and over and below pension age. MAA was introduced in 1994 as an interim measure to assist older long-term unemployed people facing difficulties in obtaining work. From 1 July 1996, MAA was modified and became a permanent payment. Recipients of MAA as of 30 June 1996 are assessed under pension conditions. However, new grants from 1 July 1996 are assessed under the allowance income and assets tests rather than under the pension income and assets tests.

To be eligible, people must either have no recent work experience, have received an income support payment for at least 9 months and be on NewStart Allowance at the time of the claim, or have received a payment of a social security pension, Veteran's pension or a widow/partner/sickness/parenting benefit at anytime within the 13 weeks immediately before the claim, or have received the MAA. The spouse of an MAA recipient can receive a Partner Allowance.

### 3.5.3 *Partnered parents*

Parenting allowance (PgA) is a payment for a jobless person who is the primary carer of children under the age of 16 years.

PgA has two parts: Basic PgA (which replaces former Home Child-care Allowance) of up to A\$65.10 a fortnight which is neither taxable nor assets tested and is not affected by the level of the partner's income; and Additional PgA of up to A\$225.00 a fortnight which is taxable and assets tested. It is paid if the customer's partner is getting another Social Security benefit or is working and the family has a low income.

The maximum PgA payment at 20 September 1997 was A\$290.10 a fortnight.

*Personal income test:* There is an initial "free" area of A\$60 income a fortnight after which 50 per cent of income between the free area and A\$140 a fortnight is withdrawn from the benefit. The withdrawal rate for income above A\$140 a fortnight is 70 per cent.

*Partner income test:* There is a partner income "free area" of A\$497.29 a fortnight and the withdrawal rate of PgA for partner income above this amount is 70 per cent.

The rate of Basic PgA is not affected by the partner income test.

Basic PgA is not taxable. However, the amount of the Dependent Spouse Rebate available to the dependent partner through the tax system is reduced on a A\$1 for A\$1 basis by the amount of Basic PgA received during the financial year.

## **4. Social assistance**

The Special Benefit serves as a benefit of last resort. It is paid to people in severe financial need through circumstances beyond their control and for whom no other benefit is available. The benefit is means-tested against any income with a 100% benefit withdrawal rate. Payment rates are at the discretion of the Secretary of the Department of Social Security but can never exceed NSA rates. The benefit is not payable when the available funds and liquid assets of the person are A\$5,000 or more. Any income is treated as a direct deduction from the rate of Special Benefit. Australia also has an Emergency Relief programme which pays funds to community based centres which aim to 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 cash payment generally available to all Department of Social Security clients who rent in the private market;
- Public housing is available at reduced rents (set by state governments), to ensure that tenants pay no more than 20-25 per cent of their income in housing costs.

### 5.2 Calculation of benefit amount

#### 5.2.1 Calculation of gross benefit

Rent Assistance is provided at a rate of 75 per cent of the rent in excess of a threshold-value, up to a maximum rate. The maximum assistance and rent thresholds are indexed for inflation twice a year. Non-beneficiary low income couples receiving more than minimum rate family payment also qualify for maximum rate RA.

#### **Rent Assistance (September 1997 rates)**

Family type	Rent thresholds	Maximum assistance
	(A\$ per week)	(A\$ per week)
	if both claiming a benefit	if both claiming a benefit
Singles, no children	35.80	37.40
Singles, no children, sharer	35.80	24.90
Lone parents, 1 or 2 children	47.10	43.70
Lone parents, 3 or more children	47.10	49.40
Couples, no children	58.30	35.30
Couples, 1 or 2 children	69.60	43.70
Couples, 3 or more children	69.60	49.40

#### 5.2.2 Income and earnings disregards

RA is added to family payments for abatement purposes in the case of lone parents and couples with children. For families with children RA is abated at the rate of 50 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.

### 5.3 Tax treatment of benefit

Housing benefits are not taxable.

## 6. Family benefits

Family benefits consist of the Family Payment (FP), the Family Tax Initiative (FTI), maternity allowances and double orphan pensions. FP is an allowance paid to help parents and guardians with the cost of raising children. FTI provides assistance to families with dependent children in the form of reduced taxes, or for lower income families, 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.

### 6.1 Conditions for receipt

Family Payment (FP) is generally paid in respect of dependent children up to the age of 16 years but can also be paid to secondary school students up to the age of 18 years. It is paid to the primary care giver subject to a family income and assets test and residence requirements. Families receiving an income support payment receive FP free of the income and assets tests.

FTI 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 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 A\$1,000 a year increase in their tax free threshold for each dependent child (an increase in disposable income of A\$7.70/fortnight); and

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

### 6.2 Calculation of benefit amount

The amounts are differentiated to three age groups for children: aged under 13, aged 13-15, and aged 16-18.

#### 6.2.1 Calculation of gross benefit

Family Payments are at the rates in the following table.

#### Family Payments

	Fortnightly rate (A\$)
	1997
Minimum rate, each	23.40
Max rate, child under 13	96.00
Max rate, child 13-15	124.90
Max rate, student 16-18	60.00
Child in approved care	31.10

Large family supplement (after 3rd child)	7.70
Multiple births allow.	93.70 (triplets) 125.00 (quads)
Guardian allowance	36.60
Double Orphan pension	37.50

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The family tax initiative is paid at the following rates:

Part A is per child, A\$7.70 per fortnight. Part B is per family, A\$19.24 per fortnight.

Maternity allowance is a one off payment of \$A870.30.

### 6.2.2 *Income and earnings disregards*

FP and the associated benefits (GA, RA and MA) are income and assets tested. Income includes taxable income, foreign income, certain employer provided fringe benefits and net rental property. Benefits are reduced by 50 cents per dollar income earned through work above A\$23 350 a year plus A\$624 for each additional child after the first). Above certain limits, only minimum FP is paid (A\$27,125 plus A\$4,399 for each additional child under 13, or A\$28,628 plus A\$5,902 for each additional child 13-15). All FP ceases when family income exceeds A\$65,743 plus A\$3,288 for each additional child after the first.

FTP is paid to families whose taxable income would entitle them to more than the minimum rate of FP. Part B can only be paid to sole parents or families where one member of a couple earns less than A\$175.79 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 child-care: Child-care Assistance (CA) and Child-care 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. All families with children in registered care are eligible for CR.

## **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 A\$2.34 an hour for non-school children (A\$117) or A\$1.99 for school children (A\$99.50) for 50 hours of child-care.

Under CR, the maximum weekly child-care expenses on which families can claim is A\$117.00 per week for one child in care; or A\$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 A\$20.50 and deducting any CA paid. The maximum weekly rebate is A\$28.65 per week for one child in care or A\$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.

### **7.2.2 Income and earnings disregards**

Families are eligible for some CA in these services if their incomes are less than A\$1 277 a week before tax (for families with one dependent child who is in care) or A\$1 498 a week before tax (for families with two or more dependent children who are both or all in care), or A\$1 828 a week for three or more dependent children who are all in care. The cut-off increases for each additional dependent child.

## **7.3 Tax treatment of benefit**

CA and CC are not taxable.

## **8. Employment-conditional benefits**

The Employment Entry Payment is a lump-sum payment made on moving into full-time employment (people under 18 are paid A\$50, others receive A\$100). Each individual is eligible only once every 12 months. In addition, Newstart and YTA who are undertaking an approved course of study and have been in receipt of social security income support for at least 12 months may be eligible for a A\$200 Education Entry Payment to assist with up-front costs of study.

## **9. Lone-parent benefits**

### **9.1 Conditions for receipt**

Sole Parent Pension (SPP) is payable to a person who is not a member of a couple and is caring for a child who is under 16 years of age, or qualifies the person to receive Child Disability Allowance.

A person is not required to seek work to qualify for SSP. If a person obtains work, the earnings may affect the rate payable under the income test.

## **9.2**      *Calculation of benefit amount*

### *9.2.1*      *Calculation of gross benefit*

The maximum rate of SPP as at 20 September 1997 was A\$347.80 per fortnight, plus A\$5.40 per fortnight Pharmaceutical Allowance. Pension rates are indexed in line with the Consumer Price Index in March and September each year and to 25 per cent of Average Weekly Earnings. In addition to the basic pension payment, Sole Parent Pensioners are entitled to maximum rate family payment (see 6.2) and Guardian Allowance (GA) at a rate of A\$36.60 per fortnight.

### *9.2.2*      *Income and earnings disregards*

SPP is subject to the same income and assets test as the Age Pension, and is taxable. After an income disregard of A\$100 per fortnight plus A\$24 per fortnight for each child, the pension is withdrawn at a rate of A\$0.50 in the dollar. The income and assets tests for GA are the same as for AFP.

## **10.**      **Tax system**

### **10.1**      *Income tax*

#### *10.1.1*      *Income tax allowances and credits*

There is a system of wastable income tax credits, known as rebates:

- in 1997-98 a Sole Parent Rebate (A\$1 243 per annum) is allowed to lone parents, whatever their income;
- taxpayers with a dependent spouse may also claim a rebate of up to A\$1 452 per annum, although any non-payable Parenting Allowance (which would normally be payable directly to a dependent spouse with children) must be deducted from this amount;
- low income families receive a A\$150 per annum tax rebate, reduced at 4 per cent of taxable income above A\$20 700;

### 10.1.2 *Income tax schedule*

The schedule for 1997-98 is:

#### **Income tax schedule**

Annual income (A\$)	rate (%)
0 — 5 400	0
5 401 — 20 700	20
20 701 — 38 000	34
38 001 — 50 000	43
50 001 and above	47

### 10.2 *Tax unit and treatment of benefits*

All individuals are taxed separately. Some benefits are taxable, some are not. Basic Parenting Allowance (A\$32.55 per week) is not taxed.

#### **Tax treatment of benefits**

Taxable	Not taxable
Youth training Allowance	Family Payment
New Start Allowance	Basic Parenting Allowance
Sole Parent Pension	Rent Assistance
Special Benefit	Guardian Allowance
Additional Parenting Allowance	

### 10.3 *Social security contribution schedule*

For the 1996/1997 financial year, the Medicare levy was 1.7% of taxable income. The Medicare levy shades in at 20% (generally) above the specified threshold levels until the levy is equal to 1.7% of annualised income. A Medicare levy is payable by individuals and certain trusts whose income exceeds the threshold of A\$13,390. It is not intended to provide total funding of the health care scheme. Medicare levy revenue is not hypothecated to health care. It is paid into Consolidated Revenue and the revenue it raises is in any case insufficient to fund universal health care.

#### **Shade-in limits for Medicare levy**

Family type	Annualised amounts
Single	13 389
Couple	22 594
Increase per child	2 100

The shade-out limit is calculated on the basis of the shade-in limit: the shade-in limit is multiplied by the quotient of the (high) Medicare levy rate and the difference between this rate and the shade-in rate.

## **11. Part-time work**

### ***11.1 Benefit rules for part-time work***

Free Areas and benefit withdrawal rates for all benefits ensure that part-time work and continued receipt of benefit income is possible.

### ***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***

**Family Payment (FP)** from 1 January 1996 the Basic Family Payment (BFP) and additional Family Payment (AFP) were amalgamated into a single family payment which provides a minimum rate of payment per child, with a higher amount dependent on the age of the children payable to families on low incomes or in receipt of income support payments.

**Maternity Allowance (MAT)** from 1 February 1996 MAT was introduced as a non-taxable lump sum payment equal to six times the maximum fortnightly rate of parenting allowance. MAT is paid for babies born on or after 1 February 1996, including stillborn babies, and babies who die shortly after birth. MAT is paid per baby in case of multiple births. Qualification is based upon family payment income and asset tests. In 1997, the lump sum payment for MA is A\$870.30.

**Family tax initiative (FTI)** from 1 January 1997 the family tax payment is an element of the government's family tax initiative aimed at providing additional assistance to low and middle income families with children aged under 18.

**Measures to tighten the activity test** Stricter requirements for reporting job search activities, including the completion of a job seeker diary, and harsher penalties for non-compliance from 29 July 1996.

Mature Age Allowance (MAA) eligibility modified from July 1996 (see 3.5.2). The requirement that recipients be registered with the Commonwealth Employment Service for 12 months and be a resident of Australia for at least 10 years were removed.

From March 1996 NSA customers stay on NSA when incapacitated rather than transferring to Sickness Allowance. Previously, the time for which an incapacitated person could stay on NSA was restricted to 13 weeks.

## **12.2 Policy changes announced**

**Changes to the asset testing of minimum family payment and maternity allowance** Families with moderately high assets and incomes will no longer qualify for family payment and maternity allowance as from 1 January 1998.

**Introduction of Parenting Payment** Parenting payment will be introduced 20 March 1998 to replace the Sole Parent Pension and Parenting allowance. This will mean that Sole parents will be 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 5 to 2 years.

**Expansion of temporary activity test exemptions in special circumstances** This measure provides expectant mothers on Newstart allowance and Youth training allowance with an exemption from the activity test for 6 weeks prior to, and 6 weeks following, the birth of a child. The implementation date for this measure is 20 October 1997.

**Apply consistent hardship provisions to waiting periods for Newstart Allowance and related payments.** As part of a continuing simplification of waiting periods, common waiver rules for the Liquid Assets Waiting period (LAWP) and the income maintenance will apply from 1 July 1998 and 1 July 1999 respectively.

Abolition of Parental Income Test minimum rate allowance payable to eligible under 18 year olds, from 1 January 1997.

Abolition of earnings credit scheme in March 1997.

Non-payment periods for activity test breaches replaced by a combination of rate reductions and non-payment periods for NSA and YTA recipients, from July 1997.

Extension of liquid assets waiting period to a maximum of thirteen weeks, from September 1997.

Replacement of Annual Leave Waiting Period with Income Maintenance Period whereby various leave payments are treated as income from the date of payment for the period of the leave, from September 1997.

Extension of maximum Liquid Assets Waiting Period to a maximum of 13 weeks and reduction of thresholds to \$2,500 for singles and \$5,000 for couples, from September 1997.

Introduction of Youth Allowance from 1 July 1998 (announced in 1997) to replace YTA and NSA for young people.

Maternity Immunisation Allowance is paid for children born on or after 1 January 1998 after a child reaches 18 months old and if fully immunised. It is available either where Maternity Allowance has been paid for the child or where Family Allowance is being paid at the time it is claimed. Payment can also be made for children who have a valid exemption.

## AUSTRALIA

### The annual tax/benefit position of an unemployed single person, 1997 (Australian dollars)

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<b>A. Taxable benefits</b>	
<b>Means-tested benefits</b>	
New Start Allowance	8 359
<b>Total taxable benefits</b>	<b>8 359</b>
<b>B. Income tax and social security contributions</b>	
Income tax allowances	0
Taxable income	8 359
Income tax liabilities	592
Income tax credits	742
Social security contributions	0
<b>Total income tax and social security contributions</b>	<b>0</b>
<b>C. Non-taxable benefits</b>	<b>1 945</b>
Rent Assistance	1 945
<b>D. Net income out of work (A-B+C)</b>	<b>10 304</b>
<b>E. Net income in work</b>	<b>27 865</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>37</b>

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## AUSTRALIA

The annual tax/benefit position of an unemployed married couple with two children, 1997  
(Australian dollars)

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<b>A. Taxable benefits</b>	
<b>Means-tested benefits</b>	
Newstart Allowance	7 543
Additional Parenting Allowance	5 850
<b>Total taxable benefits</b>	<b>13 393</b>
<b>B. Income tax and social security contributions</b>	
Income tax allowances	0
Taxable income	13 393
Income tax liabilities	519
Income tax credits	819
Social security contributions	0
<b>Total income tax and social security contributions</b>	<b>0</b>
<b>C. Non-taxable benefits</b>	
<b>Means-tested benefits</b>	
Family Payments	4 992
Rent Assistance	2 272
Family Tax Payment	901
Basic Parenting Allowance	1 693
<b>Total non-taxable benefits</b>	<b>9 858</b>
<b>D. Net income out of work (A-B+C)</b>	<b>23 251</b>
<b>E. Net income in work</b>	<b>31 680</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>73</b>

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## AUSTRALIA

### The annual tax/benefit position of an unemployed lone parent with two children, 1997 (Australian dollars)

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<b>A. Taxable benefits</b>	
<b>Means-tested benefits</b>	
<i>Sole parent pension</i>	9 043
<b>Total taxable benefits</b>	<b>9 043</b>
<b>B. Income tax and social security contributions</b>	
Income tax allowances	0
Taxable income	9 043
Income tax liabilities	729
Income tax credits	2 653
Social security contributions	0
<b>Total income tax and social security contributions</b>	<b>0</b>
<b>C. Non-taxable benefits</b>	
<b>Means-tested benefits</b>	
Family Payment	4 992
Rent Assistance	2 272
Guardian Allowance	952
Pharmaceutical Allowance	130
Family tax payment	901
<b>Total non-taxable benefits</b>	<b>9 247</b>
<b>D. Net income out of work (A-B+C)</b>	<b>18 290</b>
<b>E. Net income in work</b>	<b>31 230</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>58</b>

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