
AUSTRALIA 2001

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 Benefits are withdrawn gradually as income increases. Benefit receipt and means tests are partly based on individual circumstances rather than that of the family. The 2001 Average Wage (AW) level is AUD 41313.

The reference period is from July 1st 2000 to June 30th 2001.

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.

- 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 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 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).
- 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 2001 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).

YA
(1 July to 19 September 2001 rates)

Category of beneficiary	(AUD fortnightly)	(AUD per month)
Single, under 18, at home	158.80	344.07
Single, under 18 away from home	290.10*	628.55
Single, 18 and over away from home	290.10*	628.55
Single, 18 and over at home	190.90	413.62
Single, with children	380.10*	823.55
Partnered, without children (each)	290.10*	628.55
Partnered, with children (each)	318.60*	690.30

* Rent Assistance may be available

Source: A Guide to Commonwealth Government payments, 1 July to 19 September 2001

NSA
(1 July to 19 September 2001 rates)

Category of beneficiary	(AUD fortnightly)	(AUD per month)
Single, 21 and over, without children	357.80*	775.23
Single, 21 and over, with children	386.90*	838.28
Single, 60 and over, after 9 months unemployment	386.90*	838.28
Couple, over 21 (each)	322.80*	699.40

* Rent Assistance may be available

Source: A Guide to Commonwealth Government payments, 1 July to 19 September 2001

3.2.2 *Income and earnings disregards*

Benefit receipt is dependent on income and assets tests. YA is subject to the personal income and assets test and parental means tests. Spouses each receive an allowance with both individual and partner income being taken into account. For partnered 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. If the higher earning partner loses all entitlement to benefit (occurring when income exceeds AUD 546 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.

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 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.
- 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.

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 need, 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' benefit. 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 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 Department of Family and Community Services 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

(20 March to 19 September 2001 rates)

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	88.00	78.00	195.33
single, no children, sharer	58.70	78.00	156.27
single, 1 or 2 children	103.04	102.62	240.01
single, 3 or more children	116.48	102.62	257.93
couple, no children	82.80	127.00	237.52
couple, 1 or 2 children	103.04	151.90	289.29
couple, 3 or more children	116.48	151.90	307.21
one of a couple, separated due to illness, no children	88.00	78.00	195.33
one of a couple, temporarily separated , no children	82.80	78.00	188.40

Source: A Guide to Commonwealth Government payments, 1 July to 19 September 2001

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. 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

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 (eg 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 18 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 2001 to September 2001 Family Tax Benefit and Double Orphan Pension were paid at the rates in the following tables.

Family Tax Benefit Part A (1 July to 19 September 2001 rates)

	Fortnightly rate (AUD)	Yearly rate (AUD)
Base rate, child under 18	39.48	1029.30
Base rate, child 18-24	53.06	1383.35
Max rate, child under 13	122.92	3204.70
Max rate, child 13-15	155.82	4062.45
Max rate, child 16-17	39.48	1029.30

Max rate, child 18-24	53.06	1383.35
Child in approved care 0-24	39.48	1029.30
Large family supplement (after 3rd child)	8.40	219.00
Multiple births allowance for children under 6	102.76 (triplets) 37.20 (quads or more)	2679.10 (triplets) 3577.00 (quads or more)
Double Orphan Pension	41.10	1068.00

Family Tax Benefit Part B

Age of youngest child	Fortnightly rate AUD	Yearly rate AUD
Under 5 years	105.56	2752.10
5 - 15 years, (or 16 - 18 years if a full-time student)	73.64	1919.90

Maternity allowance is a one off payment of AUD 780 for each child. Maternity Immunisation Allowance is a one off lump sum payment of AUD 208.

6.2.4 *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.

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 29 857 a year, the payment is reduced by 30 cents for each dollar above AUD 29 857, until the payment reaches the base rate of FTB Part A.
- FTB Part A stays at that rate until family income reaches AUD 77 234 a year (plus AUD 3 139 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		39 967	50 078	60 188
One	37 108	47 218	57 329	67 439
Two	44 359	54 470	64 580	74 691
Three	51 611	61 721	71 832	81 942

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		81 846	89 596	97 346
One	80 665	88 416	96 166	104 646
Two	87 235	94 986	103 466	111 946
Three	93 805	102 286	110 766	119 246

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 1 679 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 10 853 a year if the youngest child is under 5: **or**
- AUD 8 079 a year if the youngest child is between 5 and 18 years.

6.3 Tax treatment of benefit

Family payments are not taxable.

7. Child care benefits

The Commonwealth Government provides fee assistance with the cost of child care by way of Child Care Benefit. Child Care Benefit (CCB) is available for two different forms of child care: 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 child care services receive child care 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 lone 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 lone 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 child care 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 child care services is AUD 2.58 an hour. The maximum rate of CCB for one school child in approved child care is AUD 2.19 an hour. This is a maximum of AUD 129 for a non-school child for a 50 hour week (maximum of AUD 269.64 per week for two children and AUD 420.86 per week for three children) and AUD 109.65 for a school child using 50 hours of care a week.

The minimum rate of CCB in approved child care services and in registered care is AUD 0.434 an hour for non-school children and AUD 0.368 an hour for school children; or AUD 21.70 for a non-school child and AUD 18.44 for a school child using 50 hours of care a week.

7.2.2 *Income test for CCB*

CCB for approved child care 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 child care 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 child care.

Families with one child in approved child care and a family income of up to AUD 29 857 per year receive the maximum rate of CCB. Thereafter, a 10 per cent taper applies up to the income limit of AUD 85 653 per year. Minimum CCB of AUD 21.70 per week then applies regardless of income for families whose annual income is higher than AUD 85 653.

Families with two children in approved child care and a family income up to AUD 29 857 per year receive the maximum rate of CCB. Thereafter, a 15 per cent taper applies up to the second threshold of AUD 69 828 per year. Thereafter, a 25 per cent taper applies up to the income limit of AUD 92 904 per year. Minimum CCB of AUD 21.70 per week per child applies to families whose annual income is higher than AUD 92 904.

Families with three or more children in approved child care and a family income up to AUD 29 857 per year receive the maximum rate of CCB. Thereafter, a 15 per cent taper applies up to the second threshold of AUD 69 828 per year. Thereafter, a 35 per cent taper applies up to the income limit of

AUD 105 554 per year (plus AUD 17,618 for each additional child after the third). Minimum CCB of AUD 21.70 per week for each child applies to families whose annual income is higher than AUD 105 553 (plus AUD 17 618 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 lone 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 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 paid under two sets of conditions; Parenting Payment single for lone parents and Parenting Payment partnered for a parent who is a member of a couple.

Parenting Payment is a non-activity tested payment, although participation requirements are expected to be introduced from September 2002. 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*

Lone Parents

The maximum rate for lone parents between July and September 2001 was AUD 402 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 322.80 per fortnight (up to AUD 386.90 per fortnight if illness separated or respite care couple, or partner in gaol). Eligible partnered parents also receive AUD 2.90 per fortnight Pharmaceutical Allowance.

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

9.2.2 *Income and earnings disregard*

Lone Parents

After the income disregard of AUD 112 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 lone parent with one child will receive full payment if income is less than AUD 136.60 and no payment if income exceeds AUD 1156.10 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 546 per fortnight has no effect on the Parenting Payment. Income over this limit reduces the Parenting Payment rate by 70 cent 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 575.43 per fortnight; and
 - partner's income must be less than AUD 1007.15 per fortnight; and
 - the combined income of the couple must be less than AUD 1121.43.

- 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 (ie 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 1150.86 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 1 437 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 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.

Beneficiary tax offset

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:

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

Pensioner tax offset

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) (\$ per annum)				
	Maximum tax offset amount)	Shade-out threshold (a)	Taxable income above which tax becomes payable (b)	Cut-out threshold (c)
Single	1 710	16 059	16 567	29 739
Couple ^(d)				
General	1 245	13 324	13 832	23 284
Living apart due to illness or infirmity ^(e)	1 573	15 253	15 761	27 837

Notes:

(a) 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.

(b) These figures show the taxable income above which tax liability exceeds the sum of the pensioner and low-income tax offset.

(c) The cut-out threshold is the level of taxable income where the pensioner tax offset is reduced to nil.

(d) 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.

(e) 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		
Not less than	Not more than	Tax at general rates on total taxable income
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 2001-02 is 1.5 per cent of taxable income. No levy is payable where taxable income is less than AUD 14 539 for a single person or where family income is less than AUD 24 534 in the case of a married (legal or de facto) couple, or sole parent. The threshold is increased by AUD 2 253 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 16 570.

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

Family Tax Benefit

Major changes were made to family and child care payments in conjunction with the Government's introduction of The New Tax System on 1 July 2000. From 1 July 2000, the Family Tax Benefit Part A merged the four forms of assistance previously provided to help families with the costs of raising children. It replaced 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 merged the six forms of assistance that previously provided additional help for single income families, including lone parents. It replaced 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. Approximately 63 per cent of the total Parenting Payment customer population transferred to Family Tax Benefit Part B.

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

Housing and Rent Assistance

On 1 July 2000, the maximum rates of Rent Assistance were increased by 10 per cent as part of the Government's Goods and Services Tax compensation package.

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 current 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.

Rates of Unemployment Payments and Pensions

Changes to income support payments and their associated taper rates also resulted from the introduction of The New Tax System (from 1 July 2000):

- The maximum rate of pensions and allowances increased 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) increased by 2.5 per cent.
- Taper rates for Parenting Payment single recipients were reduced from 50 to 40 cents in the dollar (for each dollar of private income above the free area).
- Taper rates for recipients of Parenting Payment partnered were reduced from 70 to 50 cents in the dollar (for each dollar of private income between AUD 140 and AUD 245 per fortnight).

12.2 Policy changes announced

Welfare reform

In 1999 the Commonwealth Government announced its intentions to broadly reform the welfare system. A special reference group was established. This group, which represented the community sector, business, academia and government, consulted widely around Australia on the strengths and weaknesses of this country's current social support system. The resultant McClure Report provided a basis for the development of a new social support system based on participation. It recommended a raft of changes to create a fairer and more flexible approach to welfare. The Report also recommended that the welfare system should aim to ensure that people

are actively involved in their community or in the workforce to reduce the risk of long-term social and economic disadvantage for themselves and their families. The McClure Report proposed major reforms in five main areas-individualised service delivery; a simpler income support system; incentives and financial assistance; mutual obligations; and social partnerships.

Australians Working Together

The *Australians Working Together* (AWT) package, announced in May 2001, is the Government's initial response to the McClure Report. AWT is the first step on the path of a longer-term, whole-of-Government approach to welfare reform. The McClure Report expressed that it may take a decade to fully implement the Welfare Reform changes.

AWT encourages people to help themselves and their communities. It is part of the wider development of a social support system that links income support with social and community support. Four "pathways" will allow people to move towards independence. These will be flexible to accommodate individual needs and people can move between these paths as their circumstances change. The pathways are:

- Job search support - for job-ready people who will be expected to look for employment;
- Intensive support - for people in, or at risk of, long-term unemployment;
- Transition support - for parents, mature-age job seekers and carers not yet ready for active job search due to limited recent work experience, lack of confidence or other vocational barriers; and
- Community participation - support for people who need more intensive help to address problems such as homelessness, drug and alcohol addiction or mental illness.

Australians Working together – description of measures

A new Working Credit will increase incentives for workforce age people on income support to take up full-time, substantial part-time or irregular casual work. People with earnings will be able to keep more of their income support.

The new system will offer more personalised assistance and support and will be responsive to changes in peoples' circumstance. Specially trained Personal Advisers will provide additional help to individuals so that they can participate economically and socially. Groups assisted will include mature aged people, parents with school age children, Indigenous Australians and people recently released from prison. Training Credits of between AUD 500 and AUD 800 will be available to eligible jobseekers to meet the cost of accredited training.

A new Personal Support Programme will help those people who face severe multiple non-vocational obstacles to employment, such as homelessness, drug or alcohol addiction, mental illness and domestic violence.

Mutual obligation requirements for the unemployed will be extended to cover people aged 35 to 49 years and requirements will also now apply universally after six months unemployment for 18 to 49 year olds.

People on Parenting Payment will receive more intensive support and assistance to help them to return to work and to help them access services to acquire or improve their skills.

Those with school aged children will discuss work options with a Personal Adviser once a year, and those with children in high school will be required to do a part-time activity. Parents will have access to a range of expanded training, employment and support services, including improved child care fee assistance and more outside-school-hours care places.

A new Transition to Work Programme will assist people who have been out of the workforce for a long time and those who have never had paid jobs.

Mature age jobseekers will have flexible requirements, including being able to undertake part time work and community work in place of job search. They will be able to access Personal Advisers to assist them to overcome obstacles and identify the assistance they need. Entry to the Mature Age Allowance and to Partner Allowance will be closed, and new applicants will claim Newstart payment.

People seeking or receiving Disability Support Pension, Newstart or Youth Allowance while sick or recovering from injury will gain from better assessment of their ability to work. There will be new employment assistance and rehabilitation places and additional places in vocational education and training for people with disabilities. A new quality assurance system will improve the general standard of disability employment assistance services.

Partnerships with the broader community and the business sector are a key element of the package. The Prime Minister's Community Business Partnership will encourage companies and business to identify and generate opportunities for people with disabilities, mature age people, Indigenous Australians and parents returning to work.

Education and training assistance for Indigenous Australians will be increased and services to remote communities will be expanded.

Profiling

On 15 October 2001, it was announced that risk profiles would be developed to enhance payment correctness, activity testing and economic and social participation. Profiling is about identifying those income support recipients most at risk of not achieving program outcomes and providing service and support to better suit their circumstances. It looks at understanding the relationship between specific customer characteristics and program outcomes.