
AUSTRALIA 2003

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 most 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 Benefits are withdrawn gradually as income increases.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 2003 Average Wage (AW) level is AUD 47995.

The reference period is from July 1st 2002 to June 30th 2003.

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. The Age Pension age for men is 65. The Age Pension age for women is gradually increasing from 60 to 65 years (by 2014) depending on the woman's date of birth.
- 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.
- Since September 2002, some Parenting Payment (PP) customers have been subject to participation requirements. Parenting Payment provides income support to low income people who have primary care of children under 16 years of age (see Sections 9 and 21).

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), Parenting Payment (PP), and Special Benefit (SB), which is not activity tested under certain circumstances. Descriptions of non-activity tested payments are below:

- Mature Age Allowance is paid to people between 60 and Age Pension age. From 20 September 2003, Mature Age Allowance was closed off to new claimants.
- 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. From 20 September 2003, Partner Allowance was closed off to new claimants.
- 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.
- 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. Special Benefit customers are activity tested if they would be required to meet the Newstart or Youth Allowance activity test had they otherwise qualified for that payment.

3.1 Conditions for receipt

All benefits are flat rate, however, rates are dependent on age, marital status, presence of dependent children, income and assets, 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 2003 are listed below. Supplementary payments, such as Rent Assistance and Pharmaceutical Allowance, may also be payable depending on the person's circumstances. Maximum rates of Youth Allowance are

indexed in January each year. Maximum rates for Newstart and supplementary payments 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 2003 rates

Category of beneficiary	(AUD fortnightly)	(AUD per month)
Single, under 18, at home	169.70	367.68
Single, under 18, away from home	310.10	671.88
Single, 18 and over at home	204.20	442.43
Single, 18 and over away from home	310.10	671.88
Single, with children	406.40	880.53
Partnered, without children (each)	310.10	671.88
Partnered, with children (each)	340.60	737.97

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

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

2003.

Newstart Allowance (NSA)*

1 July to 19 September 2003 rates

Category of beneficiary	(AUD fortnightly)	(AUD per month)
Single, 21 and over, without children	380.10	823.55
Single, 21 and over, with children	411.10	890.72
Single, 60 and over, after 9 months unemployment	411.10	890.72
Couple, over 21 (each)	342.80	742.74

* Rent Assistance may be available for all categories.

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

2003.

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 (AUD 236 for full-time students) per fortnight, 50 per cent of income up to AUD 142 (AUD 316 for full-time students) 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 574 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 Newstart Allowance (this does not apply to YA) 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, or on the day the person claims [*Note: applies to 2001 and 2002 also*], 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. From 20 September 2003, Mature Age Allowance was closed off to new claimants. People receiving Mature Age Allowance before this date can remain on the allowance while they remain eligible. Most people who would have claimed Mature Age Allowance now get Newstart Allowance instead, which is paid at the same rate. Before September 2003, to be eligible for Mature Age Allowance, a person must have:

- had no recent work experience; and
- received an income support payment for at least nine months and be on NSA at the time of the claim; or
- 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
- previously received Mature Age Allowance.

3.5.3 Sole Parents

Sole Parents generally do not claim unemployment benefits, but rely instead on Parenting Payment (section 9). Eligibility for Parenting Payment, however, ceases once the dependent child turns 16. When eligible young people turn 16 years of age, they are entitled to claim income support in their own right. The primary payment available to them is Youth Allowance.

- There are some circumstances where single people receiving unemployment benefits may have substantial responsibility for a dependent child. In these instances, a higher rate of payment may be paid (see Section 3.2).

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 support, such as the provision of board and lodging, 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 individuals and families who rent in the private rental market. It is not payable to some young people living in the parental home. Rent Assistance is paid by Centrelink to eligible recipients of social security pensions, allowances and those receiving more than the base rate of Family Tax Benefit Part A (FTB A). Although payments are mainly made on behalf of the Department of Family and Community Services, RA is also paid by the Department of Veterans' Affairs, and to Abstudy recipients by the Department of Education, Science and Training.
- 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 2003 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	93.20	82.80	207.07
Single, no children, sharer	62.13	82.80	165.64
Single, 1 or 2 children	109.48	109.06	255.03
Single, 3 or more children	123.76	109.06	274.07
Couple, no children	88.00	134.80	252.13
Couple, 1 or 2 children	109.48	161.42	307.39
Couple, 3 or more children	123.76	161.42	326.43
One of a couple, separated due to illness, no children	93.20	82.80	207.07
One of a couple, temporarily separated, no children	88.00	82.80	200.13

Source: A Guide to Commonwealth Government payments, 1 July to 19 September 2003.

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 2003 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 where the rate of payment is based on the age of the youngest child.

Family Tax Benefit Part A

1 July to 19 September 2003 rates – amount is for each child (in AUD)

	Fortnightly rate	Yearly rate
Base rate, child under 18	42.00	1 095.00
Base rate, child 18-24	56.42	1 470.95
Maximum rate, child under 13	130.48	3 401.80
Maximum rate, child 13-15	165.48	4 314.30
Maximum rate, child 16-17	42.00	1 095.00
Maximum rate, child 18-24	56.42	1 470.95
Child in approved care 0-24	42.00	1 095.00
Large family supplement (after 3rd child)	8.96	233.60
Multiple births allowance for children under 6	109.20 (triplets) 145.60 (quads or more)	2 847.00 (triplets) 3 796.00 (quads or more)
Double Orphan Pension	44.00	1 147.14

Rent Assistance – 1 or 2 children under 16	109.48	2 854.30
Rent Assistance – 3 or more children under 16	123.76	3 226.60

Family Tax Benefit Part B

Amount is for each family (in AUD)

Age of youngest child	Fortnightly rate	Yearly rate
Under 5 years	112.00	2 920.00
5 - 15 years, (or 16 - 18 years if a full-time student)	78.12	2036.70

Maternity allowance is a one off payment of AUD 822.72 for each child. Maternity Immunisation Allowance is a one off lump sum payment of AUD 208.00.

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 31 755 a year, the payment is reduced by 30 cents for each dollar above AUD 31 755, until the payment reaches the base rate of FTB Part A.
- FTB Part A stays at that rate until family income reaches AUD 82 052 a year (plus AUD 3 285 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	..	42 486	53 217	63 948
One	39 444	50 175	60 906	71 637
Two	47 133	57 864	68 595	79 326

Three	54 823	65 554	76 285	87 015
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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	..	86 956	95 144	103 332
One	85 702	93 891	102 079	111 046
Two	92 637	100 826	109 792	118 759
Three	99 572	108 539	117 506	126 473

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 825a 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 11 559 a year if the youngest child is under 5; **or**
- AUD 8 614 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 Australian 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 Australian 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 2.74 an hour. The maximum rate of CCB for one school child in approved childcare is AUD 2.33 an hour. This is a maximum of AUD 137 for a non-school child for a 50 hour week (maximum of AUD 286.36 per week for two children and AUD 446.96 per week for three children) and AUD 116.45 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 0.46 an hour for non-school children and AUD 0.39 an hour for school children; or AUD 23.00 for a non-school child and AUD 19.55 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 31 755 per year receive the maximum rate of CCB. Thereafter, a 10 per cent taper applies up to the income limit of AUD 91 035 per year. Minimum CCB of AUD 23.00 per week then applies regardless of income for families whose annual income is higher than AUD 91 035.

Families with two children in approved childcare and a family income up to AUD 31 755 per year receive the maximum rate of CCB. Thereafter, a 15 per cent taper applies up to the second threshold of AUD 74 153 per year. Thereafter, a 25 per cent taper applies up to the income limit of AUD 98 710 per year. Minimum CCB of AUD 23.00 per week per child applies to families whose annual income is higher than AUD 98 710.

Families with three or more children in approved childcare and a family income up to AUD 31 755 per year receive the maximum rate of CCB. Thereafter, a 15 per cent taper applies up to the second threshold of AUD 74 153 per year. Thereafter, a 35 per cent taper applies up to the income limit of AUD 112 137 per year (plus AUD 18 718 for each additional child after the third). Minimum CCB of AUD 23.00 per week for each child applies to families whose annual income is higher than AUD 112 137 (plus AUD 18 718 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. The payment can only be paid to one parent. In the case of partnered parents, or where care of the child is shared, if the second parent requires income support, he or she would usually have to apply for Newstart Allowance. There are two different categories within Parenting Payment: 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 but some customers are subject to participation requirements. From September 2002, all new claimants from Parenting Payment have been given additional information about the benefits of paid work and the assistance available to achieve this. For Parenting Payment customers, the participation requirements include:

- Annual participation planning interviews for parents whose youngest child is aged six or over.
- The requirement to enter into a participation agreement to do up to 150 hours of approved activity in each 6 months for Parenting Payment customers whose youngest child is aged 13 years or over.

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 2003 was AUD 440.30 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 342.80 per fortnight (up to AUD 411.10 per fortnight if illness separated or respite care couple, or partner in gaol).

Education Entry Payment of AUD 208.00 may be payable to all Parenting Payment recipients.

9.2.2 Income and earnings free area

Single Parents

After the income free area of AUD 120 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 144.60 a fortnight and no payment if income exceeds AUD 1259.85 a fortnight.

Partnered Parents

Partner is not a pensioner

- A 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 575 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 604 per fortnight; and
 - Partner's income must be less than AUD 1064.72 per fortnight; and
 - The combined income of the couple must be less than AUD 1179.
- 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 1208 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 1 535 for a dependent spouse without children. 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 6 below).

Relief for low income earners: an AUD 235 tax offset is available for taxpayers whose taxable income was less than AUD 21600. 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 27 475.

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 21 600:
$$\text{Beneficiary tax offset} = 0.17 \times (\text{amount of benefit or allowance received} - \text{tax free threshold})$$
- If the person's benefit amount is more than AUD 21 600:

Beneficiary tax offset = (the same formula as above) PLUS 0.13 x (amount of benefit or allowance received – AUD 21 600).

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	1 928	17 342	18 141	32 766
Couple ^d				
General	1 424	14 377	15 176	25 769
Living apart due to illness or infirmity ^e	1 782	16 483	17 282	30 739

- 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
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OECD - Social Policy Division - Directorate of Employment, Labour and Social Affairs
 Country chapter - Benefits and Wages (www.oecd.org/els/social/workincentives)

Not less than	Not more than	
0	6 000	NIL
6 001	21 600	NIL + 17c for each AUD in excess of AUD 6 000
21 601	52 000	AUD 2 652 + 30c for each AUD in excess of AUD 21 600
52 001	62 500	AUD 11 772 + 42c for each AUD in excess of AUD 52 000
62 501 and over		AUD 16 182 + 47c for each AUD in excess of AUD 62 500

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*

The Australians Working Together (AWT) package continues to be implemented. Since 2003, the following policy changes have been introduced:

- The Language, Literacy and Numeracy Supplement (LLNS) is a payment of \$20.80 a fortnight. The supplement will be paid to eligible people who undertake approved language, literacy and numeracy training to overcome barriers they may have in gaining employment. The supplement recognises the extra costs that can be associated with training and will help support people while they undertake activities that can improve their employment prospects. People receiving Newstart Allowance, Youth Allowance, Parenting Payment, Mature Age Allowance, Widow Allowance or Partner Allowance and Disability Support Pension are eligible for the supplement.
- People on Newstart Allowance who are aged 50 or over have new, more flexible participation requirements.
- Customers on Parenting Payment receive extra support to plan for a return to work. Changes under AWT include:
 - parents whose youngest child is aged 6 or over have an annual participation interview and parents whose youngest child is 13 to 15 years need to enter into an agreement to do a part-time activity of up to 150 hours in each 26 week period that helps to increase their employment opportunities.

- Access to Mature Age Allowance and Partner Allowance was closed to new claimants from 20 September 2003. This change recognised the increased opportunities for mature age people to participate in the workforce, especially through casual and part-time work.
- The Working Credit Scheme was introduced on 20 September 2003. It aims to encourage people of working-age who get income support payments to take up full-time, part-time or casual work by allowing them to keep more of their payments while working.
 - Under the scheme, people build up working credits (up to 48 per fortnight) in fortnights when they have little or no income. They will be able to use these working credits to offset against earnings they may have down the track. The maximum number of credits that a person can build up over time is 1000. There is no time limit on using working credits.

12.2 Policy changes announced

The Australians Working Together (AWT) package was announced in the 2001-02 Budget and is the first step towards a more responsive and personalised social support system in Australia. AWT is a balanced package of new and expanded incentives, requirements and assistance offering more choices and work opportunities to all working-age people on income support.

- In September 2002, Centrelink Personal Advisers (PAs) were introduced to work with customers to identify barriers to participation, help customers plan and focus on achieving paid employment, assist customers with participation requirements and ensure that referrals to a range of services are well managed. Personal Advisers are available to people who are:
 - mature age (50 to Age Pension age) and in receipt of Newstart Allowance, Widow Allowance, Partner Allowance or Mature Age Allowance.
 - in receipt of Parenting Payment
 - in receipt of Newstart Allowance who are temporarily incapacitated
 - newly claiming Newstart Allowance and who are either Indigenous Australians, recently released from prison or who have certain exemptions from the Activity Test.

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.
 2003

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	568.79	1	50	194	137.00	57.00	10
	633.91	2	100	388	286.36	101.64	16
	697.26	3	150	582	446.96	136.04	20
60 000	950.33	1	50	194	82.68	111.32	12
	970.70	2	100	388	204.90	183.10	19
	991.07	3	150	582	365.48	216.54	22
90 000	1 315.58	1	50	194	24.99	169.01	13
	1 315.58	2	100	388	87.87	300.12	23
	1 354.00	3	150	582	217.99	364.01	27

* This is weekly income less tax plus rebates plus social security payments (but not including CCB) in May 2003.