
AUSTRALIA 2004

1. Overview of the tax-benefit 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 Benefits are withdrawn gradually as income increases.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 reference period is from July 1st 2003 to June 30th 2004.

1.1. *Average worker wage (AW)*

The 2004 AW level is AUD 48827.

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 aged between 18 and 20 years and unemployed must be 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 2004 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 2004 rates

Category of beneficiary	(AUD fortnightly)	(AUD per month)
Single, under 18, at home	174.30	377.65
Single, under 18, away from home	318.50	690.08
Single, 18 and over at home	209.70	454.35
Single, 18 and over away from home	318.50	690.08
Single, with children	417.40	904.37
Partnered, without children (each)	318.50	690.08
Partnered, with children (each)	349.80	757.90

* 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 2004.

Newstart Allowance (NSA)*

1 July to 19 September 2004 rates

Category of beneficiary	(AUD fortnightly)	(AUD per month)
Single, 21 and over, without children	389.20	843.27
Single, 21 and over, with children	421.00	912.17
Single, 60 and over, after 9 months unemployment#	426.80	924.73

Couple, over 21 (each)	351.10	760.72
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* Rent Assistance may be available for all categories, except single recipients under the age of 21 who have no dependents and are living in a parental home

Rate includes Pharmaceutical Allowance

Source: A Guide to Commonwealth Government payments, 1 July to 19 September 2004.

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 586 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 and interaction with other benefits*

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

[please update information provided for previous years]

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

Housing assistance exists in two main forms:

- Social housing, which is provided by state and territory governments through a joint Commonwealth State Housing Agreement. Assistance is targeted to people unable to access alternative suitable housing options.
- Rent Assistance (RA), which is a non-taxable income supplement paid with social security or family assistance payments to eligible individuals and families who rent in the private rental market.

5.1 *Conditions for receipt*

- The strategic directions for housing assistance provided under the CSHA are subject to Australian Government agreement. However, the management of social housing, including access and rent setting practices, is the responsibility of individual state or territory governments.
- 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.

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5.2 Calculation of benefit amount

Public housing rents are set by state and territory governments at levels that ensure that public housing tenants pay no more than 25 per cent of their household income in rent. The difference between what tenants actually pay in rent and the market rate of rent they would otherwise pay is termed a rental rebate.

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 2004 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	95.40	84.80	212.00
Single, no children, sharer	63.60	84.80	169.60
Single, 1 or 2 children	112.14	111.72	261.24
Single, 3 or more children	126.70	111.72	280.65
Couple, no children	90.20	138.20	258.47
Couple, 1 or 2 children	112.14	165.34	314.86
Couple, 3 or more children	126.70	165.34	334.27
One of a couple, separated due to illness, no children	95.40	84.80	212.00
One of a couple, temporarily separated, no children	90.20	84.80	205.07

Source: A Guide to Commonwealth Government payments, 1 July to 19 September 2004.

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).

5.3 Tax treatment of benefit and interaction with other benefits

Housing benefits are not taxable.

5.4 Treatment of particular groups

Not applicable

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 Payment (MP) is a one off 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 Payment (MP) is paid for all babies born on or after 1 July 2004 (including some stillborn babies and babies who die shortly after birth). The claimant must meet dependent child

requirements for Family Tax Benefit within 13 weeks of the child's birth or of the child being entrusted into their care. A claim must be made within 26 weeks of the child's birth, or, in the case of adoption, within 26 weeks of the child coming into care.

Maternity Immunisation Allowance (MIA) is paid for 18 to 24 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 Payment . 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 gross benefit

In the period July to September 2004 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 2004 rates – amount is for each child (in AUD)

	Fortnightly rate	Yearly rate*
Base rate, child under 18	42.98	1733.75
Base rate, child 18-24	57.82	2120.65
Maximum rate, child under 13	133.56	4095.30
Maximum rate, child 13-15	169.40	5029.70
Maximum rate, child 16-17	42.98	1733.75
Maximum rate, child 18-24	57.82	2120.65
Child in approved care 0-24	42.98	1120.55
Large family supplement (after 3rd child)	9.24	240.90
Multiple births allowance for children under 6	111.86 (triplets) 149.10 (quads or more)	2916.35 (triplets) 3887.25 (quads or more)
Double Orphan Pension	45.20	1178.42
Maximum Rent Assistance – 1 or 2 children under 16	112.14	2923.65
Maximum Rent Assistance – 3 or more children under 16	126.70	3303.25

* FTB (A) per year figures (except for approved care organisation figure) include the FTB (A) supplement (\$613.20 per child for the 2004-05 income year) but the fortnightly figures do not. The supplement can only be paid after the end of the income (financial) year.

Family Tax Benefit Part B

Amount is for each family (in AUD)

Age of youngest child	Fortnightly rate	Yearly rate
Under 5 years	114.66	2989.35
5 - 15 years, (or 16 - 18 years if a full-time student)	79.94	2084.15

Maternity Payment is a one off lump sum payment of AUD 3000 for each child. Maternity Immunisation Allowance is a one off lump sum payment of AUD 210.66.

6.2.2 *Income and earnings disregards*

Maternity Payment, Maternity Immunisation Allowance and Double Orphan Pension are not subject to an income test.

Family Tax Benefit (FTB) and its components (Rent Assistance, Multiple Birth Allowance and Large Family Supplement) 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 32 485 a year, the payment is reduced by 20 cents for each dollar above AUD 32 485, until the payment reaches the base rate of FTB Part A.
- FTB Part A stays at that rate until family income reaches AUD 84 023 a year (plus AUD 3 358 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	..	48 964	65 444	81 924
One	44 292	60 772	77 252	93 731
Two	56 100	72 580	89 059	105 539
Three				

	67 908	84 387	100 867	117 347
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Note: Income limit is higher if the claimant is eligible for Rent Assistance or Multiple Birth Allowance.

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	..	91 092	101 519	111 946
One	89 803	100 229	110 656	121 886
Two	98 940	109 367	120 596	131 826
Three	108 077	119 307 [^]	130 537 [^]	141 766 [^]

Income limits include the effect of the \$613.20 FTB (A) supplement which is available only after the end of the income (financial) year when annual family income can be assessed. Families with income approaching these amounts may only be paid FTB (A) at the end of the income year and not as fortnightly payments. Income limit is higher if the claimant is eligible for Multiple Birth Allowance.

[^]Income limit is higher than stated for three children aged 13-15.

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 4 000 a year. Payments are then reduced by 20 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 18 947 a year if the youngest child is under 5; **or**
- AUD 14 421 a year if the youngest child is between 5 and 18 years.

6.3 Tax treatment of benefit and interaction with other benefits

Family payments are not taxable.

6.4 Treatment of particular groups

Not applicable

7. Child care [Note for OECD: this section covers more than just care of children below school age, so the title is not appropriate]

7.2 Child Care Usage

Proportion of Australian population using child care in 2004, by type of child care and age of child

Ages	Outside school hours care (a)	Family Day Care	Centre Based Long day care	Occasional Care	Total (b)
0	0.00	1.62	4.32	0.17	6.01
1	0.00	5.99	20.29	0.75	26.45
2	0.00	7.81	33.88	1.07	41.80
3	0.03	7.74	43.56	1.17	51.24
4	0.53	6.42	41.18	0.82	47.55
5	8.14	4.33	18.97	0.30	29.60
6	14.23	2.77	3.74	0.04	19.56
7	15.31	2.36	2.60	0.01	19.23
8	15.14	1.99	2.00	0.01	18.21
9	14.20	1.63	1.47	0.00	16.57
10	11.88	1.24	0.98	0.00	13.58
11	8.81	0.89	0.60	0.00	9.98
0-11	7.12	3.62	14.01	0.35	24.19

(a) Includes After and Before School Hours Care and Vacation Care

(b) Represents a count of distinct children. Children using more than one type of service, during a quarter, are only counted once within the total count.

Note: Children aged over 11 years have been excluded from this analysis.

Source: Centrelink Administrative data 07/01/05 (ie September 2004 quarter, ABS Estimated Resident population June 2004)

7.2 School Starting Age

Compulsory and minimum school starting ages are determined in each Australian State and Territory. Accordingly there are variations between the States and Territories regarding school starting ages and the nomenclature used in respect of the first year of compulsory schooling.

STATE	NOMENCLATURE	MINIMUM STARTING AGE	COMPULSORY STARTING AGE
NSW	Kindergarten	Turning 5 by 31 July	6
VIC	Preparatory	Turning 5 by 30 April	6
QLD	Year 1	Turning 6 by 31 Dec	6
WA	Pre-primary	Turning 5 by 30 June	From the beginning of the year that the child turns 6 yrs and 6 months
SA	Reception	At the beginning of the term after	6

		they turn 5 (continuous intake)	
TAS	Transition	Turning 5 by 1 January	Within the year in which the child turns 5
NT	Preparatory	Turning 5 by 30 June	6
ACT	Kindergarten	Turning 5 by 30 April	6

7.1 *Out-of-pocket child care fees paid by parents*

The Australian Government does not set or regulate the fees that parents are charged by individual child care services. The average fee charged for full time centre based long day care (50 hours) is AUD210 per week (2004 FaCS census data). A means-tested fee subsidy, Child Care Benefit (CCB), is payable to parents using approved child care. The out-of-pocket cost payable by parents is dependent on their CCB entitlement. Higher rates of CCB, known as the multiple child rate, apply for more than one child in care.

Long Day Care

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

2004

Private Income (AUD pa)	Disposable weekly income* (AUD)	Number of children	Hours paid	Childcare average fee (AUD)	CCB (AUD)	Gap (AUD)	Gap fee as a per cent of disposable income
	582.35	1	50	210.00	140.50	69.50	12
25,000	647.59	2	100	420.00	293.66	126.34	20
	712.83	3	150	630.00	458.32	171.68	24
	960.83	1	50	210.00	87.59	122.41	13
60,000	981.83	2	100	420.00	214.29	205.71	21
	1002.83	3	150	630.00	378.95	251.05	25
	1327.46	1	50	210.00	29.89	180.11	14
90,000	1341.21	2	100	420.00	100.70	319.30	24
	1381.11	3	150	630.00	238.31	391.69	28

*This is weekly income less tax and Medicare plus rebates plus social security payments (but not including CCB) in May 2004

Disposable income column is derived from 20 March 2004 HEM model, No rent paid. (YA_FAM_ANTS)

Average weekly data fee in LDC = \$210.00 for 1 child in 50 hours of care - based on 22-26 March 2004 FaCS Census

CCB rates for 2004/05 financial year, Max Rate = \$140.50 pw per 1 child for 50 hrs of care, calculated on family private income.

The rate of CCB is determined by factors contained in legislation in the *A New Tax System (Family Assistance) Act 1999 (schedule 2)*. Payment is demand driven and not capped. Child care fees are not tax deductible and are not taken into account when assessing entitlements for other benefits. However, a new Child care Tax Rebate (CCTR) will apply to child care fees from the 1st of July 2004 following the finalisation of legislation. This is a further measure introduced by the Australian Government to reduce the out-of-pocket costs for parents paying child care fees. Under CCTR, parents who are eligible for CCB, and are using approved care for work related purposes, will be able to claim 30 per cent of their out-of-pocket costs for child care (after CCB) as a tax rebate. (See section 7.3 Tax treatment of benefit).

7.2 *Child care benefits*

Child Care Benefit (CCB)

The Australian Government provides fee assistance with the cost of child care by way of Child Care Benefit. Child Care Benefit (CCB) is a payment made to families to assist with the costs of child care. Families using child care provided by approved child care services or registered carers may receive CCB. 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. For CCB purposes, registered care is care for work-related purposes that is provided by other individuals such as, grandparents, relatives, friends or nannies who are registered with the Australian Government Family Assistance Office. It is worth noting that about 75% of children aged 0-12 do *not* attend CCB-approved care - their child care needs are met through various informal care arrangements (in which the Australian Government is not involved).

There are two ways families using approved child care services can receive CCB. Firstly families can elect to receive CCB as a fee reduction. In this case approved child care services receive CCB from the Australian Government on behalf of families reducing the amount of fees the family has to pay. Alternatively, families can elect to claim CCB as a lump sum from the Australian Government at the end of the financial year. Families using registered care can access CCB at the minimum rate from the Australian Government Family Assistance Office upon presentation of child care fee receipts and a registered care claim form.

7.2.1 *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 for up to 50 hours per week. Families where both parents (or a single parent) are **not** working, studying, training or looking for work are eligible for up to 20 hours' of CCB for approved care, but are not eligible for CCB for registered care.

7.2.2 Calculation of benefit amount

7.2.2.1 Calculation of gross benefit

Families whose children are in approved child care services are eligible for CCB at a rate determined by their family income, the number of children in care, and the type of child care they use. . Families whose children are in registered care are eligible for CCB at the minimum rate only. CCB is paid at a standard hourly rate, not determined by fee charging practices. Non school children are eligible for 100

percent of the current CCB rate. School children are eligible for 85 per cent of the current CCB rate. Factors used to determine the rate of CCB are legislated in the *A New Tax System (Family Assistance) Act 1999 (schedule 2)*.

Part time loadings apply to family day care and long day care. For one child in part time family day care a loading of 33.33 per cent applies up to 37 hours of care, and tapers progressively from 33 per cent to 0 percent from 38 to 50 hours of care. For one child in long day care a 10 per cent loading applies up to 33 hours of care, and tapers progressively from 8 per cent to 0 per cent from 34 to 38 hours of care.

For the 2004-05 financial year, the maximum rate of CCB for one non-school child in approved centre based long day care services is AUD 2.81 an hour. The maximum rate of CCB for one school child in approved child care is AUD 2.39 an hour. This is a maximum of AUD 140.50 for a non-school child for a 50 hour week (maximum of AUD 293.66 per week for two children, and AUD 458.32 per week for three children) and AUD 119.43 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 AUD0.47 an hour for non-school children and AUD0.40 an hour for school children; or AUD 23.55 for a non-school child and AUD 20.00 for a school child using 50 hours of care a week.

7.2.2.2 Income and earnings disregards

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, and the type of care used.

Families with one child in approved child care and a family income of up to AUD 32,485 per year receive the maximum rate of CCB. Thereafter, a 10 per cent taper applies up to the income limit of AUD 93,299 per year. Minimum CCB of AUD 23.55 per week then applies regardless of income for families whose annual income is higher than AUD 93,299 .

Families with two children in approved child care and a family income up to AUD 32,485 per year receive the maximum rate of CCB. Thereafter, a 15 per cent taper applies up to the second threshold of AUD 75,933 per year. Thereafter, a 25 per cent taper applies up to the income limit of AUD 101,149 per year. Minimum CCB of AUD 23.55 per week per child applies to families whose annual income is higher than AUD 101,149 .

Families with three or more children in approved child care and a family income up to AUD 32,485 per year receive the maximum rate of CCB. Thereafter, a 15 per cent taper applies up to the second threshold of AUD 75,933 per year. Thereafter, a 35 per cent taper applies up to the income limit of AUD 114,909 per year (plus AUD 19,199 for each additional child after the third). Minimum CCB of AUD 23.55 per week for each child applies to families whose annual income is higher than AUD 114,909 (plus AUD 19,199 for each additional child).

CCB for registered care is not means-tested.

7.2.3 Tax treatment of benefit and interaction with other benefits

CCB is not taxable.

An additional Child Care Tax Rebate (CCTR) will apply to child care fees from the 1st of July 2004. Under CCTR, parents who are eligible for CCB, and are using approved care for work related purposes, will be able to claim 30 per cent of their out-of-pocket costs for child care (after CCB) as a tax rebate. CCTR will be capped at AUD 4,000 per annum per child. CCTR will be administered through the Australian Taxation Office tax return process.

CCB is taken into account when assessing entitlement for CCTR (as CCTR is based on out of pocket costs, which are gross fees less CCB), but not taken into account when assessing entitlements for other non child care related benefits.

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. Lone-parent benefits

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.

9.2 *Calculation of benefit amount*

9.2.1 *Calculation of gross benefit*

Single Parents

The maximum rate for single parents between July and September 2004 was AUD 464.20 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 351.10 per fortnight (up to AUD 421.00 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 disregards*

Single Parents

After the income free area of AUD 122 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 146.60 a fortnight and no payment if income exceeds AUD 1321.60 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 587 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 615.86 per fortnight; and
- Partner's income must be less than AUD 1088.58 per fortnight; and
- The combined income of the couple must be less than AUD 1202.86.
- 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 1231.72 per fortnight.

9.3 Tax treatment of benefit and interaction with other benefits

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 1 572 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).

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:

Beneficiary tax offset = 0.17 x (amount of benefit or allowance received – tax free threshold AUD 6 000)

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 ^{Error! Reference source not found.}	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
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	58 000	AUD 2 652 + 30c for each AUD in excess of AUD 21 600
58 001	70 000	AUD 13 572 + 42c for each AUD in excess of AUD 58 000
70 001 and over		AUD 18 612 + 47c for each AUD in excess of AUD 70 000

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 2003-04 is 1.5 per cent of taxable income. No levy is payable where taxable income is less than AUD 15 529 for a single person or where family income is less than AUD 26 205 in the case of a married (legal or *de facto*) couple, or sole parent. The threshold is increased by AUD 2 406 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.

10.4 Treatment of particular group

10.4.1 Young persons

10.4.2 Older workers

10.4.3 Others if applicable

From 1 July 2004, a one-off lump sum Maternity Payment of AUD 3 042 is paid to families for each baby born. This payment replaces the Baby Bonus tax offset for new births, while the Baby Bonus remains payable with respect to children aged under 5, born between 1 July 2001 and 30 June 2004.

11. 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).

11.1 Benefit rules for part-time work

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

12. Policy developments

[please update information provided for previous years]

12.1 *Policy changes introduced during the previous year*

The latest Commonwealth State Housing Agreement (CSHA) came into effect on 1 July 2003 and expires on 30 June 2008. The agreement provides funding to states and territories for the provision of housing assistance that is targeted to assisting those whose needs for appropriate housing cannot be met by the private market. The agreement comprises a nation-wide multilateral agreement between the Commonwealth and all states and bilateral agreements between the Commonwealth and each state to enable more flexible responses to the particular needs and priorities for housing assistance in each state.

Two key areas of focus under the 2003 CSHA are the reduction in workforce disincentives and an increase in the level of private sector involvement in social housing.

Under the CSHA Aboriginal Rental Housing Program (ARHP) funds are targeted to rural and remote areas where there is high need and where mainstream public housing and private housing are unavailable.

The CSHA also provides that the Commonwealth and the States will work together to improve access to mainstream housing options for Indigenous people living in urban and regional centres.

12.2 *Policy changes announced*

The More Help for Families package announced in the 2004-05 Budget provided substantial additional assistance to families. The package comprised of:

- FTB(A) Supplement Payment, provided an extra \$600 per child to FTB(A) recipients, increased to \$613.20 in 2004-05. It provides extra assistance to help with the cost of children and is paid at the end of the financial year, with FTB reconciliation.
- A change to taper rates for FTB(A) and FTB(B). The first (or lower) FTB(A) taper rate was reduced from 30 per cent to 20 per cent. The FTB(B) taper rate was also reduced from 30 per cent to 20 per cent. This allows families to keep more of their FTB as their earnings or other private income increases.
- Increase in the FTB(B) income threshold from AUD 1 825 to AUD 4 000 per annum, so that a secondary earner in a couple can earn more before their FTB(B) starts to be withdrawn.
- Commencing from 1 July 2005 parents returning to work after caring for a child at home will have their FTB(B), up to the point where they return to work, quarantined from the FTB reconciliation process.

From 1 July 2005 FTB(B) maximum rates will increase by \$300 per annum. (This increase was brought forward to 1 January 2005 and payable as a supplement from 1 July 2005).

The Australian Government announced in 2004 a new 30 per cent Child Care Tax Rebate (CCTR). Under CCTR, parents who are eligible for CCB, and are using approved care for work related purposes, will be able to claim 30 per cent of their out-of-pocket costs for child care (after Child Care Benefit) as a tax rebate. CCTR will be capped at AUD 4,000 per annum per child. CCTR will be administered through the Australian Taxation Office tax return process. CCTR will apply to child care fees from the 1st of July 2004.

In 2004 the Australian Government also announced two new measures for grandparents who are primary carers of their grandchildren. Firstly, grandparents who are primary carers of their grandchildren can receive CCB for up to 50 hours of approved care, per child, per week, as opposed to the 20 hours per child, per week normally available to carers who are not working, training or studying. This measure commenced on the 1st of November 2004.

Secondly, grandparents receiving an income support payment and who are primary carers of their grandchildren may be eligible for the Grandparent Child Care Benefit (GCCB), which covers the full cost of approved child care for up to 50 hours of approved care a week, per child. GCCB became available from the 3rd of January 2005.