Social Security (Poverty Traps Reduction) Bill 1985

Date introduced: 16 October 1985
House: House of Representatives
Presented by: Hon. B. Howe, M.P., Minister for Social Security

Digest of Bill

Purpose

To increase the amount that pensioners may earn before their pension is reduced, and to abolish the separate income test for rent assistance.

Background

The measures to be implemented by this Bill were announced by the Treasurer in his September 1985 statement, 'Reform of the Australian Taxation System'. In the statement, the Treasurer said "... the Government has recognised that certain social security arrangements presently provide little incentive for pensioners and beneficiaries to earn extra income".[1]

In the same statement, the Treasurer announced that the measures would take effect from the first pension payday in November 1986.[2]

Main Provisions

For a detailed analysis of the clauses of the Bill refer to the Explanatory Memorandum.

The maximum amount that may be earned by pensioners on an age or invalid pension before their pension is reduced is to be increased by clause 3 which amends section 28 of the Social Security Act 1947 (the Principal Act). For single pensioners, this amount is to increase from $30 to $40 per week while each of a pensioner couple may earn $35, rather than the current $25, per week. The clause also contains a listing of the order in which the various categories of benefit are to be reduced where the income earned exceeds the allowable amount. As a result, the basic
age pension rate, which is taxable, will be reduced before other, non-taxable benefits, such as rent allowance, are reduced. This will mean a reduction in taxable income. The Supporting Parents Benefit (SPB), which is paid to sole parents who care for at least one child, is payable at the same rate as the age pension. The SPB is also taxable.

The amount of a pensioner's income that will be disregarded for the purposes of the income test is to be doubled to $12 per week for each dependent child of a single pensioner and $6 per week for each dependent child of a married pensioner (i.e. $12 per week for a couple) (clause 4 which amends section 29 of the Principal Act).

Clause 6 will substitute a new section 30A into the Principal Act to remove the separate income test for rent assistance. In future, rent assistance will be added to the basic rate of pension and will be subject to the normal income and assets tests.

The amount that may be earned before a wife's pension (which is payable to the wife of an old age or invalid pensioner) is reduced is to be increased by $10 per week to $35 per week by clause 8 which amends section 32 of the Principal Act. As well, the clause contains an order of reduction similar to clause 3.

Clause 11 amends section 63 of the Principal Act to increase the amount that may be earned by a widow pensioner before the pension is reduced by $10 to $40 per week and to insert an order of reduction similar to clause 3.

The amount of income that is to be disregarded for income test purposes for the widow's pension is to be doubled to $12 per week for each dependent child (clause 12 which amends section 64 of the Principal Act).

Clause 14 will substitute a new section 65A into the Principal Act to perform the same function as clause 6 in respect of a widow's pension (i.e. principally the abolition of a separate rent assistance income test).

Section 112A of the Principal Act will be amended by clause 20 to provide that rent assistance is taken as an increase in the basic rate of unemployment or sickness benefits. This corresponds to the changes to be effected by clause 6.
Clause 21 will amend section 114 of the Principal Act to provide an order or reduction for unemployment and sickness benefits and corresponds to changes to be affected by clause 3.

The amendments contained in this Bill will have effect from the first payment made on or after 1 November 1986 (clause 29).

Remarks

The Treasurer has estimated the cost of these changes will be $140 million in 1986-87, $215 million in 1987-88 and that 'net ongoing full year costs will be around $185 million as some part of the outlays will be returned in personal income tax in financial years following the year in which the measures are implemented'.[3]

For further information, if required, contact the Education and Welfare Group.

23 December 1985

References

2. Ibid., p.73.
3. Ibid., p.73.