Date Introduced: 7 December 1983
House: House of Representatives
Presented by: Dr N. Blewett, M.P., Minister for Health

Short Digest of Bill

Purpose

To amend the Social Security Act 1947 and the Repatriation Act 1920 to introduce an assets test on some pensions and benefits and to restructure the means test on supplementary rental assistance for pensioners and beneficiaries.

The Bill will apply to age, invalid and widow's pensions, sheltered employment and rehabilitation allowances, and supporting parents benefits and repatriation service pensions.

Background

Income and property tests for pensions were brought in from the start of age pensions in 1908. A merged means test combining previously separate income and property tests came into effect on 1 March 1961. After certain groups (those over 75 and later those over 70) were removed from those means tested, the property test was abolished as from 25 November 1976.

In the 1983-84 Budget brought down, on 23 August 1983 the Treasurer announced the Government's intention to re-introduce a means test that takes account of both income and assets for assessing entitlements for pensions. The current test only takes account of income, including some income from assets.

Outline

Subject to some extremely important assets exemptions the new test will work in the following manner. The values of assets, apart from personal items such as main residence and the so-called "leisure package", are added...
together and 10 per cent of their value taken as nominal income. To this is added actual income apart from that earned from assets included in the assets part of the test. If the combined assessed income exceeds a certain amount per week the pension, benefit or allowance is reduced by 50 cents for each $ of income over the limit.

For supplementary rental assistance the previously separate income test will be incorporated in the new assets test. An allowance will be paid for half of the amount that rent exceeds $10 per week. The maximum allowance will be $10 per week and the allowance will be included as assessable income for the new assets test.

Main Provisions

As the Bill provides so much detail only the main provisions will be listed here. For more information see the references at the end of the digest.

The definition of income is amended by Clause 4(b) of the Bill for those pensions and benefits to be covered. Income derived from property or payments of a capital nature will no longer be covered as they will fall under the assets part of the test.

Clause 5 of the Bill (pages 10, 11, 12 of the explanatory memorandum) gives a full list of property that is exempt from the assets test. These include a principal place of residence, a motor vehicle for private or domestic use, household effects, clothing, furniture and jewellery. The value of any life interest, annuity (other than one purchased by the person) or superannuation pension (other than a commuted one) will also be excluded as they will fall under the definition of "income" rather than property.

For the assets part of the test, property outside of Australia will be treated in an identical manner to that within Australia [Clause 4(c)] and where income is derived from exempt property that income will be included in the test but only up to the value of 10 per cent of the exempt property [Clause 4(d)].

There are a series of further exclusions that will be made to assets under clause 5. Contingent or reversionary property will not be included (sub-para (viii)); the value of property from an estate that a person has not yet received will not be counted (sub-para (ix)) similarly with property that for legal restrictions cannot be sold (sub-para (xi)). Money from the sale of a principal home which is intended for the purchase of a new home and
money from insurance or compensation payments for damage to a principal residence will not be counted for 12 months.

Included in the exemptions is a package of concessions commonly called the "lifestyle package". This package will include a holiday home, caravan, boat and accessories. Where the value of income from or produced with these assets is less than $3,000 p.a. or 10 per cent of their value then up to $30,000 worth of assets will be excluded from the test. Where income is produced the value of the property exempted is reduced by 10 times the amount of income per annum (see explanatory memorandum page 15).

The value of any charge or encumbrance (such as a mortgage) on non-exempt property will be deducted from the value of property.

The Director-General will be given power to disregard for a period the whole or part of a particular property where a person might suffer financial hardship were it taken into account and it is reasonable to do so (Clause 5).

Once the non-exempt property has been assessed and 10 per cent of its value taken, Clause 5 of the Bill allows that this value will be reduced by $1,500 for a single person and by $2,500 for a couple.

In terms of disposal of income and property above certain limits a person who deprives his/her self of income or property after 24 August 1983 without adequate compensation will have the income or asset taken into account. The limits mentioned above are $1,500 per annum for single people, $2,500 for couples. The amount taken into account will be reduced by 10 per cent each year. Two exemptions will apply, the first where the deprivation took place more than 5 years prior to a person becoming eligible for a benefit and the second where the Director-General is satisfied the deprivation took place before they knew they were to receive a benefit. An example of the latter would be where a woman disposed of property, her spouse died and she became eligible for a widows' pension (Explanatory Memorandum page 18).

A special rule will apply for purchased annuities under Clause 5. This will allow annuities to be treated as income rather than as property if this will increase the benefit paid.

The date of application of amendments will be fixed by the Minister and published in the Commonwealth of
Australia Gazette but may not be before 1 November 1984 (Clause 30).

For further information, if required, contact:

Education and Welfare Group
LEGISLATIVE RESEARCH SERVICE

28 February 1984

References

For more details see the Explanatory Memorandum to the Bill.

The Department of Social Security has a toll-free enquiry number for those who may be affected by the test.