THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

FARM HOUSEHOLD SUPPORT AMENDMENT (EXCEPTIONAL CIRCUMSTANCES RELIEF PAYMENT) BILL 2005

EXPLANATORY MEMORANDUM

(Circulated by the authority of the Minister for Agriculture, Fisheries and Forestry, the Hon Warren Truss MP)
FARM HOUSEHOLD SUPPORT AMENDMENT (EXCEPTIONAL CIRCUMSTANCES RELIEF PAYMENT) BILL 2005

GENERAL OUTLINE

1. The purpose of the Farm Household Support Amendment (Exceptional Circumstances Relief Payment) Bill 2005 (the Bill) is to bring into effect an element of the 2005 Drought Assistance Package (the Package) announced by the Prime Minister on 30 May 2005. The Bill seeks to provide changes to the income test for the Exceptional Circumstances Relief Payment (ECRP), to be implemented from 1 July 2005, subject to the passage of legislation. The Bill also seeks to implement changes to the procedure for farmers obtaining Exceptional Circumstances (EC) Certificates.

2. In order to implement the change to the ECRP as announced on 30 May 2005 and the EC Certificate procedures, amendments must be made to the Farm Household Support Act 1992.

3. The ECRP income test changes have emanated in recognition that the severity and extent of the drought is continuing to have an immense impact on rural Australia and is unquestionably one of the most severe in the last 100 years. As a result, in many drought affected regions, farmers and their partners are increasingly turning to employment opportunities off-farm to supplement their farm income. To take these circumstances into account, the Prime Minister announced on 30 May 2005, that from 1 July 2005 farm families will benefit from a $10,000 annual exemption of off-farm wages and salaries from their income test assessment for ECRP, in addition to existing exemptions.

4. The new test will be available to all current ECRP recipients and new applicants from 1 July 2005, (subject to the passage of legislation). The new test will be reviewed before June 2006 to determine if the prevailing drought conditions and outlook warrant any extension.

5. The Bill also brings into effect a change to the process by which farmers obtain an EC Certificate. A person applying to receive an EC certificate will no longer need to apply to their state Rural Adjustment Authority to do so. This change reflects the Australian Government’s ongoing commitment to streamline the EC assistance arrangements to ensure they are more efficient and effective for farmers. The change will also address the concerns raised in the recent report by Australian National Audit Office (ANAO) ‘The Auditor-General Audit Report No.50 2004–05 Performance Audit. Drought Assistance’ regarding the accuracy of information contained in the EC Certificates issued by the relevant state Rural Adjustment Authority. The bill seeks to shift responsibility for EC certificates to the Secretary of Human Services, then it is anticipated that the Secretary will delegate these powers to Centrelink. The Bill seeks to simplify the EC Certificate process for farmers and address the ANAO concerns by using a consistent delivery mechanism - Centrelink. Subject to the passage of legislation, from 1 October 2005, EC certificates will be issued nationally by Centrelink to EC declared farmers. This will not require consequential amendment to other legislation which refers to EC certificates.
6. The Bill will give effect to the Government’s decision to provide an exemption of up to $10,000 from off-farm wages and salaries to a person and their partner as of 1 July 2005. It will also give effect to the Government’s decision to change the process for reviewing EC certificates.

   a) It repeals subsection 8A(2) and replaces it with a subsection giving the Secretary of the Department of Human Services the authority to issue an EC certificate.

   b) It inserts provisions at the end of section 24A which provide the basis for the calculation of a person’s exemption limit per fortnight. This will lead to an increase in the amount of benefit that a person can receive under ECRP, while also supplementing their income through off-farm employment.

1. Consultation has been undertaken with Centrelink, the Treasury, and the Departments of Finance and Administration, Family and Community Services and Employment and Workplace Relations. Consultation has also been undertaken with the Australian Government Solicitor, the Attorney General’s Department and the Office of Legislative Drafting and Publication.

FINANCIAL IMPACT STATEMENT

2. This Bill will require an estimated additional $50 million under the *Farm Household Support Act 1992* Special Appropriation Bill.
NOTES OF CLAUSES

Clause 1 – Short Title

This Bill is to amend the *Farm Household Support Act 1992*.

Clause 2 - Commencement

3. (1) specifies the commencement date for Provision 1 – Sections 1 to 3 and anything in this Act not elsewhere covered by this table, as the date the *Farm Household Support Amendment (Exceptional Circumstances Relief Payment) Act 2005* receives Royal Assent. The commencement date of Provision 2 – Schedule 1, item 1 is the day on which the Act receives Royal Assent as referred to in Column 2 of the table. The commencement date of Provision 3 – Schedule 1, items 2 and 3 is 1 October 2005 as referred to in Column 2 of the table. The commencement date of Provision 4 – Schedule 1, item 4 is the day on which this Act receives Royal Assent as referred to in Column 2 of the table. The commencement date of Provision 5 – Schedule 1, item 5 is 1 October 2005 as referred to in Column 2 of the table.

4. (2) refers to additional information in column 3 that is not part of this Act. Information in this column may be added to or edited in any published version of this Act.

Clause 3 – Schedule(s)

5. Clause 3 provides that the amendments to any Act specified in a Schedule to the Act, and any other items in a Schedule, are amended or repealed as set out in the applicable items in the Schedule concerned. Any item in a Schedule to this Act has effect according to its terms.

SCHEDULE 1 – Exceptional circumstances relief payment

Item 1 – Subsection 3(2)

6. This item inserts reference to the meaning for off-farm salary and wages, which is given by subsection 24A(7).

Item 2 – Subsection 8A(2)

7. This item repeals subsection 8A(2) and substitutes a new process for issuing an EC certificate. It shifts responsibility to the Secretary of Human Services, then it is anticipated that the Secretary will delegate these powers to Centrelink. An EC certificate is issued for a specified period to a person who is a farmer, and relates to the farm enterprise, or any of the farm enterprises, in respect of which the person is a farmer. This certification process was previously conducted by state Rural Adjustment Authorities. The need to streamline the procedure for farmers obtaining EC Certificates for the purposes of accessing ECRP has been highlighted over the past two years through the EC policy reform process. More
recently, EC Certificates were subject to an adverse finding in the ‘The Auditor-General Audit Report No.50 2004–05 Performance Audit. Drought Assistance’. This change is to ensure that the process for farmers obtaining EC certificates is streamlined, and provided in an accurate and consistent manner.

**Item 3 – At the end of section 8A**

8. Item 3 inserts (4) at the end of section 8A. This states that an exceptional circumstances certificate is not a legislative instrument. This provision is included to assist readers, as the instrument is not a legislative instrument within the meaning of section 5 of the *Legislative Instruments Act*.

**Item 4 – At the end of section 24A**

9. Item 4 inserts a provision to disregard a maximum of $10,000 in off-farm salary and wages from a person’s income. It brings into effect the Government’s decision to do so, as announced by the Prime Minister on 30 May 2005. This means that a farmer and their partner can earn an additional $10,000 in off-farm salary or wages before their rate of income support under the ECRP is reduced. This provision does not affect existing Farm Help customers, who are also covered by the *Farm Household Support Act 1992*.

10. Item 4 inserts (4) - from 1 July 2005 to 30 June 2006 $10,000 will be exempted over the financial year in off-farm wages and salary for both the farmer and his or her partner. This amount will be disregarded in calculating the rate of ECRP payable to a person for a fortnight, all or part of which falls during the period. There is also provision for an extension to this time period to be prescribed through a regulation, where the Government decides that this provision should be extended.

11. Item 4 inserts (5) which provides the process and the formula that are to be used to calculate the amount to be disregarded, where the closing day is 30 June. It provides definitions of the amount previously disregarded in that financial year and the number of days remaining in that financial year.

12. Item 4 inserts (6) which provides process and the formula that are to be used to calculate the amount to be disregarded, where the closing day is not 30 June. It provides definitions of the amount previously disregarded in the period and the number of days remaining in the period.

13. Item 4 inserts (7) which provides a definition of a person’s off-farm salary and wages. These are salary and wages that are not earned from work that is in any way related to a farm enterprise in which that the person or the person’s partner is a farmer. Examples of off-farm salary and wages include, but are not limited to, teaching and casual laboring.
Item 5 – Transitional provision – existing exceptional circumstances certificates

14. Item 5 inserts a transitional provision for a person who holds an existing EC Certificate. If the existing EC Certificate, was issued under subsection 8A(2) of the Farm Household Support Act 1992, as in force immediately before 1 October 2005, the certificate would continue to be in effect on and after 1 October 2005. Such an EC Certificate would not be affected by the amendment made by Item 2 of this Schedule, and a person would not be required to have the EC Certificate re-issued by Centrelink for the period that the EC Certificate issued by the relevant state Rural Adjustment Authority is valid.