On 27 November 2019, the Minister for Water Resources, Drought, Rural Finance, Natural Disaster and Emergency Management, David Littleproud, introduced the **Farm Household Support Amendment (Relief Measures) Bill (No. 2) 2019** (the Bill) to the House of Representatives. The Bill proposes the following amendments to the **Farm Household Support Act 2014** and the **Farm Household Support Minister’s Rule 2014**:

- **Schedule 1**: change the income test for the **Farm Household Allowance** (FHA) so that part-rate payments will not be calculated. The income test will be ‘sudden-death’: farmers and their partners will either be eligible for FHA under the income test and receive the maximum payment rate or they will be ineligible under the income test and not receive any FHA.
- **Schedule 2**: combine the FHA farm assets test and non-farm assets test into one assets test with a value limit of $5.5 million. This limit will not be indexed. The current tests set different value limits for assets related to the farm business and non-farm assets. The Schedule will also clarify the assessment of water entitlements to ensure they are not double-counted under the assets test.
- **Schedule 3**: remove the requirement for **farm financial assessments** (which must be undertaken after a claim is made for the FHA) to be conducted by a person prescribed by the Minister’s Rule. The Minister stated that the intent is to ‘make it easier for farmers to access the right person to conduct the assessment’. The person undertaking the assessment will still be required to have no interest in the farm or any related assets and must have appropriate qualifications or expertise. However, the requirement they be part of professional body whose members provide financial advice will be removed.
- **Schedule 4**: increase the maximum FHA activity supplement from $4,000 to $10,000 and expand the scope of costs the supplement can be used for to include travel and accommodation associated with approved activities. The supplement can currently be used to fund approved activities including training or professional advice.

The measures are to commence on the earlier of a day to be fixed by proclamation, or six months after Royal Assent.
The Explanatory Memorandum states that the measures will have a financial impact of approximately $30 million through to June 2023 but this impact has not been fully costed as it does not include service delivery costs or the impact of changes in tax revenue (p. 4).

**Bill follows Relief Measures No. 1 legislation**

The Bill follows on from the *Farm Household Support Amendment (Relief Measures) Act (No. 1) 2019* (the Relief Measures No. 1 Act), which passed both Houses on 12 November 2019. The Relief Measures No. 1 Act:

- increased the maximum time a person is able to access the FHA from four years over a lifetime to four years in each specified ten year period
- changed the allowable deduction regime to provide for up to $100,000 in losses from a farm enterprise and farm-related businesses to be deducted from the amount of income assessed under the FHA income test
- introduced a one-off lump sum ‘relief payment’ for those who exhausted their four year maximum FHA period by 1 July 2020—the payment is worth $7,500 for a single recipient or $6,500 for a member of a couple ($13,000 for a couple combined) and
- provided for the Minister for Agriculture to prescribe further lump sum payments—including the amount of the payment and the eligibility conditions—through the Minister’s Rule.

These measures were announced by Minister for Agriculture Bridget McKenzie as the next instalment of the Government’s response to *Rebuilding the FHA: a better way forward for supporting farmers in financial hardship* (the 2019 Independent Review into the FHA program), following on from changes introduced in July 2019 (this Bills Digest provides a short history of changes to the FHA program since it was introduced in 2014).

**Implementation of Independent Review’s recommendations?**

Minister Littleproud stated in his second reading speech that the Bill ‘supports the Government’s Drought Response, Resilience and Preparedness Plan and further implements the recommendations made by the review *Rebuilding the FHA …*’ The Review did not specifically recommend the measures proposed in the Bill (though it did suggest the activity supplement cover the costs of travel), reflecting that the Government in its response agreed with ‘the intent’ of the Report, rather than the Panel’s specific recommendations.

The Independent Review raised a number of issues with the income test, particularly the way in which income is assessed and how the income test could act as a disincentive for FHA recipients to earn additional income. However, it did not propose removing part-rates or imposing a ‘sudden-death’ income test. In regards to means tests, the Review noted:

> setting any threshold, similar to lines on maps under the exceptional circumstances framework, will always draw a line where some people will be eligible and others will not. People who fall near the upper bounds of eligibility thresholds will always face disincentives to make improvements such as take on an extra day of paid work (p. 21).

The Independent Review proposed maintaining the temporary increase in the farm assets test threshold at $5 million (which was implemented by the *Farm Household Support Amendment Act 2019*) but it did not recommend a combined farm and non-farm assets test.

The Review heard evidence farmers’ accountants (who meet the requirements under the Minister’s Rule) usually conducted the farm financial assessments (FFAs) but that these accountants ‘may not be sufficiently experienced or knowledgeable in agriculture to be providing advice on the outlook or future operations of a farm business’ (pp 30–31). The Review actually proposed removing the requirement that FHA recipients undergo a FFA and to instead require
regular meetings with rural financial counsellors and to work through a 'viability assessment' after receiving the FHA for 12–18 months (pp. 33–36).

The Review also heard evidence that there was low uptake of the FHA activity supplement and that travel and accommodation costs were barriers to recipients accessing training (p. 30). The Review stated that the supplement should be allowed to cover the costs of travel but recommended that activities should be optional rather than mandatory under the FHA mutual obligation requirements (pp. 36–37).

**Key issues**

The Bill proposes amendments which will be beneficial to the farmers who can receive the FHA. However, the measures are likely to create some inequitable outcomes: for example, FHA recipients with no other sources of income will receive exactly the same payment rate as those who are able to generate income. Further, some farmers with significant non-farm assets will be eligible for the FHA (and receive the same rate) as those with few non-farm assets.

The ‘sudden death’ income test will mean that those just under the threshold receive the full rate of FHA while those just over the threshold miss out on the entire FHA. In his second reading speech, the Minister explained that the new income test would be an ‘all-or-nothing approach to fortnightly FHA payments’ that would be beneficial as payment rates would no longer fluctuate. The Minister stated that farmers and their families would ‘no longer be distracted from improving their financial situation by different FHA payment amounts each time they’re paid’. However, those close to the income test cut-off points will have a much larger disincentive to improve their financial situation than under the current income test.

It is unclear what will be considered as an appropriate qualification or level of expertise for those undertaking FFAs. The FHA Guidelines describe the FFA as a ‘comprehensive assessment of the financial position of a farm enterprise and the person for whom the assessment is conducted’ (p. 56). The Explanatory Memorandum states that the proposed amendment will mean FHA recipients ‘are able to choose the most suitable person’ to undertake the FFA and gives the example of rural financial counsellors and farm consultants (pp. 3, 10). The lack of detail as to what level of expertise is expected of these assessors raises the potential that the standard of these assessments, which government contributes up to $1,500 towards, may vary significantly.