



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

BILLS

**Social Services Legislation Amendment
(Defined Benefit Income Streams) Bill 2015**

Second Reading

SPEECH

Tuesday, 23 June 2015

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date Tuesday, 23 June 2015
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Questioner
Speaker Morrison, Scott, MP

Source House
Proof No
Responder
Question No.

Mr MORRISON (Cook—Minister for Social Services) (12:22): I move:

That this bill be now read a second time.

Once again I do thank the opposition for the opportunity to have this matter dealt with today and to enable this bill to be introduced to the House of Representatives and considered on this day; and, in moving that the bill be read a second time, I would like to outline a number of things. That is that this bill takes schedule 1 of a bill that was considered by the House yesterday under the Social Services Legislation Amendment (Fairer and Sustainable Pensions) Bill—it was actually schedule 1 of that bill—and it reintroduces it into this place in the new bill, the Social Services Legislation Amendment (Defined Benefit Income Streams) Bill 2015. Members of the House will know that last night in the Senate the fairer and sustainable pensions bill passed the Senate, which was welcome news for the government. In addition to that, there was another measure, which was originally in the fair and sustainable pensions bill which was schedule 4 of that bill, relating to the cessation of the seniors supplement, which was also passed in separate legislation in the Senate last night.

That means that some \$3.5 billion of savings that are in the have-a-go budget have been passed already by the Senate. That means that the have-a-go budget is having a go. The have-a-go budget is getting a go and it is having a go, and today in this bill we are reintroducing schedule 1 of the fairer and sustainable pensions bill. That bill presents measures that will result in further savings of \$465.5 million for the budget. The bill will introduce a further budget measure improving the fairness and sustainability of the pension system, and I note that it relates to defined benefit income stream, which usually comes from an employer superannuation fund or government employee superannuation scheme. It currently includes military defined benefit income streams.

The payments received from a defined benefit income stream less the deducted amount are taken into consideration as ordinary income when determining whether an individual is eligible for income support payments and, if eligible, the rate of payment. The deductible amount for a defined benefit income stream is defined in section 9 of the Social Security Act. Currently, the deductible amount is calculated by reference to the tax-free component of the amount payable under the defined benefit income stream as determined in accordance with the Income Tax Assessment Act 1997 or the Income Tax (Transitional Provisions) Act 1997.

Amendments to the Income Tax Act 1997 and 2007 resulted in an increase to the tax-free component for some individuals, and this had the effect of increasing the deductible amount for the purposes of the Social Security Act, resulting in individuals becoming entitled to income support payments or higher rates of income support.

For improved fairness and equity, the bill will make sure a fairer proportion of a superannuant's actual defined benefit income is taken into account when the social security income test is applied. From 1 January 2016, this measure will introduce a 10 per cent cap on the defined benefit income that can be excluded from the social security income test.

A defined benefit income stream is a pension paid from a public sector or other corporate defined benefit superannuation fund, where the pension paid generally reflects years of service and the final salary of the beneficiary. Current arrangements allow some defined benefit superannuants to have a large proportion of their superannuation income excluded from the pension income test. I note that that will now be restricted to 10 per cent.

People receiving veterans' affairs pensions, I note, will not be affected by this change, and defined benefit income streams paid by military superannuation schemes will be excluded.

The combined savings, I note, of \$465.5 million, when added to those that have already passed the Senate, will mean combined savings of almost \$4 billion as a result of these measures that were originally included in the

fairer and sustainable pensions bill, and now schedule 1 of that bill, as I noted, is now specifically addressed and reintroduced in this measure.

Leave granted for second reading debate to continue immediately .