



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

FAMILY AND COMMUNITY SERVICES LEGISLATION (SIMPLIFICATION AND OTHER MEASURES) BILL 2001

Second Reading

SPEECH

Wednesday, 20 June 2001

BY AUTHORITY OF THE SENATE

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Date Wednesday, 20 June 2001
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Questioner
Speaker Bartlett, Sen Andrew

Source Senate
Proof No
Responder
Question No.

Senator BARTLETT (Queensland) (12.33 pm)—I rise to speak on behalf of the Australian Democrats on the Family and Community Services Legislation (Simplification and Other Measures) Bill 2001. As the name suggests, this legislation aims to, among other things, simplify the Social Security Act. The Democrats have long supported moves that simplify the social security legislation that underpins our social welfare safety net, as long as such simplifications do not result in significant disadvantage to less well-off people in the Australian community.

The three acts that make up the social security and family assistance laws are still very complex. Despite bills such as this, they are overall becoming progressively more complex. It is pleasing to note that the bill introduces changes to the compensation provisions which reflect a greater degree of reality. The present rules, where any excess of periodic compensation payment reduces a partner's income support payment, also on a dollar for dollar basis, have been in place for a considerable period, cause hardship to persons who have suffered an unforeseen event and are clearly unfair. I circulated an amendment relating to the compensation payment a day or two ago—to which Senator Evans has alluded. I will address that later on. The application of the more lenient tapered income test as provided for by this bill is welcome, as partners will benefit from it. It could be argued that this change does not go far enough on the issue of whether compensation should be treated the same as other income. The measure will result in an increase in the amount of pension and allowances paid to couples with low levels of income derived largely or solely from compensation payments.

Getting back to the notion of a simplified social security system, it is unfortunate that—notwithstanding the word 'simplification' in the title of this bill—the results achieved by this measure will vary, depending on what sort of income support payment the partner is receiving. Most will be allowance partners, receiving one of the allowance payments. They will be forced to endure an excess partner income of 70 cents in the dollar, as for allowance recipients. Where the partner is on a pension payment, the result is different, because those pension payments have a different income test. The Democrats believe that, as part of the simplification of social security, there should be one standard income test for all income support recipients. It is disappointing that that aspect was not dealt with in the recent response to the welfare reform issue.

Schedule 2 of the bill provides a more rigorous test to income stream products to enable these to fairly gain access to the asset test free concession. People who purchase allocated pensions and annuities generally exchange a lump sum amount in return for a guaranteed series of future periodic payments. The asset value is generally disregarded, as the income stream payments received generally include a return of a part of the capital used to purchase the product. The beneficial rules of asset test exemption under the present act were aimed at providing an incentive for people to use lump sums to purchase an income stream that could be expected to last over their retirement, rather than relying on the age pension. The Democrats acknowledge that this measure is disadvantageous to some people. However, it is targeted at ensuring that persons who need income support in retirement receive it and that those who are more able to provide for their retirement do so, while at the same time being able to access concessional taxation treatment.

The introduction to section 9 of the Social Security Act of measures akin to the Australian Prudential Regulation Authority and the superannuation industry supervision requirements to income stream product will have a direct impact on how products are assessed under the income and assets testing rules. Schedule 2 of the bill also provides for the creation of a debt where an income stream product which has had concessional assets test treatment is commuted or dissolved. Generally, the Democrats would be concerned about disadvantageous legislation which seeks to recover social security moneys already received and presumably spent. We recognise that, while commutation or dissolution can be one means of manipulating the income stream assessment, it is not always the case, and we would not support legislation which retrospectively removes assets test concession where that is legitimately applicable.

This bill provides that the commutation dissolution needs to have been contrary to the contract or governing rules applying to the product on creation, thereby protecting those products which arguably warranted assets

test concession. The extension of hardship rules, which allow for an exception to the general prohibition on commutation, albeit limited, will nonetheless provide a means whereby a person faced with exceptional unforeseen circumstances who is required to commute funds to meet unavoidable expenditure is able to do so without penalty of overpayment.

A further measure of the bill is to introduce into legislation the assessment of rental income in allowable deductions, which existed in the 1947 Social Security Act and was dropped in the 1991 rewrite. Notwithstanding the absence of legislation in the intervening period, I understand Centrelink's policy treatment of rental income has remained consistent with the pre-1991 legislation. Therefore, this bill is placing those provisions back into legislation. The Democrats have foreshadowed an amendment relating to exempting compensation payments for victims of the military dictatorship in Chile. I will speak to that in the committee stage when I move the amendment, rather than address that further now.