



**Australian Government**  
**Department of Social Services**

**Serena Wilson PSM**  
Deputy Secretary

Senator Jonathon Duniam  
Chairperson  
Senate Community Affairs Legislation Committee  
PO Box 6100  
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CANBERRA ACT 2600

Dear Senator

**SUBMISSION TO SENATE COMMUNITY AFFAIRS LEGISLATION COMMITTEE**

Please find attached a submission by the Department of Social Services, to the Senate Community Affairs Legislation Committee Inquiry into the *Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017*.

Thank you for providing the opportunity to make a submission.

Yours sincerely

Serena Wilson

14 July 2017

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## Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017

This submission relates to the Bill in its current form, with a commencement date of 20 September 2017. The Department of Social Services notes that adjustments to the commencement date may be required, as Parliament now remains adjourned until 8 August 2017.

The purpose of the Energy Supplement was to provide compensation for the introduction of the carbon tax in 2012. The Government has made what it considers to be a fair and reasonable adjustment by closing the carbon tax compensation to all new welfare recipients, subject to the passage of legislation.

Carbon tax compensation payments were introduced to compensate households from the impacts of the carbon tax. As the carbon tax no longer exists, the carbon tax compensation is no longer necessary. Had the carbon tax not been repealed by this Government, it was predicted to have caused long-term increases in electricity prices. Indeed, electricity prices more than doubled between December 2007 and September 2013. When the carbon tax was repealed on 1 July 2014 the Australian Competition and Consumer Commission (ACCC) estimated annual savings of up to \$263 in residential electricity costs alone.

This Bill will close the Energy Supplement to new recipients of income support and veterans' payments and new holders of a Department of Veterans' Affairs Gold Card, with effect from 20 September 2017.

Importantly, the proposed changes include provisions that only new welfare recipients will be affected. People who were receiving carbon tax compensation on 19 September 2016 will retain it for as long as they have continuous entitlement to a qualifying payment or card. This means that payments will not decrease as a result of this change for as long as a recipient remains continuously eligible for a qualifying payment or card.

There will also be transitional arrangements in place for people who have entered the income support system between 20 September 2016 and 19 September 2017. These people have received and/or will receive the Energy Supplement temporarily during that period, as long as they remain eligible for an income support payment, but will no longer receive the Energy Supplement from 20 September 2017.

The Energy Supplement was previously closed to new recipients of family payments and holders of a Commonwealth Seniors Health Card under the *Budget Savings (Omnibus) Act 2016* with effect from 20 March 2017.

The Government is making a one-off Energy Assistance Payment to recipients of the Age Pension, Disability Support Pension or Parenting Payment Single and to veterans and their partners paid the Service Pension, the Income Support Supplement or relevant compensation payment. This one-off payment to recipients with limited ability to earn extra income will assist them with their energy costs.

The rate of payment is \$75 for singles and \$62.50 for each eligible member of a couple and was received by the majority of recipients by 30 June 2017. The payment is non-taxable and does not count as income. To receive the payment, a person must have been in receipt of an eligible payment and residing in Australia on 20 June 2017 (the test date). Payment is automatic and no action is required by the recipient.

Those people who have made a claim for an eligible payment on or before the test date and subsequently have that claim granted and backdated to on or before the test date will also be paid the Energy Assistance Payment. Eligible recipients will receive the payment in early 2017-18.

People who usually receive their payments from Centrelink will also receive this payment from Centrelink. Similarly, those people who usually receive their payments from the Department of Veterans' Affairs (DVA) will be paid the Energy Assistance Payment by DVA.

The Government will continue to prioritise energy security and affordability. The 2017-18 Budget includes a \$265 million energy package that will ensure Australia maintains a secure, reliable and competitive energy system into the future. Among a range of measures, it provides funding to expand gas supply, make finance available to build a solar thermal plant and provides additional funding for the Australian Energy Regulator to scrutinise energy providers to ensure they are serving consumers' needs.

The Government has also directed the Australian Competition and Consumer Commission to review electricity retail prices. The review will examine the competitiveness of offers available to households and businesses to make sure they are paying no more than necessary.

The repeal of the carbon tax and the actions the Government is taking to put downward pressure on electricity prices will ensure that new welfare recipients are provided appropriate support without the ongoing need for compensation for a tax that no longer exists.

This Bill is expected to produce savings of \$933.4 million from 2016-17 to 2019-20.

The number of people estimated to lose the Energy Supplement by 1 July 2020 is 1.7 million across the Department of Social Services, the Department of Veterans' Affairs and the Department of Agriculture and Water Resources.