

Senate Community Affairs Legislation Committee

Public Hearing – 17 February 2020
ANSWER TO QUESTION ON NOTICE

Department of Social Services

Topic: Senate Community Affairs Legislation Committee inquiry into the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 - Written 1

Question reference number: SQ20-000035

Senator: Rachel Siewert

Type of Question: Written. Hansard Page/s:

Date set by the Committee for the return of answer: 19 February 2020

Question:

What is the administrative cost of implementing these new rules, including cost of educating recipients?

Answer:

Funding of \$30 million over the three years to 2020-21 is being provided to Services Australia.

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Department of Social Services

Topic: Senate Community Affairs Legislation Committee inquiry into the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 - Written 2

Question reference number: SQ20-000036

Senator: Rachel Siewert

Type of Question: Written. Hansard Page/s:

Date set by the Committee for the return of answer: 19 February 2020

Question:

What happens to people who misreport their income under the new rules? Will there be a grace period following the introduction of the new income attribution rules?

Answer:

The introduction of the measure does not change a customer's obligation to report their employment income to Services Australia. The requirement to inform Services Australia of any changes in circumstances or incorrect information provided within 14 days will also continue.

Customers will be supported during and after the transition to assist in the correct reporting of employment income using a variety of support tools. This includes the ability to amend their reported income online prior to the assessment of their income support payment. Any errors they have made in declaring their income after their income support payment has been generated will need to be advised to Services Australia as per existing processes.

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Department of Social Services

Topic: Senate Community Affairs Legislation Committee inquiry into the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 - Written 3

Question reference number: SQ20-000037

Senator: Rachel Siewert

Type of Question: Written. Hansard Page/s:

Date set by the Committee for the return of answer: 19 February 2020

Question:

What quality assurance mechanisms will be put in place to prevent people from misreporting their income under the new rules?

Answer:

Customers will be supported during and after the transition to assist in the correct reporting of employment income using a variety of support tools, including through multiple methods of communicating reporting requirements and the provision of an online calculator. This includes the ability to amend their reported income online prior to the assessment of their income support payment. Any errors they have made in declaring their income after their income support payment has been generated will need to be advised to Services Australia as per existing processes.

Implementation of Single Touch Payroll pre-filling will also assist customers to accurately report under the new model.

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Department of Social Services

Topic: Senate Community Affairs Legislation Committee inquiry into the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 - Written 4

Question reference number: SQ20-000038

Senator: Rachel Siewert

Type of Question: Written. Hansard Page/s:

Date set by the Committee for the return of answer: 19 February 2020

Question:

Will focused assistance provided to people who have a vulnerability flagged in the system? For those 5-10% of people who don't engage digitally, what extra assistance and communication will be undertaken before and over the transition period for this cohort?

Answer:

Services Australia will continue to support vulnerable customers through access to specialist staff including social workers, multicultural service officers, community engagement officers, financial information service officers and Indigenous service officers.

Training will be provided to all customer facing staff including specialist staff in relation to this measure in order to continue supports for vulnerable customers. Information will also be available on Services Australia's web site, including worked examples and video on demand material to allow external support services to support mutual customers.

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Department of Social Services

Topic: Senate Community Affairs Legislation Committee inquiry into the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 - Written 5

Question reference number: SQ20-000039

Senator: Rachel Siewert

Type of Question: Written. Hansard Page/s:

Date set by the Committee for the return of answer: 19 February 2020

Question:

How will the people who don't engage digitally use the new system?

Answer:

People report via the app, online, by telephone (automated and assisted) and in person currently. These options will remain available.

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Department of Social Services

Topic: Senate Community Affairs Legislation Committee inquiry into the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 - Written 6

Question reference number: SQ20-000040

Senator: Rachel Siewert

Type of Question: Written. Hansard Page/s:

Date set by the Committee for the return of answer: 19 February 2020

Question:

How will these changes work for people who report income over the phone?

Answer:

Customers can continue to report their employment income over the phone using the self-service channel or by speaking with a service officer.

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Department of Social Services

Topic: Senate Community Affairs Legislation Committee inquiry into the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 - Written 7

Question reference number: SQ20-000041

Senator: Rachel Siewert

Type of Question: Written. Hansard Page/s:

Date set by the Committee for the return of answer: 19 February 2020

Question:

This bill introduces anti-avoidance provisions to prevent a person from deliberately deferring receipt of employment income to gain a social security benefit. Can you explain what criteria would be used by the Secretary when making a determination under the anti-avoidance provisions?

Answer:

The anti-avoidance provision has been designed to only apply in very limited situations where the delegate of the Secretary of the Department of Social Services is satisfied a scheme to defer the payment of employment income exists and the sole or dominant purpose is to obtain income support or additional income support for a person. This provision will not apply where an employer delays paying an employee - for example, due to a power outage or lack of funds.

For the anti-avoidance provision to apply it will not be sufficient to demonstrate an individual has obtained an advantage. It must also be demonstrated that there was an intention to defer payment for that purpose. For example, if an employer is unable to pay their employee for four weeks and that individual receives two maximum rate support payments the provision will not apply.

If a recipient disagrees with the application of the anti-avoidance provision they will have access to the full range of review and appeal rights. The anti-avoidance provision in the Bill is modelled on the existing anti-avoidance provision in the *Social Security Act 1991* for private companies and private trusts, section 1209D. It adopts the same criteria of demonstrating the scheme was for the “sole or dominant purpose of obtaining a social security advantage”, to ensure the provision cannot be misapplied. It also adopts the same language as found in 1209D to describe what constitutes a social security advantage.

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Department of Social Services

Topic: Senate Community Affairs Legislation Committee inquiry into the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 - Written 8

Question reference number: SQ20-000042

Senator: Rachel Siewert

Type of Question: Written. Hansard Page/s:

Date set by the Committee for the return of answer: 19 February 2020

Question:

I understand this is not a component of the income compliance program. Is that correct?

Answer:

The Changing the Social Security Income Assessment Model measure and the expansion of payroll information collected through Single Touch Payroll are not compliance measures and these measures are not components of the Income Compliance Programme.

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Topic: Senate Community Affairs Legislation Committee inquiry into the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 - Written 9

Question reference number: SQ20-000043

Senator: Rachel Siewert

Type of Question: Written. Hansard Page/s:

Date set by the Committee for the return of answer: 19 February 2020

Question:

How will these changes interact with the income compliance program? For example, the system will allow the department to pick up on people who are repeatedly changing their pre-filled income data. Could this information be used to generate debts and how?

Answer:

The Income Compliance Programme measures relate to overpayments due to discrepancies in income reporting for previous years.

The Changing the Social Security Income Assessment Model measure improves income reporting from 2020-21 onwards. There is no overlap between the measures.

Simplifying how employment income is reported, improves payment accuracy to prevent overpayments from occurring. If recipients are paid the correct rate from the beginning, they are less likely to incur an overpayment that they then have to pay back.

An individual retains the obligation to report their employment income accurately and they will have the ability to confirm, edit and add to Single Touch Payroll (STP) data, before it is used to assess their entitlements. The ability to confirm, edit and add to STP data is an important safeguard for individuals. Where an individual continues to report information which differs from what is reported through STP data, Services Australia may contact the recipient to understand any discrepancies and ensure reporting is correct.

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Topic: Senate Community Affairs Legislation Committee inquiry into the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 - Written 10

Question reference number: SQ20-000044

Senator: Rachel Siewert

Type of Question: Written. Hansard Page/s:

Date set by the Committee for the return of answer: 19 February 2020

Question:

What privacy safeguards are in place for information sharing between the ATO, Services Australia and the Department of Social Services?

Answer:

Services Australia takes its obligations to protect customer information very seriously. Services Australia has a 'privacy by design' approach to the Single Touch Payroll (STP) information sharing, which is a process for embedding good privacy practices into the design specifications of technologies, business practices and physical infrastructures.

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Department of Social Services

Topic: Senate Community Affairs Legislation Committee inquiry into the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 - Written 11

Question reference number: SQ20-000045

Senator: Rachel Siewert

Type of Question: Written. Hansard Page/s:

Date set by the Committee for the return of answer: 19 February 2020

Question:

How long will the transition period be? That is how long will additional resources be available to support people using the new system?

Answer:

Subject to the passage of legislation, from 1 July 2020 social security recipients will report income they are paid each fortnightly entitlement period, rather than what they have earned.

The Social Security and other Amendments (Simplifying Income Reporting and Other Measures) Bill 2020 does not place any limits on the timeframe for a person to deduct amounts they have already reported as earned prior to the implementation date. This means a person can update their record at any point, beyond the date of implementation, should they need to.

From September 2020, Services Australia will look to prefill payroll information into income support recipients' fortnight reports similar to how the ATO prefills tax returns. This is subject to employer take-up of the expanded STP data from 1 July 2020.

Services Australia will support customers with information and service supports relevant to their payment/s and circumstances during the transition period. Information about the ongoing requirements for reporting employment income under the 'paid' model will be contained in the information resources on the Services Australia webpage indefinitely. Enhancements made to the Report Employment Income services under the measure will continue to guide customers through the reporting process.

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Topic: Senate Community Affairs Legislation Committee inquiry into the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 - Written 12

Question reference number: SQ20-000046

Senator: Rachel Siewert

Type of Question: Written. Hansard Page/s:

Date set by the Committee for the return of answer: 19 February 2020

Question:

What is the estimated number of people who will be outside the STP process? How will the system work for people whose employer is not part of STP?

Answer:

At the end of the 2020-2021 financial year, the transition year for employers to begin reporting the expanded STP dataset, it is expected that around 95 per cent of employees will have their payroll information reported directly to the ATO by their employer through STP.

The remaining 5 per cent of employees not covered by the expanded STP data set will primarily be those employed by micro-employers (4 or fewer employees), who are not required to report the expanded dataset.

Income support recipients in employment are more likely to be employed by large employers. For these reasons it is likely that around 95 per cent of income support recipients will be included in the STP process by the end of the 2020-21 financial year.

Individuals who are not included in the STP process will still benefit from simpler reporting requirements under the paid assessment model. These recipients will no longer have to calculate the employment income they have earned each fortnight, and will instead be able to report the income they have been paid as it appears on their payslip.

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Department of Social Services

Topic: Senate Community Affairs Legislation Committee inquiry into the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 - Written 13

Question reference number: SQ20-000047

Senator: Rachel Siewert

Type of Question: Written. Hansard Page/s:

Date set by the Committee for the return of answer: 19 February 2020

Question:

How will double counting of employment income by recipients during the transition be addressed?

Answer:

Customers will have access to a number of support tools, including the transition calculator and additional guidance via all Report Employment Income channels, to assist with their reporting during the transition period. If a customer is concerned about what they need to report or what they have reported, they should contact Services Australia.

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Department of Social Services

Topic: Senate Community Affairs Legislation Committee inquiry into the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 - Written 14

Question reference number: SQ20-000048

Senator: Rachel Siewert

Type of Question: Written. Hansard Page/s:

Date set by the Committee for the return of answer: 19 February 2020

Question:

What happens if the employer reports incorrect earnings for income support recipients?

Answer:

Income information obtained through STP will appear as an alterable, pre-filled field similar to pre-filling of tax returns. In situations where a pre-filled STP amount diverges from what an employee has been paid the individual will be able to change the figure to reflect what they have actually been paid.

Whilst it remains the customer's responsibility to ensure reported employment income is correct, Services Australia is working closely with the ATO to understand and manage the quality of Single Touch Payroll data.

When an employer submits their STP reports to the ATO, there is a requirement that they complete the declaration to state the information reported is 'true and correct'. This declaration is required, even if the employer uses an intermediary to prepare and/or lodge their payroll on their behalf. Information reported through STP is an approved form to the Commissioner of Taxation under subsection 388-50(1) of Schedule 1 to the Taxation Administration Act 1953.

Where an employer has identified an error, omission or new information that comes into light after the STP report has been submitted they are required to:

- Report the fix within 14 days of identified if the impacted employees have no continuity of employment (i.e. unlikely to be paid again); or
- Report the fix in the next regular pay run (i.e. weekly, fortnightly, monthly) even if it is greater than 14 days.

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Topic: Senate Community Affairs Legislation Committee inquiry into the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 - Written 15

Question reference number: SQ20-000049

Senator: Rachel Siewert

Type of Question: Written. Hansard Page/s:

Date set by the Committee for the return of answer: 19 February 2020

Question:

Has the Government considered reversing the onus of providing details for people with a flagged vulnerability if they provide permission for their personal data to be collected?

Answer:

No, the Government has not considered reversing the onus of providing details for people with a flagged vulnerability if they provide permission for their personal data to be collected.

Under the Changing the Social Security Income Assessment Model measure, an individual will retain the obligation to report their employment income accurately. Assessing employment income when paid is supported by the expansion of the payroll information collected through Single Touch Payroll (STP). Recipients will have the ability to confirm, edit and add to STP data, before it is used to assess their entitlements. The ability to confirm, edit and add to STP data is an important safeguard for all individuals and is one of the mechanisms that will prevent the automated application of payroll data.

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Department of Social Services

Topic: Senate Community Affairs Legislation Committee inquiry into the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 - Written 16

Question reference number: SQ20-000050

Senator: Rachel Siewert

Type of Question: Written. Hansard Page/s:

Date set by the Committee for the return of answer: 19 February 2020

Question:

What happens if you have multiple jobs and one of the employers is outside of the STP system? How will the system accommodate these complexities without disadvantaging recipients?

Answer:

The Report Employment Income system will allow customers to add an employer and their employment income, including employers where Single Touch Payroll (STP) data is not available.

Senate Community Affairs Legislation Committee

Public Hearing – 17 February 2020 ANSWER TO QUESTION ON NOTICE

Department of Social Services

Topic: Senate Community Affairs Legislation Committee inquiry into the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 - Spoken 1

Question reference number: SQ20-000051

Senator: Helen Polley

Type of Question: Spoken. Hansard Page/s: 27

Date set by the Committee for the return of answer: 19 February 2020

Question:

Senator POLLEY: Do you currently have a figure currently for those who are underpaid and those who are overpaid?

Mr Bennett: When you say a figure, Senator, do you mean cohort size?

Senator POLLEY: Yes; the number of people that have been currently assumed as being underpaid and overpaid, on an annual basis. Do you have those figures? You must have had figures to base the changes on, I would have thought.

Mr Bennett: We would have those figures. It's just a question of whether or not I've got them with me.

Senator POLLEY: If you don't, could you take that on notice, please. Mr Bennett: Senator, I will have to take that one on notice.

Answer:

Approximately 1.2 million income support recipients report employment income to Centrelink at least once over the course of a year. The Random Sample Survey can only identify instances of over and underpayments, rather than the number of individuals over or underpaid.

The Random Sample Survey finds that payment inaccuracy is associated with around \$5bn of net overpayments each year, and the accuracy of reported employment income is a key driver of these overpayments. The cost modelling for the Paid Assessment model, which is based on the Random Sample Survey, shows that in any given fortnight of the income support recipients who report employment income:

- Approximately 2.4 per cent under-report income.
- Approximately 0.8 per cent over report their income.

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Department of Social Services

Topic: Senate Community Affairs Legislation Committee inquiry into the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 - Spoken 2

Question reference number: SQ20-000052

Senator: Rachel Siewert

Type of Question: Spoken. Hansard Page/s: 22

Date set by the Committee for the return of answer: 19 February 2020

Question:

Senator SIEWERT: Sorry, you still haven't answered my question. I'm not trying to be difficult. I want to know whether, from a financial reporting point of view, it is imperative that it's done from the beginning of a financial year?

Mr Bennett: Could I take that on notice—

Senator SIEWERT: Fair enough.

Mr Bennett: because I'm not aware of something that I can tell you. But we have been moving to 1 July, for a particular date, so I'll take that on notice.

Answer:

Work undertaken by Services Australia with income support recipients to date shows that a staged implementation of the measure would best support individuals through the change to income reporting. Commencement on 1 July 2020, along with comprehensive supports prior and following implementation will allow recipients time to engage with the changes and adjust to reporting when paid. Having recipients report what they have received before pre-filling will assist them to understand the basis of reporting before they have the benefit of the STP prefilled data.

The roll out of communication and supports by Services Australia is dependent on the passage of legislation and Services Australia will be unable to engage with recipients more broadly until the legislation is passed.

June and July are very stable months for earnings reported by people receiving Newstart Allowance. This makes 1 July 2020 ideal for the commencement of this measure. Implementation on 1 July will also provide a full year of data to be able to assess the implementation and impact on improved accuracy of reporting.

Any delay in the passage of legislation will delay the significant benefits to income support recipients from a simpler way of reporting employment income.

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Department of Social Services

Topic: Senate Community Affairs Legislation Committee inquiry into the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 - Spoken 4

Question reference number: SQ20-000054

Senator: Rachel Siewert

Type of Question: Spoken. Hansard Page/s: 29

Date set by the Committee for the return of answer: 19 February 2020

Question:

Please provide further clarification on clauses 1073A and the meaning of ‘in respect of a particular period’? How is such a period to be identified and by whom? What are the circumstances in which it can be said the employment income is not in respect of a particular period?

Answer:

“In respect of a particular period” refers to the period of employment to which the employment income relates, not the number of days in that period on which the person worked.

For example, if an individual is paid \$150 of employment income for the period 1 January 2020 to 14 January 2020 (inclusive), it means that the particular period is 14 days (i.e. it is a known period). The person need not work on each day in that period for the \$150 to be applied forward for 14 days (starting from the first day of the instalment period in which the amount is paid).

The wording in new section 1073BA is consistent with current section 1073A of the Social Security Act (which allows employment income paid to pensioners that is ‘not in respect of any particular period’ to be applied forward for a period not exceeding 52 weeks).