



**Australian Government**  
**Department of Agriculture**

**SECRETARY**

Ref: EC19-000915

Mr Gerry McNally  
Committee Secretary  
Senate Rural and Regional Affairs and Transport Legislation Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Australia  
Via email: [rrat.sen@aph.gov.au](mailto:rrat.sen@aph.gov.au)

Dear Mr McNally

The department welcomes the opportunity to provide a submission on the provisions of the Farm Household Support Amendment (Relief Measures) Bill (No. 1) 2019. Please find the department's submission attached to this correspondence.

I trust that the information will assist the Committee during the course of the inquiry.

Yours sincerely

Daryl Quinivan

24 October 2019

**SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION  
COMMITTEE INQUIRY INTO THE FARM HOUSEHOLD SUPPORT AMENDMENT  
(RELIEF MEASURES) BILL (NO. 1) 2019**

**SUBMISSION BY THE DEPARTMENT OF AGRICULTURE**

In October 2018, the government commenced an independent, external review by a farmer-led panel, into the Farm Household Allowance (FHA) program.

The review was asked to determine:

- whether the program was reaching farmers in need
- if the original program objectives were being met
- if the program remained fit-for-purpose
- if the program contributed to an enduring approach to income support for farmers in hardship, including drought.

The Department of Agriculture provided secretariat support to the independent review's panel.

The review's final report, entitled *Rebuilding FHA: a better way forward for supporting farmers in financial hardship*, was released in May 2019 and provided a number of recommendations intended to improve and simplify the FHA program.

On 27 September 2019, the Prime Minister announced that the government would deliver a radical simplification of the FHA program. The government response accepted the intent of the review Panel's recommendations but held a different view on some of the remedies. The announcement included specific measures to be implemented.

On 17 October 2019, the Minister for Water Resources, Drought, Rural Finance, Natural Disaster and Emergency Management, the Hon. David Littleproud MP, introduced the Farm Household Support Amendment (Relief Measures) Bill (No. 1) 2019 to the House of Representatives. The Bill is the government's second instalment of improvements to the FHA program following the FHA review.

The first instalment was the changes to profit from the forced disposal of livestock, and maintaining the net farm assets test at \$5 million. Both measures took effect from 1 July 2019.

On 17 October 2019, the Senate moved to refer the Bill to the Rural and Regional Affairs and Transport Legislation Committee for inquiry. The Committee is to report to the Senate by 7 November 2019.

The department's comments on key measures in the Bill are provided below.

## Overview of the Bill

The Bill introduces three measures to the Farm Household Allowance program:

- an increase to the maximum time a person is able to access the FHA program, from four years over their lifetime to four years in each specified ten year period
- an expanded off-farm income offset, broadening the circumstances in which the offset can be applied and increasing the upper limit of the offset from \$80,000 to \$100,000
- a one-off lump sum payment for recipients who have exhausted their 1,460 days of FHA by 1 July 2020 along with capacity for the Minister to prescribe further lump sum payments or other changes to the ability to pay FHA, if required.

The Bill is the next instalment of the government's response to the independent review into the FHA program. The Bill is structured in three schedules, with each schedule introducing a different measure.

### **Increasing the maximum time on payment (Schedule 1)**

The *Farm Household Support Act 2014* currently provides that the maximum (cumulative) time on payment is 1,460 days (or four years). Schedule 1 of the Bill increases the time a person may access Farm Household Allowance from 1,460 cumulative days (or four years) over a person's lifetime, to four years in a specified ten year period.

The first specified ten year period commenced on 1 July 2014, with each subsequent ten year period beginning on each tenth anniversary of that day.

From 1 July 2014 to 30 June 2024, farming families will continue to be entitled to access 1,460 days (four years) of support under existing arrangements.

Allowing farmers and their partners to access support for four cumulative years in each prescribed ten year period acknowledges that FHA recipients may encounter more than one period of hardship in their lives.

#### *Example 1: Current FHA recipient*

On 20 November 2019, Farmer A has been receiving FHA payments for 1,278 days (3 ½ years) of their maximum entitlement of 1,460 days of payment. Farmer A can continue to access their payments during times of financial hardship.

On 1 July 2024, Farmer A will be entitled to a further 1,460 days of payment, to be taken at the times that best suit their circumstances.

### **Expanded off-farm income offset (Schedule 2)**

Schedule 2 introduces amendments that broaden and simplify FHA's off-farm income offset.

Currently, some FHA recipients can claim deductions from their total income from all sources ('ordinary income') for the purposes of the FHA income test. Currently, the



circumstances where a person may claim the off-farm income offset are highly restrictive – only amounts of interest paid that relate to a farm are able to be offset. In addition, this policy is only available where the person’s commercial lender has applied very restrictive conditions to repayments. As a result, most FHA recipients do not qualify for the offset.

The amendments are much more generous and have more than one effect.

Firstly, they allow FHA recipients to have the farm enterprise and businesses that are directly-related to that enterprise considered together.

Secondly, where there is a net loss in the farm business, that loss is automatically used to offset any other ordinary income of the person or their partner, to a limit of \$100,000 per couple. This increases the amount of off-farm income offset from \$80,000 to \$100,000 per couple, per financial year.

*Example 2: off-farm income offset*

Farmers A and B are married and own 70% of a farm enterprise, while their child, Farmer C, owns 30% of the same farm enterprise. The farm enterprise has run at a loss of \$100,000. Off-farm business activities (a newsagency) have generated an income of \$120,000 for the farmers. All three farmers are applying for FHA.

Currently, the FHA income test would assess Farmers A and B with an income of \$84,000 and Farmer C with an income of \$36,000.

Under the amendments, Farmers A and B are entitled to offset their off-farm income by \$70,000 (their share of the losses from the farm enterprise), while Farmer C is entitled to reduce their off-farm income by \$30,000 (their share of the losses from the farm enterprise).

For Farmer A and Farmer B, this means that the FHA income test would assess them based on a combined ordinary income of \$14,000. Farmer C would be assessed as based on an ordinary income of \$6,000.

### **Relief payment (Schedule 3)**

Schedule 3 introduces a relief payment. A person will qualify for a relief payment if either:

- an FHA recipient has been payable for 1,460 days (equivalent to their full, four year entitlement) prior to 1 July 2020 (refer to subclause 89E(1))
- a person qualifies under circumstances prescribed by the Minister’s rules (refer to subclause 89E(2))

The amount of relief payment for a person who qualifies under subclause 89E(1) is \$6,500 if, on their 1,460<sup>th</sup> day of payment, they were receiving FHA as a member of a couple. If both members of a couple qualify under subclause 89E(1), they will receive

\$6,500 each (\$13,000 total for the couple). If a person is not receiving FHA as a member of a couple on their 1,460<sup>th</sup> day, they will receive a lump sum payment of \$7,500.

The amount of relief payment for a person who qualifies under subclause 89E(2) will be the amount prescribed under the Minister's rules that relates to the way the person qualifies for a payment.

*Example 3: A couple qualifies for a relief payment*

Farmer A and Farmer B are receiving FHA as members of a couple on their 1,460<sup>th</sup> day of payment. Both farmers are entitled to receive \$6,500 each. They do not need to apply for a payment – it will be automatically paid to their nominated bank accounts.