

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 - Senator McCarthy Written QoN 1

Question reference number: SQ20-000063

Senator: Malarndirri McCarthy

Type of Question: Written. Hansard Page/s:

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

Question:

Is there any scenario where people could be worse off, in terms of the amount of social security they receive, as a result of these changes?

- a) What are the scenarios?
- b) How many people will be worse off? (by payment type)
- c) By how much – on average and a distribution of the impact?

Answer:

Please refer to the answer for SQ20-000064 and SQ20-000065.

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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 - Senator McCarthy Written QoN 2

Question reference number: SQ20-000064

Senator: Malarndirri McCarthy

Type of Question: Written. Hansard Page/s:

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

Question:

The multi-agency submission indicates that income across a pay period is subsequently averaged across the same amount of time when calculating a social security payment. E.g. if someone is paid monthly, that pay is averaged forward across a month for social security purposes.

- a) Are there any circumstances where this might leave a person worse off compared to the current system of reporting earnings when money is earned, rather than paid? For example if a person only works one week in a monthly pay cycle, but the income is averaged across two social security fortnights where it would have previously been counted in only one fortnight?
- b) As another example, would a person who is paid monthly and earns \$2,000 in one week, but nothing for the next three weeks, be any worse off under the new system compared to the old system where their earnings would not have been averaged forward over a month?
- c) How can someone have the above circumstances taken into account so they are not unfairly disadvantaged because of the pay cycles of their employer?
- d) If people will be negatively impacted by the changes – including in the way outlined in a and b above, how many people will be negatively impacted? And what payments are those people on?

Answer:

Administrative data shows that currently around 3,500 social security recipients with earnings, which includes employment income and other income, are paid monthly each entitlement period. The department does not have any data which identifies the earnings patterns for these recipients.

In developing this measure, the department has not identified any adversely affected cohorts.

Individuals retain the obligation to report their employment income accurately.

In the specific example where a person works for one week (for example a one week contract) and their employer pays monthly, their employment period would be a week and their income would be attributed evenly over 14 days in the entitlement period. If the Single Touch Payroll data reflected a longer pay period, for example a month, the recipient could amend the STP pre-filled information.

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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 - Senator McCarthy Written QoN 3

Question reference number: SQ20-000065

Senator: Malarndirri McCarthy

Type of Question: Written. Hansard Page/s:

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

Question:

Is there any scenario where people could be better off, in terms of the amount of social security they receive, as a result of these changes?

- a) What are the scenarios?
- b) How many people will be better off? (by payment type)
- c) By how much – on average and a distribution of the impact?

Answer:

The “paid” model will benefit income support recipients by improving the accuracy of income reporting. This will be further improved by prefilling an individual’s wages or salary in their Centrelink reporting tool with Single Touch Payroll data, which is reported by their employer.

This measure will also mean recipients will receive additional income support when they commence employment. The current earned model results in income support being reduced or withdrawn once a person commences a new job and starts to earn income but before they are paid. Under these changes recipients who commence employment will continue to receive income support up until they are paid by their employer.

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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 - Senator McCarthy Written QoN 4

Question reference number: SQ20-000066

Senator: Malarndirri McCarthy

Type of Question: Written. Hansard Page/s:

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

Question:

There are currently 1.5 million corrections to reported income each year – how many fewer will there be under the new system?

Answer:

Over the course of 2017, there were around 15 million corrections to recently reported earnings. The number of corrections are expected to be significantly reduced by:

- assessing employment income when it has been paid rather than earned, and
- prefilling, where available through Single Touch Payroll data, an individual's employment income in their Services Australia reporting tool, for the individual's confirmation or amendment.

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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 - Senator McCarthy Written QoN 6

Question reference number: SQ20-000068

Senator: Malarndirri McCarthy

Type of Question: Written. Hansard Page/s:

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

Question:

Will people be considered to be paid for reporting purposes on the day their pay cycle is run?
Or on the day they money hits their bank accounts?

Answer:

Under these changes “paid” refers to the point at which an employer disburses employment income to their employees. This will typically be the point at which a payroll system is run and tax and super withholding occurs.

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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 - Senator McCarthy Written QoN 7

Question reference number: SQ20-000069

Senator: Malarndirri McCarthy

Type of Question: Written. Hansard Page/s:

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

Question:

Will this new system be used to assess eligibility for Carer Allowance (which is assessed at a flat-rate annual household income of \$250,000)?

Answer:

No, Carer Allowance is not included as its income test uses annual income amounts.