

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into the Social Services Legislation Amendment (Enhancing Pensioner and Veteran workforce Participation)

2022 - 2023

Division: Retirement Advice and Investment Division
Topic: Tax payment data
Reference: Spoken (21 September 2022)
Senator: Anne Ruston

Question:

Senator RUSTON: Thank you. I'm not sure if these questions are for Mr Flavel or Mr Hawkins. I'm interested in having a bit of a look at the interface between the tax system and the social security system as that relates to pensioners. Do we have any idea of how many people are locked out of receiving a pension due to their income earned through work who would otherwise meet the assets test threshold or the non-work earnings requirements?

Mr Sloan: I might answer that, if I may? At least from the social security point of view, to the extent that someone's not receiving a payment due to being ruled out due to income, they would not be in our system. I would have to talk to Services Australia to get that data, to see how many people may apply for the age pension and who are knocked back during the application process due to failing the income test for employment—your question as I understood it—rather than being asset tested or having other investment income.

Senator RUSTON: It would be great if we could just get some sort of an idea about that. I don't know whether the Treasury would have any line of sight on that, would they Mr Hawkins?

Mr Hawkins: No, we don't have good information about that. It's particularly on superannuation streams, which are paid to individuals and which are not taxable, but they are counted within the social security system and for both the income and the assets tests for the age pension. It's not possible to use the tax data to make a very good estimate of those who might be kept out of the system solely because of their employment income. They may also be kept out of eligibility because of their other assets, which aren't necessarily picked up by the tax system.

Senator RUSTON: So there's no way the tax system could understand the difference—whether anybody over pension age has income from work that's over a certain level. There's no data around what people over the age of 67½ are earning currently in reporting of earnings from work?

Mr Hawkins: There would, obviously, be some data available in terms of the tax paid by individuals in particular age groups, which might be available through, for example, the taxation statistics which the ATO publishes. I don't have any of that information with me, but I can go away and provide some of that on notice if you'd like to have that information.

Senator RUSTON: Good. The only reason I'm interested is if you're able to differentiate it out—income that's earned through the effort of work as opposed to income that's earned from an income-generating asset. That's the important component here: income earned through work and the influencing factors around that.

Answer:

The ATO's Taxation Statistics contain data on the taxable income earned by age group and can be found at www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Taxation-statistics/Taxation-statistics-2019-20/.

However, tax return data does not have information necessary for assessing eligibility under the Age Pension asset and income test. For example, superannuation assets will be included under the Age Pension means tests, both the asset test and the income test, but superannuation income will generally be tax exempt and not included in taxable income.