



Australian Government

Department of Veterans' Affairs

Submission to the
THE SENATE STANDING COMMITTEE
ON COMMUNITY AFFAIRS
Legislation Committee

Inquiry into the Social Services Legislation
Amendment (Enhancing Pensioner and Veteran
Workforce Participation) Bill 2022

August 2022

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1. Introduction

The Department of Veterans' Affairs (DVA) welcomes the opportunity to make a submission to the Senate Community Affairs Legislation Committee (the Committee) Inquiry into the Social Services Legislation Amendment (Enhancing Pensioner and Veteran Workforce Participation) Bill 2022.

2. Background

2.1. The Income Test

The amount of income support payment a person receives under the *Veterans' Entitlements Act 1986* (VEA) depends on their income and assets. An equivalent means test is also applied under the *Social Security Act 1991*.

The rate of income support payable is calculated under two separate tests — the income test and the assets test. The test paying the lower rate of pension is the one that is applied. For members of a couple, the rate of income support is calculated on the combined income and assets, regardless of which member of a couple actually receives the income or owns the assets.

For means testing purposes, income means any payment amount earned, derived or received by a person for their own use or benefit, from any means or source, whether within or outside Australia. This includes money deemed to be earned from interest on investments, loans, bullion or deprived assets. The amount that is used in the assessment is the gross amount. There are different income limits that apply depending on the payment received, and whether the recipient is single or a member of a couple.

If a person in receipt of an income support payment that is assessed under the income test has income above the applicable income limit, the income support payment ceases to be payable and the payment is cancelled.

2.2. Pensioner Concession Card

From 1 April 1983, all service pensioners became eligible for the full range of Commonwealth concessions and were issued with a Pensioner Concession Card. In 1995 the Pensioner Concession card was extended to Income Support Supplement recipients.

Concession card holders and their dependants, who are listed on the card, are eligible for concessions under the Pharmaceutical Benefits Scheme and may be eligible for a range of other concessions offered by state and territory governments.

Generally, when a Pensioner Concession Card holder ceases to receive an income support payment, they would also lose entitlement to the Pensioner Concession Card.

2.3. The Work Bonus

The Work Bonus was introduced on 20 September 2009 and replaced the former Pension Bonus Scheme, as a scheme to encourage and reward older Australians who remained in the workforce past their normal retirement age. When introduced, the Work Bonus disregarded half of the first \$500 of a person's fortnightly employment income for income support means testing purposes.

From 28 June 2011, the Work Bonus applied to the first \$250 of fortnightly employment income and any unused Work Bonus concession amounts could be accrued to a maximum of \$6,500. Accrued amounts in the Work Bonus Bank could be used to offset any employment income that exceeds \$250 per fortnight.

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From 1 July 2019, the Work Bonus increased to \$300 per fortnight and the Work Bonus Bank increased to \$7,800. Work Bonus income was also expanded to include both income from employment and self-employment income. Self-employment income must be generated by gainful work and is subject to a personal exertion test.

The Work Bonus income concession amount is not subject to indexation.

3. The Social Services Legislation Amendment (Enhancing Pensioner and Veteran Workforce Participation) Bill 2022

The Social Services Legislation Amendment (Enhancing Pensioner and Veteran Workforce Participation) Bill 2022 was introduced in the Senate on 3 August 2022.

This Bill is not dissimilar to the Social Services Legislation Amendment (Workforce Incentive) Bill 2022, which was introduced to the House of Representatives on 10 February 2022 but which was not debated prior to dissolution of the House. This Bill contained two schedules. These two schedules are now included as the first two schedules in the Social Services Legislation Amendment (Enhancing Pensioner and Veteran Workforce Participation) Bill 2022.

The third schedule in the Social Services Legislation Amendment (Enhancing Pensioner and Veteran Workforce Participation) Bill 2022, which increases the Work Bonus, is an additional change.

Although the Social Services Legislation Amendment (Enhancing Pensioner and Veteran Workforce Participation) Bill 2022 is predominately focussed on Social Security income support recipients, the Bill will also allow Social Security Age Pensioners (paid by DVA) and Service Pension, Income Support Supplement and Veteran Payment recipients under the VEA to have their payment suspended for up to two years, instead of cancelled, if their income, which includes some income from the recipient's own employment, precludes payment.

DVA notes that the provisions contained within Schedule 1 and Schedule 2 of the Bill require the working pensioner and their pensioner partner to cease qualification or payability "at the same time" and "because of the occurrence of the same event or change of circumstances", in order for the pensioner partner to benefit from these provisions. In practice it may not always be the case that both members of a couple lose payability or qualification at exactly the same time, particularly where a social security pensioner is partnered with a client of DVA. This is because they may have different reporting requirements, notification periods and/or payment dates, or the date of effect provisions may provide for differences. DVA notes that an amendment to the current Bill would be required to ensure that the partner in a couple would receive the same benefit as the 'working partner', particularly where the non-working partner was a recipient of an eligible payment administered by DVA under the VEA.

The suspension provisions will also be made available to their partners, where the partner is themselves receiving a social security pension under the *Social Security Act 1991* or an income support payment under the VEA. This will enable veterans and their partners to resume their payments more easily if their income reduces below the relevant income thresholds that preclude payment within a two year period.

The Bill also removes a potential disincentive to working by extending the period that Social Security income support recipients and Age Pensioners (paid by DVA), Service Pension and Income Support Supplement recipients can remain qualified for a pensioner concession card, to two years.

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Additionally, the Social Services Legislation Amendment (Enhancing Pensioner and Veteran Workforce Participation) Bill 2022 increases the income work bonus amount from \$300 to \$600 which will enable Social Security income support recipients and Age Pensioners (paid by DVA) and Service Pension, Income Support Supplement and Veteran Payment recipients under the VEA to earn up to \$600 a fortnight and still receive the maximum pension payment (if there is no additional assessable income from other sources).

These changes require legislative amendment to be made to the *Social Security Act 1991* and equivalent amendments to the VEA.

4. Conclusion

The proposed legislative amendments to the VEA would have a positive impact on veterans and their partners.

DVA notes that Schedule 1 of the Bill has a commencement date of Royal Assent. It should be noted that on passage of this Bill, DVA will need to implement manual processes until an ICT solution can be delivered.

DVA also notes that the provisions contained within Schedule 1 and Schedule 2 of the Bill all require the working pensioner and their pensioner partner to cease qualification or payability “at the same time” and “because of the occurrence of the same event or change of circumstances”, in order for the pensioner partner to benefit from these provisions. In practice, it may not always be the case that both members of a couple lose payability or qualification at exactly the same time, particularly where a social security pensioner is partnered with a client of DVA. An amendment to the Bill would be required to remove this anomaly as indicated above.

DVA trusts that the information provided in this submission will assist the Committee in its deliberations.