

Social Security Agreement with Croatia

Introduction

- 2.1 The *Agreement between Australia and Croatia on Social Security* was tabled in Parliament on 17 June 2003. The Committee, in its previous report, noted that examination of the proposed treaty action was delayed at the request of the Department of Family and Community Services.¹ In Report 53, three other social security agreements were examined, adding to the extensive coverage given by the Committee to previous agreements of this type.
- 2.2 The Committee understands that the Agreement with Croatia is similar in terms to other agreements of this nature. Given the recent examination of three treaties of its kind in the Committee's previous report, observations will be kept to a minimum.

Background

- 2.3 Australia currently has 16 similar agreements with other countries. A list of these countries was provided to the Committee by the Department of Foreign Affairs (DFAT), as an annexure to documents tabled on 17 June 2003.

1 See *Report 53: Treaties tabled in May and June 2003*, Chapter Three, pp. 15-34.

Features of the Agreement

- 2.4 As with other agreements of this type, this Agreement is designed to help overcome restrictions in Croatian legislation preventing the payment of pensions into Australia. For Australia, the Agreement covers age pensions, disability support pensions for people who are severely disabled, and additional child amounts if the pensioner has dependent children and is outside Australia. For Croatia, the Agreement covers old-age pensions, disability pensions and survivor's pensions.²
- 2.5 The Department of Family and Community Services estimates that over 300 people residing in Australia and Croatia will benefit by being able to claim payments to which they currently do not have access.³

Portability of benefits

- 2.6 The NIA advises that the Agreement provides for enhanced access to certain social security benefits in Australia and Croatia and greater portability of benefits between those countries. 'Portability' essentially allows for the payment of a benefit from one country into another country. The Committee understands that 'this is an underlying principle of Australia's bilateral agreements on social security where the responsibility for providing benefits is shared.'⁴

Double coverage provisions

- 2.7 The Committee notes that, like other treaties it has examined, this Agreement contains 'double coverage' provisions. The basic aim of those provisions, according to Mr Nigel Murray of the Department of the Treasury, is:

Where an employee is sent from one country to work temporarily in the other country, rather than having to pay twice under both countries' superannuation systems - as is currently the case - they only have to pay under their current home country's system.⁵

2 NIA, para. 11.

3 NIA, para. 10.

4 NIA, para. 5.

5 Mr Nigel Murray, *Transcript of Evidence*, 18 August 2003, p. 28. A 'home country' is the country from which a person is sent.

Costs

- 2.8 According to the NIA, administered outlays are expected to increase by A\$2.03 million over the forward estimates period to 30 June 2006. The Committee understands that:

The Department of Family and Community Services and Centrelink Departmental costs of A\$4.252 million over the same period represent the cost of implementing this Agreement and the Agreement with Slovenia ... as well as the Agreements with Switzerland and Norway which are under negotiation. This cost includes the development of new computer systems, administrative processes, forms and staff training.⁶

Consultation

- 2.9 The Committee notes that according to the annexure tabled with the treaty, a wide range of organisations was consulted with regard to this treaty. The Committee was somewhat concerned, however, with the inaccuracies contained in information presented by the Department of Family and Community Services, including as to the range, number and other details of the consultations which took place regarding this Agreement⁷.

Recommendation

Recommendation 1

The Committee supports the proposed *Agreement with Croatia on Social Security* and recommends that binding treaty action be taken.

6 NIA, para. 34.

7 See *Transcript of Evidence*, 18 August 2003, pp. 29-30.