

- 1.11 In the concluding comments to this advisory report, the Committee notes some of its broader concerns regarding the conduct of Bills inquiries and mechanisms to facilitate the continuing integrity and contribution of Committees of both Houses.

Outline of Bill

- 1.12 The Bill contains five Schedules which address amendments to legislation across a range of areas. Four of the Schedules propose amendments to legislation in order to give effect to 2011–12 Budget measures. Three of these Schedules relate to new changes announced as part of the Budget which affect eligibility for certain assistance payments or adjust the commencement date for indexation of certain benefits.
- 1.13 These measures are:
- Schedule 1: Age of Family Tax Benefit (FTB) child for family tax benefit;
 - Schedule 2: Indexation arrangements for family assistance payments and paid parental leave; and
 - Schedule 3: Qualification for disability support pension.
- 1.14 Schedule 4 is a further 2011–12 Budget measure and proposes an extension to the welfare reform trial in the Cape York area.
- 1.15 The final schedule in the Bill, Schedule 5, is not related to a Budget measure and proposes to exempt Aboriginal Land Trusts from the *Public Works Act 1969*.

Schedule 1—Age of FTB child for family tax benefit

Amendment proposed

- 1.16 Schedule 1 of the Family Assistance and Other Legislation Amendment Bill 2011 proposes to amend the *A New Tax System (Family Assistance) Act 1999* to enact measures announced in the 2011–12 Budget.
- 1.17 The substance of the proposed amendment is that the maximum age of a child for eligibility for Family Tax Benefit (FTB) Part A be lowered from 24 years to 21 years on 1 January 2012.

- 1.18 As a transitional measure, FTB Part A payments will not be withdrawn on 1 January 2012 from families where a child is aged between 22 and 24 and is enrolled in a course of full-time study immediately before 1 January 2012. The payments will continue until the end of the course of full-time study in such cases.
- 1.19 This measure is intended to align the age of non-dependence for FTB Part A with the age of independence for Youth Allowance.
- 1.20 The Australian Government calculates that this measure would save \$29.2 million over four years.

Issues and impacts

- 1.21 The amendment would make families ineligible for FTB Part A payments for children aged 22 years and above, with the exception of current 22–24 year old students, from 1 January 2012.
- 1.22 On that same date, the age of independence for the purpose of Youth Allowance will be 22, according to the *Social Security Act 1991*. This means that a person aged 22 years and above who is enrolled in full-time study will be assessed for eligibility for Youth Allowance against their own income, not that of their parents. Moreover, the Youth Allowance payment is paid to the individual, not to their family.
- 1.23 Thus, a family may lose FTB Part A when their child turns 22, but the individual could gain personal support through Youth Allowance instead.

Committee comment

- 1.24 The Committee considers the harmonisation of legislation a desirable goal that enables individuals, families and organisations to navigate and understand the laws that apply at the various life stages for individuals and families. The Committee also supports the view that young people aged 22 years and above should be considered independent.
- 1.25 The Committee notes that this amendment reflects the view that families do not require family payments for children who are no longer dependent. Independent children can instead receive direct support if they meet Youth Allowance eligibility requirements and are studying full-time.
- 1.26 Effectively, the Australian Government will be transferring benefits from the parents of 22–24 year old full-time students through FBT Part A directly to 22–24 year old full-time students through Youth Allowance.

- 1.27 The Committee is of the view that Schedule 1 will not result in significant disadvantage for Australian families and recommends that the House of Representatives agree to pass Schedule 1 of the Family Assistance and Other Legislation Amendment Bill 2011.

Recommendation 1

- 1.28 **The Committee recommends that Schedule 1 – Age of FTB child for family tax benefit of the Family Assistance and Other Legislation Amendment Bill 2011 be passed by the House of Representatives without amendment.**

Schedule 2—Indexation

Amendment proposed

- 1.29 Schedule 2 of the Family Assistance and Other Legislation Amendment Bill 2011 proposes to amend the *A New Tax System (Family Assistance) Act 1999* (the Family Assistance Act) and the *Paid Parental Leave Act 2010* on 30 June 2011 to enact measures announced in the 2011–12 Budget.
- 1.30 The substance of the proposed amendments is to pause indexation of the higher income free threshold for Family Tax Benefit (FTB) Part A, and the maximum income limits for eligibility for Family Tax Benefit (FTB) Part B, the baby bonus, and paid parental leave until 1 July 2014. The amendment will also pause indexation of FTB Part A and FTB Part B supplement payments until 1 July 2014.
- 1.31 Normally these income limits and supplement payments are indexed by the Consumer Price Index on the first day of the financial year. This Schedule proposes that these income limits and supplement payments are not indexed by the Consumer Price Index on 1 July 2011, 1 July 2012 and 1 July 2013.
- 1.32 The Australian Government expects that the income limit indexation amendment would save \$1 201.9 million over four years, and the FTB