

# Agreement on Social Security between the Government of Australia and the Government of Malta

## Introduction

- 7.1 The *Agreement on social security between the Government of Australia and the Government of Malta* (the Agreement), when entered into force, will replace the current such agreement entered into force in Canberra on 1 July 1991.<sup>1</sup>
- 7.2 The Agreement is part of a network of existing social security bilateral agreements that Australia has with other countries. The Agreement, similarly to the current agreement, will provide access to certain Australian and Maltese social security benefits and limited portability of these benefits between the countries.<sup>2</sup>

## Features of the Agreement

- 7.3 The National Interest Analysis states that the principal differences between the current and proposed agreements are those as listed:

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1 National Interest Analysis (NIA), para. 11.

2 NIA, para. 7.

- a disability support pension is restricted to people who are considered to be severely disabled, that is, people assessed as having no capacity to work or no prospect for rehabilitation within two years of being granted the pension
- when a person enters Australia temporarily, their rate of benefit will remain the same for the first 26 weeks. When a person departs Australia temporarily, their pension rate will remain the same for the first 26 weeks
- new transitional provisions have been added and several provisions are now dealt with by Australian domestic legislation and so are no longer included.<sup>3</sup>

7.4 The first principal change brings the agreement into line with similar such bilateral agreements. Those persons already receiving a disability support pension under the current agreement will not be affected by the changed provision.<sup>4</sup> The second principal change is intended to reduce the incident of overpayments to pensioners who undertake temporary visits between Australia and Malta.<sup>5</sup>

7.5 The Agreement will continue to allow people to lodge claims in either Australia or Malta and help people to meet minimum qualifying requirements for benefits. This is achieved by 'allowing periods of working-life residence in Australia to be counted by Malta as periods of contributions to the Maltese social security scheme' and vice versa.<sup>6</sup> In addition, the Agreement will also overcome restrictions on portability of payments between Australia and Malta and provide for mutual administrative assistance to determine correct entitlements for recipients.<sup>7</sup>

7.6 For Australia, the Agreement will include access to the age pension, disability support pension for the severely disabled and pension for widows (including the single parenting payment for widows with dependent children and bereavement allowance).<sup>8</sup>

7.7 For Malta, the Agreement will include contributory pensions in relation to retirement, invalidity, widowhood and non contributory

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3 NIA, para. 14.

4 Mr Peter Hutchinson, *Transcript of Evidence*, 14 March 2005, p. 16.

5 NIA, para. 14.

6 Mr Peter Hutchinson, *Transcript of Evidence*, 14 March 2005, p. 16.

7 Mr Peter Hutchinson, *Transcript of Evidence*, 14 March 2005, p. 16.

8 NIA, para. 12.

assistance and pension.<sup>9</sup> The majority of people that will benefit from the Agreement are pensioners.<sup>10</sup>

## Evidence presented

- 7.8 The Committee received evidence that the Agreement will address the gaps in coverage of people who move between Australia and Malta, allowing people to maximise their income and provide greater choice of retirement destination. Further, the Agreement will contribute to the bilateral relationship between Australia and Malta. The current agreement provides benefits for approximately 2,500 former Maltese residents, living in Australia and over 3,000 former Australian residents living in Malta.<sup>11</sup>
- 7.9 Clarification was sought about the differences between similar bilateral agreements which form part of the Australian Government's network of social security arrangements. In particular, clarification was sought about the current bilateral social security arrangements with New Zealand.
- 7.10 A representative from the Department of Family and Community Services confirmed that Australia's bilateral social security agreement with New Zealand is very different to any other such agreement.<sup>12</sup> The reason for the difference is that Australia and New Zealand both have non-contributory social security systems (excepting the superannuation guarantee system). The agreement in place limits the entitlement so that a recipient receives equivalent to one pension. The reason for this is to not disadvantage those who have lived only in Australia and are receiving entitlements.<sup>13</sup>

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9 NIA, para. 12.

10 NIA, para. 8.

11 Mr Peter Hutchinson, *Transcript of Evidence*, 14 March 2005, pp. 15 and 16.

12 Mr Peter Hutchinson, *Transcript of Evidence*, 14 March 2005, p. 18.

13 Mr Peter Hutchinson, *Transcript of Evidence*, 14 March 2005, p. 18.

## Implementation, costs and savings

- 7.11 The *Social Security (International Agreements) Act 1999 (Cth)* (the Act) will be amended to include the schedule containing the text of the Agreement. The Agreement will be implemented, pursuant to sections 8 and 25 of the Act.<sup>14</sup>
- 7.12 The Agreement will provide administrative savings of \$0.68 million and will cost \$0.47 million to implement. Implementation costs are associated with administrative changes, additional staff training and system improvements.<sup>15</sup>
- 7.13 The Committee was informed that savings would result from fewer claims for severely disabled pensions once the Agreement entered into force.<sup>16</sup>

## Consultation

- 7.14 The Committee understands that consultation about the Agreement was conducted Australia-wide with Maltese community groups, relevant community welfare organisations and State and Territory Governments.<sup>17</sup> The Committee also understands that no issues about the Agreement were identified through the consultation process.<sup>18</sup>

## Entry into force

- 7.15 Pursuant to Article 19, the Agreement will enter into force on the first day of the month after the exchange of notes by the relevant Parties. The date scheduled for entry into force of the Agreement is 1 July 2005.<sup>19</sup>

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14 NIA, para. 33.

15 NIA, para. 35.

16 Mr Peter Hutchinson, *Transcript of Evidence*, 14 March 2005, pp. 18 & 19.

17 NIA, Attachment on Consultation, paras. 1-3.

18 Mr Peter Hutchinson, *Transcript of Evidence*, 14 March 2005, p. 16.

19 NIA, para. 3.

## Conclusion and recommendation

- 7.16 The Committee acknowledges and supports that the Agreement will bring the bilateral social security agreement with Malta into line with Australian Government policy on disability support pensions. The Committee also supports the savings that will flow from the Agreement.
- 7.17 The Committee found that the proposed Agreement will continue to provide economic and political benefits for Australia by strengthening bilateral relations with Malta and providing choice of retirement destination for Australians and Maltese.

### Recommendation 5

**The Committee supports the proposed *Agreement on social security between the Government of Australia and the Government of Malta* (Valletta, 16 June 2004) and recommends that binding treaty action be taken.**

