

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 3-5 June 2008

Question: bet 65

Topic: Family Assistance Entitlements

Hansard Page: E14-E16

Senator Boswell asked:

Senator BOSWELL—Budget Paper No. 2 indicates that the current approach, where the net value of reportable fringe benefits is used to calculate entitlements to family assistance, will be replaced by the use of gross value. This change will directly and adversely affect many low-income disability support workers. Can I mention that National Disability Services says that this is a direct, if unintended, assault on low-income working families in the disability sector by undermining the attractiveness of the salary packaging. Was the impact on the not-for-profit sector considered in the advice that the department gave the government?

Ms Furnell—I understand there are some changes resulting from a separate measure announced earlier under the former government that come into effect on 1 July 2008, which are unrelated to the measures announced in this budget, which affect the not-for-profit sector, so I do not have the precise details of that with me, but we may be referring to a separate measure there.

Senator BOSWELL—No. I think we are referring to the same measure. I am asking you: did you consider the not-for-profit sector in the advice that you gave to the government?

Ms Furnell—I am not aware of specific details of policy advice given on this measure.

Senator BOSWELL—How many letters have been sent out advising people of reduced benefits due to the grossing up of fringe benefits tax?

Ms Furnell—That is a question that would be more properly directed to the Department of Families, Housing, Community Services and Indigenous Affairs.

Senator BOSWELL—No. They asked me to direct it to you. Let us not toss the parcel around. They said it was Treasury's responsibility.

Senator Sherry—We will take it on notice and sort out the particular departmental area, but I agree with the officer. It would seem to me that the administration of the measure and the sending out of letters is the responsibility of a particular department. However, we will sort it out and get you an answer. We will take it on notice.

Senator BOSWELL—Yes. It will be an absolute non-answer. They always are when they are taken on notice. As I said before, we do not get a lot of opportunities to do this and it is frustrating when we get one department that says 'go to A' and department A says 'go to B' and we are going nowhere.

Senator Sherry—I do understand and appreciate your concern. We will sort out the jurisdictional issue. Once we have sorted that out we will provide an answer on notice. I do not agree with your all-sweeping critique that answers supplied as a response to a question taken on notice are not informative. I can think of many

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occasions when you were in government when I did receive informative answers to questions taken on notice.

Senator BOSWELL—Thank you for that. Can I just ask you to do it with some degree of urgency, because I have been referred to another department. I would appreciate it if you could do that as soon as possible, not on 1 August. I have some other questions. Do these changes to the fringe benefits tax affect the eligibility for rent assistance?

Ms Furnell—I am not an expert in the details of the means testing.

Senator BOSWELL—Is there an expert here?

Senator Sherry—You will find that the experts on rent assistance would be in another estimates in another program. That is the difficulty that we have.

Senator BOSWELL—Again, I was told to refer these questions to Treasury, and then Treasury tells me it is another department.

Senator Sherry—We will attempt to sort out the jurisdictional issue and get you a response.

Senator BOSWELL—I will put this question on notice, but the answer will be the same. In your advice to government, how many people did you determine would have a reduced benefit for rent assistance due to changes to salary sacrifice?

Senator RONALDSON—I raise a point of order, Madam Chair. Given the circumstances where Senator Boswell has effectively been denied the opportunity to ask the officers he was speaking to from the other department to provide this information as a matter of urgency, which he may well have done had he known of today's events, could this information, in all fairness to Senator Boswell, be provided inside the time frames that have been set for the return of answers? In fairness to the senator, he was denied the opportunity to make that request when he asked these questions previously and I think in those circumstances it would not be unreasonable for this information to be provided well inside the time frame that has been arranged.

CHAIR—The officer has indicated that she will check to see if that is available. As the minister pointed out, there are some jurisdictional issues here and I do not think that we can promise anything.

Senator Sherry—I cannot promise a specific date but what I can do is commit to making it a high priority to get this response. I cannot give you a specific date now, and that would be misleading if I set a specific date, but we will give it high priority.

Senator BOSWELL—I had a distressed community worker ring me yesterday. She receives \$15,000 tax free; I suppose you would call it a free kick. On talking to her, I was told that hospital workers receive an \$18,000 tax-free fringe benefits rate. In your policy advice did you consider the effect on hospitals?

Ms Furnell—I am not across the details of this particular matter. I think it is quite likely it is handled through another group. It is a tax matter rather than this particular matter, but we can undertake to check.

Senator BOSWELL—But you are the Treasury, aren't you?

Senator Sherry—Yes, but the tax group spent almost a day here yesterday.

Senator BOSWELL—While the tax group was here I was asking the families group who told me to refer it to Treasury. I feel like a bit of a parcel being—

Senator Sherry—When you say Treasury, it appears to me that, given the ongoing questions you are asking, it is a taxation matter—and tax was on yesterday.

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Senator BOSWELL—And meanwhile I was with the families group asking questions and they did not tell me to go to the tax group; they told me to go to the Treasury group. Anyhow—

Senator Sherry—This is Treasury portfolio estimates and in Treasury portfolio estimates there is the tax area which we dealt with yesterday—very comprehensively, I might say.

Senator BOSWELL—How will the change affect nurses and hospital workers who have an \$18,000 taxfree fringe benefit level tax? You will obviously respond to that. How many hospital workers and community workers—I want a figure for each—will be affected as a result of the tax-free fringe benefit?

Senator Sherry—We will take those questions on notice and we will ensure we get a response.

Senator BOSWELL—This is the last question: have you considered the effect on the wider community of the not-for-profit sector and how many employees will be affected by the changes?

Senator Sherry—We will take those on notice and we will get our response from the tax area when we can.

Senator BOSWELL—Thank you.

Answer:

These questions lie outside Treasury's portfolio responsibilities. The following answer was provided by the responsible agency, the Department for Families, Housing, Community Services and Indigenous Affairs.

The Government's 2008-09 Budget did not change the treatment of reportable fringe benefits in determining income for family assistance entitlements. The change in the treatment of reportable fringe benefits was announced as part of the previous Government's Child Support Reforms and was included in the 2006-07 Budget.

On 19 June 2008, the Government announced its decision to reverse those changes so that employees in the charitable and not-for-profit sector will not suffer a loss of family tax or child care benefits after 1 July 2008 if their circumstances have not otherwise changed. Legislation has been passed by the Parliament to restore the use of the net value of reportable fringe benefits in the income definition for family assistance from 1 July 2008.

The treatment of fringe benefits is a complex issue, with flow on effects to employees beyond the not-for-profit sector receiving family assistance. The broader policy issues will be considered as part of the comprehensive review of Australia's Future Tax System being led by Treasury Secretary, Dr Ken Henry.

For eligible families, rent assistance is included in the maximum rate of Family Tax Benefit Part A. Rent assistance, like the child related components in the maximum rate, is affected by the reduction of the maximum rate by the income test, and would have been affected by the change in the treatment of reportable fringe benefits.

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At the end of May 2008, there were around 85,000 Family Tax Benefit recipients who were paid fortnightly who also had a reportable fringe benefit. Around 4,200 of these recipients had an adjusted taxable income of less than \$40,000.

The number of Family Tax Benefit recipients who are hospital or community workers, or employees in the not-for-profit sector, is not known. Centrelink does not collect information on a person's type of employment as it is not necessary for assessing their eligibility for Family Tax Benefit.

In the 2005-06 tax year, around 100,000 employees in the not-for-profit sector received some portion of their remuneration in the form of a fringe benefit. That number is about one-seventh of the total population receiving fringe benefits. It is only the number of those employees who have children and receive Family Tax Benefit who would have been affected by a change to the treatment of reportable fringe benefits.