

FAMILY ASSISTANCE AMENDMENT (FURTHER 2008 BUDGET MEASURES) BILL 2009

THE INQUIRY

1.1 In accordance with a Senate Order of 14 May 2009 to refer certain budget-related bills to Senate Committees, the provisions of the Family Assistance Amendment (Further 2008 Budget Measures) Bill 2009, introduced into the House of Representatives on 3 June 2009, have been referred to the Community Affairs Legislation Committee for inquiry and report by 16 June 2009.

1.2 The Selection of Bills Committee noted in Report No.7 Of 2009, dated 4 June 2009, that it had considered a proposal to not refer the Bill to the Community Affairs Legislation Committee but drew the Committee's attention to paragraph (4) of the Order of 14 May. The Selection of Bills Committee made no further recommendation in respect of the Bill.

1.3 Due to the inquiry timeframe the Committee sought comment from peak groups in relation to the Bill. The National Welfare Rights Network (NWRN) provided comment on the Bill. The Committee then sought a written response from the Department of Families, Housing, Community Services and Indigenous Affairs to the issues raised by the NWRN. In order to fully inform the Senate on the issues raised, the NWRN comments are reproduced at Appendix 1 and the Department's written response is reproduced at Appendix 2. They may also be accessed through the Committee's website at http://www.aph.gov.au/senate_ca.

THE BILL

1.4 This Bill will amend the family assistance law to implement certain 2008 Budget measures that aim to reduce customers' family assistance debts and assist customers to avoid accumulating debts into the future.¹

Continuous adjustment of rate of family tax benefit by instalment

1.5 The first measure introduces mandatory continuous adjustment to allow for the reduction of a claimant's rate of family tax benefit where there is a revised estimate (by the person or the Secretary) to assist in preventing overpayments following reconciliation.

1.6 Continuous adjustment is currently a voluntary practice that assists customers to avoid being overpaid family tax benefit where there has been an increase in their

1 Outline of the Bill is from the Explanatory Memorandum and Minister's second reading speech.

income estimate during the income year. Around three-quarters of all families currently utilise continuous adjustment on a voluntary basis. This measure will make the continuous adjustment practice used by Centrelink and the Family Assistance Office mandatory for families who have an increased income estimate that reduces their ongoing rate of family tax benefit.

Non-payment of family tax benefit for non-lodgement of tax returns

1.7 The second measure will cease fortnightly family tax benefit payments, and payment for a past period in the same income year in which a claim is made, for claimants and/or partners who fail to lodge income tax returns. It is aimed at reducing the number of existing and newly-accrued family tax benefit debts among families who have not lodged necessary tax returns.

1.8 In November 2006, the Australian National Audit Office recommended in its report Management of Family Tax Benefit Overpayments that measures be introduced to reduce this type of debt, known as non-lodger debt. This measure responds to the ANAO recommendations on non-lodger debt. Within 18 months after the end of the relevant financial year, families will be required to lodge their tax returns or advise the Family Assistance Office that they are not required to lodge a tax return. If a tax return is not lodged within this time frame, the Family Assistance Office will temporarily restrict a customer's family tax benefit payment options, precluding options that are based on an estimate of income. The most commonly used payment mechanism that uses income estimates is fortnightly payments of family tax benefit. Therefore, where a family has not lodged their tax returns within 18 months of the end of the relevant financial year, they will not receive fortnightly payments of family tax benefit.

1.9 During the non-payment period, the family will continue to be entitled to family tax benefit as a lump sum, which can be paid following lodgement of required tax returns. The measure limits only the method by which those families can be paid.

Information sharing

1.10 The third measure will include amendments to the tax file number provisions in the family assistance law to ensure accurate information sharing between the Australian Taxation Office and Centrelink for the purpose of reconciliation and debt offsetting.

1.11 The NWRN did not comment on this measure.

CONCLUSION

1.12 The Department has responded to the issues raised by the NWRN. In the circumstances the Committee has no further comment to make on this Bill.

Recommendation

1.13 The Committee recommends that the Family Assistance Amendment (Further 2008 Budget Measures) Bill 2009 be passed.

Senator Claire Moore
Chair

June 2009

