

# CHAPTER 3

## Household Stimulus Package Bill 2009

### Purpose of the Household Stimulus Package Bill 2009

3.1 The Household Stimulus Package Bill 2009 (the bill) provides for a series of one-off cash payments to people who are receiving a range of payments under the *Social Security Act 1991* and the *A New Tax System (Family Assistance) Act 1999* (Family Assistance Act) on 3 February 2009. Generally the payments are a one-off amount of \$950 and will be paid in most cases in March 2009 at a cost of \$4.584 billion.

3.2 The payments are described below:<sup>1</sup>

- Training and Learning Bonus - This bonus is for senior secondary or tertiary students receiving a range of education assistance payments or Family Tax Benefit Part A (aged 21 to 24 years) plus recipients of Sickness Allowance and Special Benefit.
- Farmers Hardship Bonus - This bonus is for people receiving Exceptional Circumstances Relief Payment, Farm Help Income Support, Transitional Income Support or Interim Income Support. It will be paid in the fortnight commencing 24 March 2009.
- Education Entry Supplement - This payment will go to people receiving Education Entry Payment between 1 January 2009 and 30 June 2010. The qualification period for receipt of Education Entry Payment will be reduced from 12 months to 4 weeks of continuous receipt of an income support payment during the period 1 January 2009 until 30 June 2010. Eligibility for the Education Entry Payment will also be extended during this period to Youth Allowance recipients who are not full-time students. The second reading speech states that the 'Training and Learning Bonus will assist Australia's recovery by providing for a more equipped workforce into the future'.<sup>2</sup>
- Back to School Bonus - This bonus is for each child aged 4 to 18 years who qualifies for Family Tax Benefit Part A on 3 February 2009. It will also be paid to recipients of Disability Support Pension and Carer Payment who are aged under 19 years on 3 February 2009. It will be paid in March.

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1 Scott Kompo-Harms, Les Nielson, Richard Webb and others, *Nation Building and Jobs Plan Bills – Interim Bills Digest*, 6 February 2009, no. 92, 2008–09 at <http://www.aph.gov.au/library/pubs/bd/2008-09/09bd092.pdf>, accessed 8 February 2009.

2 The Hon Julia Gillard, Minister for Education, Minister for Employment and Workplace Relations and Minister for Social Inclusion, *House of Representatives Hansard*, 4.2.09, p. 10.

- Single Income Family Bonus - This Bonus will be paid in the fortnight commencing 11 March to families qualifying for Family Tax Benefit part B on 3 February 2009.

3.3 The estimated numbers of people who will receive assistance through the measures contained in the Bill are shown in the table below.

<b>Payment</b>	<b>Numbers assisted</b>
Training and Learning Bonus and the Education Entry Supplement	440,000 students
Farmers Hardship Bonus	21,500 people
Back to School Bonus	2.76 million children
Single Income Family Bonus	1.5 million families

### **Provisions of the bill**

3.4 The following provides an overview of the main provisions of the bill.

#### ***Schedule 1 – Social Security Act 1991***

##### *Training and learning bonus*

3.5 Items 1 and 2 insert definitions into the Social Security Act in order for the bonus to be paid to people who are in receipt of an education allowance for primary, secondary, tertiary and homeless students and double orphan students under the Veterans' Children Education Scheme, or an education allowance for primary, secondary, tertiary and homeless students under the Military Rehabilitation and Compensation Act Education and Training Scheme.

3.6 Item 3 inserts a new Part 2.18 into the Social Security Act. This Part sets out eligibility for the training and learning bonus and the farmers hardship bonus.

3.7 Under proposed new subsection 910(2) a person will qualify for a training and learning bonus if, on 3 February 2009, they were being paid:

- Youth Allowance;
- Austudy;
- special benefit;
- sickness allowance;
- a payment under the ABSTUDY Scheme that included an amount for living allowance; or
- an education allowance for primary, secondary, tertiary and homeless students and double orphan students under the Veterans' Children Education Scheme, or an education allowance for primary, secondary, tertiary and homeless

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students under the Military Rehabilitation and Compensation Act Education and Training Scheme.

3.8 A person receiving Youth Allowance must be undertaking full time study as at 3 February 2009 or qualify for Youth Allowance as a new apprentice in order to receive the bonus. A person receiving special benefit will only receive the training and learning bonus if, on 14 October 2008, they were not of pension age.

3.9 People who qualify for the bonus on the basis of the criteria set out above will be eligible for a payment of \$950, and there are provisions which prevent a person from being paid the bonus more than once regardless of the fact that they may qualify under one or more criteria.

3.10 The new Part contains provisions that provide that a person is qualified for the training and learning bonus if, on 3 February 2009, the person was entitled to FTB which included a Part A rate on 3 February 2009 that was greater than nil (worked out taking into account at least one FTB child who was aged 21 or more and less than 25) and the person would have been entitled to the back to school bonus if that child had been aged four or more and less than 19 on 3 February 2009.

3.11 If a person qualifies for the training and learning bonus because they receive a payment identified in subsection 910(2), they receive a training and learning bonus equal to the sum \$950 (to offset their personal education expenses) and \$950 for each qualifying FTB child (to offset their children's education expenses).

#### *Farmers hardship bonus*

3.12 Proposed Division 2 of Part 2.18 of the Social Security Act will allow individuals who receive payments under the Exceptional Circumstances Relief Payment, Farm Help Income Support, Transitional Income Support and Interim Income Support payments to also receive the one-off farmers hardship bonus of \$950.

3.13 Items 4 and 5 of the Schedule amend paragraph 1231(1AA)(b) to include the training and learning bonus and farmers hardship bonus so that the Secretary cannot make a determination to reduce the bonus to nil, if for example, such a decision would cause an individual financial hardship.

#### ***Schedule 2 – Education entry payment***

3.14 This Schedule contains amendments designed to reduce the current qualification period for the education entry payment from 12 months to four weeks of continuous income support payments and provides for the payment of \$950 to people who are eligible for the education entry payment under the Social Security Act or the *Veterans' Entitlements Act 1986* (Veterans' Entitlement Act).

*Education entry payment for recipients of youth allowance (other)*

3.15 Youth allowance (other) is payable to a person who is not undertaking full-time study and who is not a new apprentice. Under the proposal, a person receiving youth allowance (other) will be able either to undertake full-time study or to include short-term vocational-related courses in their activity agreements and then receive an education entry payment to contribute to the up-front costs of the study. This proposal is contained in Item 8.

*Education entry payment supplement*

3.16 Item 9 inserts a new Division 14 at the end of Part 2.13A of the Social Security Act. If a person is qualified for an education entry payment under Part 2.13A or under Part VIIAA of the Veterans' Entitlements Act, they are then eligible for an education entry payment supplement. The education entry supplement is \$950.

*Schedule 3 – Back to school bonus and single income family bonus*

3.17 This Schedule provides for two new lump sum payments for families:

- a back to school bonus of \$950 will be available for each FTB child in a family aged 4 to 18 who attracts FTB Part A on 3 February 2009. This bonus will also be available to people who receive disability support pension or carer payments for 3 February 2009 where the recipient is aged less than 19 on that date; and
- a single income family bonus of \$950 will be available for a family that is entitled to FTB Part B on 3 February 2009, regardless of the age of the children. Proposed section 101 sets out the circumstances in which an individual is entitled to a single income family bonus.

3.18 If FTB on 3 February 2009 is shared between two people under the usual rules for that payment, the relevant new lump sum payment will be similarly shared.

3.19 The new bonus payments to families will be exempt from tax and will not be taken as income for the purposes of the social security law or the Veterans' Entitlements Act.

*Schedule 4 – Administrative scheme for household stimulus payments*

3.20 This Schedule contains provisions which allow for the establishment of administrative schemes in circumstances where the statutory regime does not deliver the intended result. They are common features of Acts which provide for welfare related or one-off payments to enable payments to be provided to people who would otherwise be eligible but for the operational limits of the statute.

*Schedule 5 – Other amendments*

3.21 This Schedule is designed to provide further consequential amendments required for the household stimulus payments to be made and ensure that the

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payments will not count as income for social security, family assistance and farm household assistance purposes, and will be income tax-free.

3.22 The amendments also provide that where an individual is subject to income management, any household stimulus package payment they receive will be income managed at 100 per cent.

3.23 Briefly the amendments are as follows:

- Amendments to the *Farm Household Support Act 1992* - The amendments provide for the payment of benefits in a manner similar to other welfare support payments delivered under the Social Security Act;
- Amendments to the *Income Tax Assessment Act 1936* - A taxpayer's dependants' separate net income (SNI) is used to determine the taxpayer's eligibility to certain dependant offsets. Payments such as carer allowance, child care benefit and FTB are not included as part of SNI. It is not intended that the household stimulus package payments (or any payment under an administrative scheme determined under Schedule 4 to the bill) form part of SNI;
- Amendments to the *Income Tax Assessment Act 1997*– A range of amendments are made to the Act inserting references to the various household stimulus payments payable under this bill; to exempt the training and learning bonus, farmers hardship bonus and education entry payment supplement from income tax under section 52-10 of the 1997 Tax Act; to make the back to school bonus and the single income family bonus exempt from income tax; and to exempt the payments made under an administrative scheme, as set out in Schedule 4 to this bill from income tax;
- Amendments to the Social Security Act – The amendments ensure that the back to school bonus and single income family bonus payments will not be counted as income for social security purposes;
- Amendments to the *Social Security (Administration) Act 1999* - The amendments provide for deductions to be made from household stimulus payments, in certain circumstances, for the purposes of the income management regime established under Part 3B of the Social Security Administration Act.

## Issues

### *Eligibility*

3.24 In evidence, concerns were raised about the possibility of 'double dipping', that is, an individual could receive a payment through more than one program. FaHCSIA commented that payments under the back to school bonus, the single

income family bonus and the tax bonuses 'is by each one individually'.<sup>3</sup> For example, if a student worked part-time, they could potentially receive two payments, one through the training and education bonus and one through the tax bonus. Ms Robyn Shannon, FaHCSIA, commented that this was the intention if the person met the eligibility requirements:

If they pay tax in the relevant tax year, they would receive the taxpayer bonus as well as the training and learning bonus if they are also receiving some qualifying student income support payment.<sup>4</sup>

### ***Back to school bonus***

3.25 The back to school bonus will be based on age only. There will be no eligibility of proof. This is to 'ensure it minimises red tape so that the money can flow to families'.<sup>5</sup> It was also noted that as the back to school bonus is based on eligibility of children, it will be spread across Australia including people in rural, regional or remote areas.<sup>6</sup>

### ***Training and learning bonus***

3.26 The Department of Education, Employment and Workplace Relations (DEEWR) was questioned on the need for students who are receiving either youth allowance or Austudy to have enrolled for study by 3 February 2009 in order to qualify for the bonus. This presented an issue as some universities allowed enrolment past that date, hence potentially disqualifying students from the payment.

3.27 The following answer was provided by DEEWR:

The Training and Learning Bonus consists of two categories:

#### Category 1

A one-off \$950 bonus for recipients at 3 February 2009 of:

- Youth Allowance (student and apprentices);
- Austudy;
- ABSTUDY (student and apprentices);
- Family Tax Benefit Part A (19 to 24 year old students);
- payments under the Veterans' Children Education Scheme (VCES);
- payments under the Military Rehabilitation and Compensation Act Education and Training Scheme (MRCAETS).
- Sickness Allowance; and

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3 Mr B Sandison, FaHCSIA, *Committee Hansard*, 6.2.09, p.19.

4 Ms R Shannon, FaHCSIA, *Committee Hansard*, 6.2.09, p.19.

5 Mr B Sandison, FaHCSIA, *Committee Hansard*, 6.2.09, p.24.

6 Mr B Sandison, FaHCSIA, *Committee Hansard*, 6.2.09, p.18.

- Special Benefit (under age pension age).

Most people eligible for the Category 1 bonus will be continuing students. This is because students who:

- are moving from one course to another (including from high school to a qualifying TAFE or university course); or
- who are on vacation from the course they are undertaking continued to receive one of the student income support payments listed above over the period covering 3 February 2009. The rules for payments such as Youth Allowance (student) treat continuing students as full-time students over study breaks if they were enrolled in a course or intend to enrol in the same or another course at the first opportunity. This also applies to students who were studying on a part-time basis in the previous study period and who intend to re-enrol on a full-time basis in the next study period.

Some people intending to study this year will not have been receiving one of the above payments as at 3 February 2009 and will therefore not qualify for the Category 1 bonus. This may be because they had not enrolled or commenced full-time study (because their course had not yet started) as at 3 February 2009.

In such cases, the person will qualify for the Category 2 (Training bonus) of \$950 under this measure if they meet the requirements.<sup>7</sup>

### ***Payments to those not eligible for the tax bonus***

3.28 During the inquiry, comments were made that unemployed people, pensioners, carers and other groups that do not have an adjusted tax liability for 2007-08 would not be eligible for the tax bonus and would therefore 'miss out' on any payments.

3.29 FaHCSIA provided evidence that some people in these groups would receive a bonus through other programs, for example a training and learning bonus or back to school bonus.<sup>8</sup> FAHCSIA noted that under the training and learning bonus, a temporary supplement of \$950 will be provided to those who receive the Education Entry Payment. Some unemployed people may receive this bonus if they are undertaking qualifying study. Ms Shannon, FaHCSIA, commented:

There is a measure in the bill to provide a \$950 supplement to the education entry payment, which may be received by some unemployed people undertaking qualifying study. So, in that sense there is an incentive for people who are unemployed to do approved short courses to retrain or

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7 Department of Education, Employment and Workplace, Relations Answer to Question on Notice, 6.2.09.

8 Ms R Shannon, FaHCSIA, *Committee Hansard*, 6.2.09, p.24.

maintain their skills in employability. To that extent, that is a measure that will be of particular assistance to unemployed people.<sup>9</sup>

3.30 Ms Shannon also provided evidence on the receipt of bonuses by other groups:

...some people who currently receive the education entry payment receive pension payments. As a matter of fact, more than half of the recipients of the Education Entry Payment are sole parents receiving parenting payment single, which is a pension payment. A further proportion, around one-third, are disability support pensioners and a smaller proportion, around four per cent, are carer payment recipients. So they are studying and they are getting the Education Entry Payment. They will also get this \$950.<sup>10</sup>

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9 Ms R Shannon, FaHCSIA, *Committee Hansard*, 6.2.09, p.17.

10 Ms R Shannon, FaHCSIA, *Committee Hansard*, 6.2.09, p.19.