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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

PRIMARY INDUSTRIES AND ENERGY LEGISLATION AMENDMENT
BILL (NO 2) 1996

SUPPLEMENTARY EXPLANATORY MEMORANDUM

Amendments to be Moved on Behalf of the Government

(Circulated by the authority of the Minister for Primary Industries and
Energy, the Hon John Anderson MP)



**PRIMARY INDUSTRIES AND ENERGY LEGISLATION AMENDMENT
BILL (NO 2) 1996**

General Outline

1. The *Primary Industries and Energy Legislation Amendment Bill (No 2) 1996* amends the *Farm Household Support Act 1992* by exempting from the income test applicable to the Drought Relief Payment (DRP) any proceeds from the forced disposal of livestock.
2. Under current arrangements, farmers receiving the DRP who are forced to dispose of livestock because of drought conditions, have the proceeds received from livestock disposals assessed by the Department of Social Security (DSS) under the DRP income test. This provides the basis for the estimate of annual income used to set the rate of payment for DRP for the next six months. The inclusion of proceeds from forced livestock disposals may therefore result in a farmer becoming ineligible for DRP altogether or having his or her entitlement reduced for a period of six months.

Financial Impact Statement

3. This amendment may result in an estimated cost of up to \$9 million to the Commonwealth for 1996/97. This will be funded through the standing appropriation for the DRP.

Notes on Clauses

4. Item 1 amends subsection 3(2) of the *Farm Household Support Act 1992* (the FHS Act) to insert a definition of exempt livestock proceeds. Under the definition, proceeds are exempt to the extent to which they are deposited in accordance with paragraphs (a) and (b). The intention in this amendment is for a sum of money equivalent to the proceeds from the disposal to be invested.
5. The term "exempt livestock proceeds" also requires a "forced disposal of farm livestock". "Forced disposal" refers to situations where, under normal circumstances, a farmer would not have disposed of the livestock, however due to the adverse effects of the drought, there was no other choice. Following are some examples that indicate a disposal was forced:
 - the disposal was of core breeding stock;
 - the disposal was in consequence of the loss or destruction of pastures or the absence of adequate water supplies by reason of drought;
 - the disposal of all livestock.

This list is not exclusive and represents possible examples only.
6. Item 2 adds subsection 24A (3) which provides for exempt livestock proceeds to be disregarded from the income test in calculating a rate for the Drought Relief Payment.
7. The amendment will only apply to proceeds from disposals that occur after the commencement of this schedule.
8. At the time of application for DRP or at the time of a six monthly income review, a farmer will be required to produce evidence of the livestock disposal, of the forced nature of the sale and of the investment of the proceeds in order to have the proceeds exempt from the income test.

