

1994

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

SENATE

**STUDENT ASSISTANCE (YOUTH TRAINING ALLOWANCE - TRANSITIONAL
PROVISIONS AND CONSEQUENTIAL AMENDMENTS) BILL 1994**

SUPPLEMENTARY EXPLANATORY MEMORANDUM

(Requests for amendments to be moved on behalf of the Government)

(Circulated by authority of the Minister for Schools, Vocational Education and Training, the
Honourable Ross Free, MP)



STUDENT ASSISTANCE (YOUTH TRAINING ALLOWANCE - TRANSITIONAL PROVISIONS AND CONSEQUENTIAL AMENDMENTS) BILL 1994

(Requests for Amendments to be Moved on behalf of the Government)

OUTLINE

These amendments to the *Student Assistance (Youth Training Allowance) Amendment Bill 1994* would amend the new Sickness Rate Calculator in Part 3.5A to be inserted in the *Social Security Act 1991* by clause 9(2) of the Bill in relation to the following areas:

Drought initiatives

Amendments would be moved to implement the Government's drought relief measures in the following areas:

Assets test

An amendment would be moved to provide that the Sickness Allowance assets test will not apply to farm assets located in areas affected by extreme drought

A person would qualify for this concession if that person or a member of that person's family is issued a drought exceptional circumstances certificate from a Rural Adjustment Scheme Authority

- these are State bodies that operate under an agreement with the Department of Primary Industry and Energy

The concession would apply while the certificate is in force and will continue for 6 months after the area is no longer classified as extremely affected by drought.

It is already the case that a person will not be subject to the Sickness Allowance assets test if their partner (where the person is independent) or their parents (if the person is not independent) are receiving payments (including drought relief payments) under the *Farm Household Support Act 1992*.

Income test

An amendment would be moved to provide that the ordinary income test does not include a partner's income if the partner is receiving income support under the *Farm Household Support Act 1992*; this includes the new Drought Relief Payment.

Clients who previously qualified as independent

An amendment would be moved so that, if a client previously qualified as independent for youth training allowance because of the previous rule about participation in the workforce, he or she will continue to be independent if he or she subsequently qualifies for Sickness Allowance.

Independence because unable to live at home

The Bill provides that a person qualifies as independent if he or she has lived away from home for at least 26 weeks, including 13 weeks during which he or she has been employed for at least 20 hours a week.

However, a person does not qualify as independent if he or she was supported by his or her parents, or is currently supported by his or her parents. An amendment would be moved to provide that the person does not qualify as independent if he or she is supported by someone else who is acting as the person's guardian.

The legislation provides that a client cannot qualify as homeless if he or she receives financial support from his or her parents.

An amendment would be moved to provide that independence will not be approved if the person receives "financial or other support". This will cover situations where, for example, the parents do not provide cash support but the client lives, rent free, in an apartment owned by the parent.

Corrections to fortnightly amounts

The Bill cites incorrect figures for the guaranteed minimum payment for the at home and away from home rates, for the maximum independent rate for independent clients who have a partner and a dependent child, and for the threshold for the parental income test. Amendments would be moved to insert the correct amounts.

Pharmaceutical allowance

An amendment would be moved to set a rate of Pharmaceutical Allowance under youth training allowance for a person who has a partner who is receiving a service pension.

Rent threshold rate

The figures for the rent threshold rate would be corrected to ensure that the rate will be appropriately covered by the indexation provisions.

Relevant accounting period

At present, the Bill sets the relevant accounting period for the parental income test as the financial year ending before the time at which the income test is applied. This will be changed to the financial year ending before the relevant calendar year to ensure that the parental income test is in line with the AUSTUDY income test.

A similar amendment would be moved to provide for the case where a parent's income is to be calculated using an overseas accounting period.

Parental fringe benefits

The Bill at present provides that there should be a free area of \$1,000 in calculating the parents' fringe benefits. An amendment would be moved to provide that there should be a free area of \$1,000 for each parent.

Activity Test - Commuting - unreasonable difficulty

Amendments would be moved to clarify when, for the purposes of determining whether paid work is unsuitable for a person, commuting is unreasonably difficult for a person.

Other technical amendments

Amendments would be moved to correct drafting anomalies.

FINANCIAL IMPACT

The proposed amendments have no significant cost implications.

NOTES ON CLAUSES

Amendment Number 1

The amendment would modify clause 4 of the Bill so that youth training allowance would become the applicable source of income support for a person who was receiving job search allowance pursuant to a determination in force before the youth training allowance introduction day, who ceases to qualify for job search allowance for a period of at least six weeks, and who then subsequently becomes unemployed whilst under 18 years of age.

Amendment number 2

This amendment would insert a new item 4A in Schedule 1 which would amend the definition of "parent" in subsection 5(1) of the Act.

Amendment Number 3

The amendment would amend proposed item 18B of the Indexed and Adjusted Amounts Table found in section 1190 of the Act. The Table lists amounts that are to be indexed in line with changes in the Consumer Price Index (CPI). Item 18B of the Table provides for indexation of the rent threshold rate but lists only one provision in which the threshold is mentioned (Sickness Rate Calculator, point 1067E-D2 in Module D).

The amendment would add a reference to the other provision in which the threshold is mentioned - Sickness Rate Calculator, point 1067E-D6 in Module D, Table DB).

Amendment Number 4

The amendment would amend the Indexed Amounts Table found in section 1190 of the Act. The Table lists the amounts that are to be indexed in line with changes in the CPI.

The amendment would provide for indexation of the rate of pharmaceutical allowance for a client whose partner receives a service pension. This rate is referred to in a new item 49H of the Indexed Amounts Table (the rate of pharmaceutical allowance for a client whose partner is in gaol is changed from item 49H of the Table to item 49J).

Amendment Number 5

The amendment would amend the CPI Indexation Table in section 1191 of the Act, which sets out the mechanism by which certain amounts are to be indexed in line with increases in the CPI.

The amendment would provide for indexation of the rate of pharmaceutical allowance for a client whose partner receives a service pension.

Amendment Number 6

This amendment would correct a drafting error in the amendments to the CPI Indexation Table in section 1191 of the *Social Security Act 1991* made by item 255 of Schedule 1 inserted by clause 9(2) of the Bill.

Amendment Number 7

The amendment would make a technical drafting change, consequential on the renumbering of the Indexed Amounts Table.

Amendment Number 8

The amendment would amend the definition of "parent" in new section 1067A to be inserted by clause 9(2) of the Bill, so that it will apply only to the Sickness Rate Calculator Modules.

Amendment Number 9

The amendment would amend new section 1067A(11) to be inserted by clause 9(2) of the Bill.

The amendment would clarify that the person must not be receiving non-financial support. This would apply, for example, to a person who lives rent free in a flat owned by the parents but claims to be independent.

The amendment would also specify that this provision would also apply to assistance provided by a young person's guardian.

Amendment Number 10

The amendment would insert a new subsection 1067B(11A) into the Act.

Clause 2 of Schedule 1 sets out the basis on which a person is regarded as independent for youth training allowance. Parental income and assets will not affect a person's entitlement to youth training allowance if the person is regarded as independent.

The amendment would apply to a person who previously received youth training allowance immediately before qualifying for sickness allowance and was regarded as an "independent young person" within the meaning of the *Social Security Act 1991* and does not currently live at their parents' home or receive regular financial support from their parents.

Amendment Number 11

The amendment would insert the correct figure for the minimum at home and away from home rates.

Amendment Number 12

The amendment would amend the Method Statement in Module A of the Sickness Rate Calculator in proposed Part 3.5A to be inserted by clause 9(2) of the Bill for calculating how to determine entitlement to Sickness Allowance. The amendment will modify the description of how to apply the parental income test.

The amendment would modify Step 10 to deal with the case where either:

because of the application of the assets test, a person receives the minimum rate for the at home or the away from home rate - in which case the person's rate of allowance is the minimum non-independent payment rate;

where the parental income test and the assets test do not apply because a parent receives means-tested income support - in which case the person's rate of allowance is the maximum payment rate; or

a parent has a Health Care Card and the person is not ineligible because of the assets test - in which case the person's rate of allowance is the maximum payment rate.

Amendment Number 13

The amendment would insert the correct figure for the maximum independent rate of Sickness Allowance for a person who is a member of a couple and has a dependent child.

Amendment Number 14

The amendment would insert into Table C of Module C of the Sickness Rate Calculator in new Part 3.5A to be inserted by clause 9(2) of the Bill the applicable rate of pharmaceutical allowance for a client whose partner receives a service pension.

Amendments Number 15 to 17

These amendment would insert the correct figures for the rent threshold rates see Table DA, point 1067E-D2 of Module D of the Sickness Rate Calculator in new Part 3.5A to be inserted by clause 9(2) of the Bill.

Amendment Number 18

The amendment would correct drafting errors and clarify that point 1067E-E6 in Module E of the Sickness Rate Calculator in new Part 3.5A to be inserted by clause 9(2) of the Bill is to apply to a person whether or not he or she is a member of a couple.

Amendment Number 19

The amendment would modify point 1067E-E12 and insert a new point 1067E-E12A in Module E of the Sickness Rate Calculator in new Part 3.5A to be inserted by clause 9(2) of the Bill.

As point 1067E-E12 in Module E will provide that the assets test does not apply to the family home, the first amendment would modify point E12 to add a note referring to the definition of "principal home" in the *Social Security Act*.

The second amendment would make an amendment to assist families with farms located in areas extremely affected by drought. The assets test will not apply in respect of a person to include farm assets of that person or that person's family where a drought relief exceptional circumstances certificate has been issued in respect of the person or a member of the person's family.

Amendment Number 20

The amendment would insert the correct figure for the threshold used in the parental income test in Module F of the Sickness Rate Calculator in new Part 3.5A to be inserted by clause 9(2) of the Bill.

Amendments Number 21 to 25

These amendments would make drafting changes, reflecting the definition of "accounting period" to be inserted into new section 1067A.

Amendment Number 26

The amendment would amend point 1067E-F11 in Module F of the Sickness Rate Calculator in new Part 3.5A to be inserted by clause 9(2) of the Bill. The amendment would clarify that there is a free area of \$1,000 for each parent, rather than \$1,000 for both parents.

Amendment Number 27

This amendment would modify point 1067E-G3 in Module G of the Sickness Rate Calculator in new Part 3.5A to be inserted by clause 9(2) of the Bill. As a result payments to a person's partner by way of drought relief or other income support under Part 5 or 6 of the *Farm Household Support Act* would not be included in a person's income.