

1989

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

SOCIAL SECURITY AND VETERANS' AFFAIRS LEGISLATION
AMENDMENT BILL 1989

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Social Security,
the Hon B Howe, MP)

SOCIAL SECURITY AND VETERANS' AFFAIRS LEGISLATION
AMENDMENT BILL 1989

OUTLINE AND FINANCIAL IMPACT STATEMENT

This Bill would amend the Social Security Act 1947 to implement substantial increases in family allowance amounts and rates of family allowance supplement and additional pension and benefit for teenagers; to provide for adjustment of family payments in line with the Consumer Price Index; to advance indexation dates for pensions and benefits; and to correct various minor errors and anomalies.

It would amend the Veterans' Entitlements Act 1986 to retain parity between service pensions and social security pensions for people with children.

It would also amend the Social Security and Veterans' Entitlements (Maintenance Income Test) Amendment Act 1988 to correct certain anomalies and a loophole in a savings provision.

The measures in this Bill would cost \$679m in 1989/90, \$886m in 1990/91 and \$1018m in 1991/92.

The Bill would amend the Social Security Act 1947 and, where specifically indicated, the Veterans' Entitlements Act 1986 as follows:

Family Payments

- . The amount of family allowance payable on a pay day would increase:
 - for children not in institutions, the amount would be \$18 for each of the first, second and third child and \$24 for each younger child;

- for children in institutions the amount would be \$24 for each child.

The rate of family allowance supplement, additional pension and additional benefit for children aged 13 to 15 would increase to \$34.10 a week. Additional service pension for children payable under the Veterans' Entitlements Act 1986 would be increased correspondingly.

Payments for families with children would be indexed annually:

- the payments affected would be family allowance, mother's or guardian's allowance, child disability allowance, multiple birth allowance and double orphan's pension (and payments of guardian's allowance and orphan's pension payable under the Veterans' Entitlements Act 1986);
- the first indexation of family payments would take effect for payments due on or after 1 January 1990. For family allowance this would take account of movements in the Consumer Price Index for 6 months to June 1989. For other family payments, including payments under the Veterans' Entitlements Act 1986, it would take account of movements in the Consumer Price Index for the financial year to June 1989.
- subsequent indexations, for both Acts, would take effect for payments due on or after the first pay day each year by reference to movements in the Consumer Price Index in the preceding financial year.

- . Payments for children in low income families - family allowance supplement, additional pension and additional benefit - would be adjusted if necessary on the first pay day each year to raise the combined payments of family allowance and these payments to 15% of married rate pension for children under 13 and 20% for 13 to 15 year olds. Payments of additional service pension for children payable under the Veterans' Entitlements Act 1986 would be adjusted accordingly.
- . The 'substantial reduction in income' provisions which operate to enable reassessment of the rate of family allowance payable to a person by reference to the recipient's 'last year of income', defined as income in the previous financial year, would be amended to take into account the person's 'current year of income'. This change would more accurately reflect the person's current level of need for income support.
- . An amendment to the child disability allowance provisions would remove the requirement that the person receiving the child disability allowance must be also the person actually providing the requisite care and attention to a disabled child at home. The amendment would provide that a person may also qualify for child disability allowance where the care for the child is being provided by the person's spouse.

Pension and Benefit Indexation

- . Automatic indexation of pensions (including pensions payable under the Veterans' Entitlements Act 1986) and benefits would be advanced by 12 weeks in 3 steps of 4 weeks each.

- . Indexation dates would be 15 November 1989, 18 April 1990 and each succeeding 20 September and 20 March.

Benefits

- . Eligibility for an employment entry payment of \$100 would be extended to spouses of unemployment beneficiaries who either attract payment of additional benefit or receive sickness or special benefit in their own right.
- . 'Double' payment of benefit to newly released prisoners in respect of their first week of release would be extended to the situation where a long term beneficiary (12 months or more) reclaims unemployment benefit within 13 weeks of ceasing to receive unemployment benefit.

Portability

- . The proportional portability rules, by which rate of pension payable overseas after 12 months absence from Australia is based on the proportion of a person's working life spent resident in Australia, would be extended to apply to all pensions payable overseas and payable under a reciprocal agreement. The proportional rate would not be subject to a waiting period.

Unauthorised Disclosure of Information

- . Penalties for unauthorised disclosure of information collected for the purposes of the Social Security Act 1947 would be substantially increased.

The Social Security and Veterans' Entitlements (Maintenance
Income Test) Amendment Act 1988 would be amended as follows:

- . The maintenance income test savings provision would be amended to liberalise its application to certain persons with no dependent children or who receive certain income in arrears and to close loopholes.

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PART 1 - PRELIMINARY

Clause 1 : Short Title

This clause would provide that the amending Act may be cited as the Social Security and Veterans' Affairs Legislation Amendment Act 1989.

Clause 1 would commence on the day of Royal Assent.

Clause 2 : Commencement

This clause would provide for the dates of commencement of the clauses in this Bill.

In this memorandum, the date on which a clause would come into operation is referred to in each clause.

Clause 2 would commence on the day of Royal Assent.

Clause 3 : Application

This clause would provide for the application of various clauses in the Bill. The effect of the clause is referred to in notes on the relevant clauses in this memorandum.

PART 2 - AMENDMENTS OF SOCIAL SECURITY ACT 1947

Clause 4 : Principal Act

This clause would provide that, in this Part of the amending Act, the Social Security Act 1947 is referred to as the Principal Act.

Clause 4 would commence on the day of Royal Assent.

Clause 5 : Secrecy

Clause 5 would amend section 19 of the Principal Act. Section 19 provides for the protection of personal information collected for the purposes of the Principal Act. In general terms, subsection 19(2) provides that an officer of the Department of Social Security may not make a record of or divulge such information to any person except in the course of the performance of his or her duties. Subsections 19(4), (4A), (4B), (4C), (4CA) and (4D) provide for a scheme under which such information may be disclosed to third parties in limited circumstances. Broadly speaking, this is where the disclosure is taken to be in the public interest. The scheme provides for the disclosure of information in such circumstances to be subject to guidelines issued by the Minister and tabled in Parliament.

Clause 5 would amend subsection 19(2) by providing for increased penalties for breaches of the subsection. Specifically, on indictment, the penalty would be increased from \$5,000 to \$12,000. By the operation of section 4J of the Crimes Act 1914, on summary conviction, the penalty would be increased from \$1,000 to \$2,000. It is understood that this amount may be proposed for a further increase, to \$3,000, during the current Parliamentary session.

Penalties for offences against subsection 19(2) are at present contained in section 240 of the Principal Act. By clause 25, this section would be repealed.

Clause 5 would commence on the 28th day after the day of Royal Assent.

Clause 6 : Rate of Pension

Clause 6 would amend section 33 of the Principal Act by omitting subsection 33(4) and substituting a new subsection 33(4).

The effect of this amendment would be to incorporate the maximum rate at which family allowance supplement is payable into the maximum rate of pension for people with dependent children. The maximum rate of family allowance supplement is defined by reference to section 74 which would be affected by adjustment provisions in new sections 74AA and 74AB of the Principal Act, to be inserted by clause 12.

Clause 6 would commence on 1 July 1989 and would apply to payments that fall due on or after that date.

Clause 7 : Indexation of certain rates

Clause 7 would amend section 34 of the Principal Act by omitting the current definition of 'relevant period' from subsection 34(1) and substituting a new definition.

The effect of this amendment would be to bring forward the indexation for pensions to 15 November 1989, 18 April 1990 and each succeeding 20 September and 20 March. Indexation increases would apply to the first payment due on or after these dates.

Clause 7 would commence on 13 June 1989.

Clause 8 : Indexation of increased rate for persons
with dependent children

Clause 8 would insert a new section 34A. This would index the rate of mother's or guardian's allowance payable to sole parents in receipt of pension. A corresponding provision with respect to sole parents in receipt of benefit would be made by clause 19 which would amend subsection 118(5) of the Principal Act.

Commencing in 1990, indexation would have effect for payments due on or after 1 January each year by reference to movements in the Consumer Price Index in the preceding financial year.

Clause 8 would commence on 1 January 1990.

Clause 9 : Rate of pension payable outside Australia

Clause 9 would amend section 61 of the Principal Act, which deals with the rate of pension payable outside Australia (known as 'portability'). The amendment would refine the portability provisions for the purposes of the operation of Australia's reciprocal social security agreements with other countries.

The Principal Act currently provides that pensions paid overseas after 12 months absence are generally proportional in rate, based on the proportion of a person's working life spent resident in Australia. For pensions payable overseas under a reciprocal agreement, this proportional portability formula applies as soon as an Australian pension is paid overseas, without the 12 month waiting period. The currently operative agreement which makes such provision is the Italian agreement specified in Schedule 2 to the Principal Act. This agreement contains the proportional portability rule within its own text.

However, it is intended that all agreements yet to take effect or be negotiated will apply the rule by reference to Australia's domestic social security legislation. This amendment, along with that provided by clause 10, would enable the application of the proportional portability formula to all pensions paid overseas by virtue of a reciprocal agreement, with no 12 month waiting period. The amendments would not affect the current provisions of section 61 governing the proportional portability of pensions payable under domestic law without regard to a reciprocal agreement.

Clauses 9(a) and (b) would make it clear that subsections 61(1) and (2) of the Principal Act are subject to new subsection 61(3A) provided for in clause 9(c). Subsections 61(1) and (2) provide, respectively, for a 12 month waiting period before the proportional formula applies, and for immediate application of the formula to certain categories of pension paid overseas before portability of pensions began to apply - these subsections should continue to apply only to pensions payable under domestic law.

Clause 9(c) would insert new subsection 61(3A). This would provide the formula for payment of pension at a proportional rate when a pension is being paid overseas under a reciprocal agreement. The formula, which essentially duplicates that provided by existing subsection 61(3) for 'domestic' proportionality cases, is as follows:

$$\frac{P \times Q}{300}, \quad \text{where}$$

P is the annual rate of pension that would be payable to the person if he or she were in Australia and qualified to receive the pension; and Q is the person's number of months of residence in Australia or 300, whichever is the lower. Thus, the person's period of residence (as defined in subsection 59(1)) during his or her working life to a maximum of 25 years is the basis for the rate calculation.

There would be no saved categories for the application of the proportional portability formula to reciprocal agreement pensions paid overseas and clause 9(d) would make it clear that subsection 61(5), which provides saved categories for the application of the formula for "domestic" portability cases, does not apply to new subsection 61(3A).

Clause 9 would commence on the day of Royal Assent.

Clause 10 : Reciprocal agreements

Clause 10 would insert a new subsection 65(3). This would provide that the proportionality formula specified in new subsection 61(3A) shall be applied in determining the rate of pension payable where that pension is payable outside Australia under a reciprocal agreement, and where the agreement provides for the rate to be determined according to Australian social security laws. New subsection 65(3) would also provide that 'P' for the purposes of the proportionality formula should be worked out having regard to any specification in the reciprocal agreement as to whether certain amounts are or are not to be treated as income. Such specifications would be laid down in each agreement to suit the circumstances of the various countries with which agreements may be made.

Clause 10 would commence on the day of Royal Assent.

Clause 11 : Rate of allowance

Clause 11 would amend subsection 74(1) of the Principal Act.

Clause 11(a) would increase the maximum weekly rate of family allowance supplement in relation 13 to 15 year old children to \$34.10 for each pay day on or after 1 July 1989.

This change would be made pension rates by clause 6, amending section 33 of the Principal Act, and to benefit rates by clause 19, amending subsection 118(11) of that Act.

Clause 11(a) would commence on 1 July 1989 and would apply to payments that fall due on or after that date.

Clause 11(b) would provide for the rate of family allowance supplement payable to a person in respect of children under 13 years and between 13 and 15 years to be worked out under new sections 74AA and 74AB (which would be inserted by clause 12) respectively.

Clause 11(b) would commence on 1 January 1990 and would apply to payments that fall due on or after that date.

Clause 12 : Allowances for children under 13 years
and 13 to 15 years

Clause 12 would insert new sections 74AA and 74AB into the Principal Act. These provisions would adjust rates of family allowance supplement, additional pension in respect of children (see clause 6 amending section 33 of the Principal Act) and additional benefit in respect of children (see clause 19 amending subsection 118(11) of the Principal Act). Adjustment would affect payments due on or after 1 January each year.

New section 74AA would provide for rates in respect of children under 13 years to be increased if necessary so that the combined payment of family allowance and family allowance supplement, additional pension or additional benefit would be at least 15% of the maximum combined married rate pension.

New section 74AB would provide for rates in respect of children aged 13 to 15 years to be increased if necessary so that the combined payment of family allowance and family allowance supplement, additional pension or additional benefit would be at least 20% of the maximum combined married rate pension.

Any adjustment would account for indexation increases to family allowance to take effect on the same day as the adjustment.

Clause 12 would commence on 1 January 1990.

Clause 13 : Income test for family allowance

Clause 13(a) would omit paragraph 85(7)(c) of the Principal Act and substitute a new paragraph 85(7)(c) to enable the assessment of family allowance to be based on the recipient's 'current year of income' rather than the 'last year of income' where the combined income of the 'married' couple is expected to be at least 25% less than their income in the 'last year of income'.

This amendment would ensure that the assessment and, therefore, rate of payment of family allowance accurately reflects the person's current levels of income.

Clause 13(b) would omit the reference to 'that following year of income' in subsection 85(7) of the Principal Act and substitute the words 'the current year of income'. This amendment would bring consistency to the terminology used in section 85 of the Principal Act.

Clause 13 would commence on 1 July 1989 and would apply to payments that fall due on or after that date.

Clause 14 : Amount of family allowance

Clause 14 would amend section 88 of the Principal Act which provides for the amount of family allowance to be paid to a person or institution on each fortnightly family allowance pay day.

Clause 14(a) would increase maximum amounts payable on or after 1 July 1989. Maximum amounts would be - for the first, second and third child \$18; for each younger child, \$24. For children in institutions the amount payable would increase to \$24.

Clauses 14(b) and 14(c) would omit provisions which specify the amount of family allowance payable before 1 July 1989.

Clause 14 would commence on 1 July 1989.

Clause 15 : Indexation of certain amounts

Clause 15 would insert a new section 89 into the Principal Act. Section 89 would index the maximum amount of family allowance payable generally and in respect of children born in a multiple birth, amounts of child disability allowance and amounts of double orphan's pension payable on each family allowance pay day.

New subsection 89(1) would define a number of terms necessary to provide for the indexation of family allowance and like payments. 'Family allowance amount' would be the amount specified in paragraph 88(1)(a) or (b) of subsection 88(2) of the Principal Act. 'Index number' would be derived from the All Groups Consumer Price Index. The 'relevant amount' would be a family allowance or special child amount required as a base for application of the index. The 'special child amount' would be the amount specified in any of paragraph 88(7)(a) or (b) (multiple birth payments), subsection 96(2) (double orphan's pension) or subsection 104A(2) (child disability allowance) of the Principal Act. These payments need to be identified because new subsection 89(6) would provide for special treatment in relation to their indexation. The 'year to which this section applies' would be 1990 and each subsequent year because these provisions would operate as of 1 January 1990.

New subsection 89(5) would provide for the indexation of family allowance for payments due on or after 1 January each year with reference to movements in the Consumer Price Index in the previous financial year. In 1990 the reference would be to the 6 months to the end of June 1989.

New subsection 89(6) of the Principal Act would provide for the indexation of a special child amount by reference to the Consumer Price Index movements in the preceding financial year.

New subsections 89(2), (3) and (4) of the Principal Act would provide the mechanisms for indexation. They would follow the pattern of other indexation provisions already in the Principal Act.

Clause 15 would commence on 1 January 1990.

Clause 16 : Amount of double orphan's pension

Clause 16 would amend section 96 of the Principal Act by adding new subsection 96(3). New subsection 96(3) would provide for indexation of double orphan's pension payable on a family allowance pay day occurring on or after 1 January 1990. The indexation would, by the terms of new subsection 96(3), be in accordance with new section 89 of the Principal Act.

Clause 16 would commence on 1 January 1990.

Clause 17 : Qualification for allowance

Clause 17 would amend section 102 of the Principal Act. Section 102 provides for the payment of child disability allowance in respect of a disabled child. For a person to qualify for child disability allowance, the following conditions must be met:

. a family allowance under Part X of the Principal Act in respect of the disabled child must be either:

- payable to that person; or
- payable to that person if it were not for sections 81 and 85 and subsection 82(6) of the Principal Act (in general terms these provisions refer to payments under a prescribed educational scheme, family allowance income test and children outside Australia respectively);

and

. the person provides, in a private home that is the residence of the person and the disabled child, care and attention for the child on a daily basis.

Clause 17 would amend paragraph 102(c) of the Principal Act by providing that a person may also qualify for child disability allowance where the care for the child is being provided by the person's spouse.

Clause 17 would commence on the day of Royal Assent and would apply to payments of child disability allowance due on or after that day.

Clause 18 : Amount of allowance

Clause 18 would provide for the amendment of section 104A of the Principal Act by the insertion of new subsection 104A(2A). This would mean that the amount of child disability allowance payable on a family allowance pay day on or after 1 January 1990 would be indexed as under new section 89 of the Principal Act.

Clause 18 would commence on 1 January 1990.

Clause 19 : Rate of unemployment and sickness benefit

Clause 19 would amend section 118 of the Principal Act. Section 118 prescribes the rates of unemployment and sickness benefit payable to beneficiaries.

Clause 19(a) would incorporate the maximum rate at which mother's or guardian's allowance is payable in the pension system (see subsection 33(3) of the Principal Act) into the maximum rate of benefit payable for beneficiaries who are sole parents.

Clause 19(b) would incorporate the maximum rate at which family allowance supplement is payable (see subsection 74(1) of the Principal Act) into the maximum rate of benefit for people with dependent children.

The maximum rates of mother's or guardian's allowance that would be incorporated by clause 19 would be subject to annual adjustment - see clause 8 inserting new section 34A and clause 12 inserting new sections 74AA and 74AB.

Clause 19 would commence on 1 July 1989 and would apply to payments that fall due on or after that date.

Clause 20 : Indexation of unemployment and sickness
benefits

Clause 20 would amend section 119 of the Principal Act to bring forward the indexation dates for benefits to 15 November 1989, 18 April 1990 and each succeeding 20 September and 20 March.

Indexation increases would apply to the first payment due on or after these dates.

Indexation of junior and intermediate rate of benefit would not be affected.

Clause 20 would commence on 13 June 1989.

Clause 21 : Certain persons released from detention
entitled to double benefit in respect of
first week of release

Clause 21 would amend subsection 122B(1) of the Principal Act to enable double payment of unemployment benefit to newly released prisoners, in respect of their first week of release, who are not required to serve a waiting period for benefit under paragraph 125(1)(e) provided the other conditions in section 122B are satisfied.

Paragraph 125(1)(e) of the Principal Act relates the conditions when a long-term unemployment beneficiary re-claims unemployment benefit within three months of ceasing to receive that benefit.

Clause 21 would be taken to have commenced on 1 February 1989, and would apply to claims for unemployment benefit lodged on or after that date.

Clause 22 : The National Convener may make orders
restricting the further disclosure of
information disclosed at a hearing

Clause 22 would amend section 195 of the Principal Act. Subsection 195(1) gives the National Convener of the Social Security Appeals Tribunal power to make orders so that persons who are admitted to a Social Security Appeals Tribunal hearing do not disclose the information gained in the course of the hearing except as specified in the orders.

Subsection 195(2) requires a person not to contravene an order made under subsection 195(1).

Clause 22 would provide for increased penalties for breaches of subsection 195(2). Specifically, on indictment, the penalty would be increased from \$5,000 to \$12,000. By the operation of section 4J of the Crimes Act 1914, on summary conviction the penalty would be increased from \$1,000 to \$2,000. It is understood that this amount may be further increased, to \$3,000, during the current Parliamentary session.

Penalties for offences against subsection 195(2) are at present contained in section 240 of the Principal Act. By clause 25, this section would be repealed.

Clause 22 would commence on the 28th day after the day of Royal Assent.

Clause 23 : Disclosure of confidential information

Clause 23 would amend section 230 of the Principal Act. Subsections 230(1), (2), (3) and (4) provide that all members, staff and interpreters of the Social Security Appeals Tribunal shall not, either directly or indirectly, make a record, divulge or communicate any information concerning a person obtained in the course of performing functions or duties or exercising powers under the Principal Act.

Subsection 230(3) provides that such information may be disclosed for the purposes of the Principal Act or in connection with the performance of a function or duty under the Principal Act but not otherwise.

Clause 23 would provide for increased penalties for breaches of subsection 230(3). Specifically, on indictment the penalty would be increased from \$5,000 to \$12,000. By the operation of

section 4J of the Crimes Act 1914, on summary conviction the penalty would be increased from \$1,000 to \$2,000. It is understood that this amount may be further increased, to \$3,000, during the current Parliamentary session.

Penalties for offences against subsection 230(3) are at present contained in section 240 of the Principal Act. By clause 25, this section would be repealed.

Clause 23 would commence on the 28th day after the day of Royal Assent.

Clause 24 : Employment entry payment

Clause 24 would amend section 237A of the Principal Act. Section 237A provides for a lump-sum payment of \$100 to assist persons who have been out of work for a considerable period with the often substantial costs involved in re-entering the work force.

In broad terms, to qualify for such a payment, a person has to meet the following conditions:

- . he or she must have been over 18 years of age when commencing employment;
- . immediately before commencing the employment, he or she must have been in receipt of unemployment benefit and in receipt of that benefit (or sickness or special benefit, or job search allowance or payments as a full-time trainee under a labour force program) for a continuous period of at least 12 months;
- . he or she must be no longer qualified to receive unemployment benefit;

- . in the opinion of the Secretary, the person's employment must be likely to continue for more than 4 weeks; and
- . he or she must not have received an employment entry payment within the last 12 months.

Clause 24(a) would amend section 237A of the Principal Act by inserting a new subsection 237A(1A). The new subsection would extend the eligibility for employment entry payment to spouses of the persons eligible under the existing provisions by providing that a married person would be entitled to an employment entry payment where:

- . he or she was over 18 years of age when commencing employment;
- . immediately before commencing the employment:
 - the spouse was in receipt of unemployment benefit and either:
 - (A) his or her benefit was increased by virtue of subsection 118(2) which provides, in broad terms, for a higher rate to be paid to a person who has a dependent spouse; or
 - (B) he or she was in receipt of sickness or special benefit in his or her own right; and
 - the spouse had been in receipt of unemployment benefit (or sickness or special benefit or job search allowance or payments as a full-time trainee under a labour force program) for a continuous period of at least 12 months;
- . the income earned from the employment by the married person was sufficiently high to result in unemployment benefit no longer being payable to the spouse;

- . in the opinion of the Secretary, the married person's employment was likely to continue for more than 4 weeks; and
- . he or she has not received an employment entry payment within the last 12 months.

Clause 24(b) would amend paragraph 237A(2)(b) of the Principal Act to provide that married persons who satisfied the above conditions could be paid their employment entry payment up to 14 days in advance before actually commencing work (as is already the case with their spouses). This may be necessary where, for example, a person needs to pay union fees prior to commencing work or needs to buy new clothing or tools for the job.

Similarly, clause 24(c) would amend subsection 237A(3) of the Principal Act to provide that married persons in the above category would be subject to the existing rules requiring that in order to be entitled to a payment under this section, a person must lodge a claim for the payment within 28 days of commencing the employment in respect of which the claim is made.

Clause 24 would be taken to have commenced on 1 February 1989.

Clause 25 : Repeal of section 240

Clause 25 would repeal section 240 of the Principal Act. Section 240 provides for penalties for offences against subsections 19(2), 195(2) and 230(3).

By clauses 5, 22 and 23, provision would be made for these penalties and for their increase in subsections 19(2), 195(2) and 230(3).

Clause 25 would commence on the 28th day after the day of Royal Assent.

PART 3 - AMENDMENTS OF VETERANS' ENTITLEMENTS ACT 1986

Clause 26 : Principal Act

This clause would provide that, in this Part of the Bill, the Veterans' Entitlements Act 1986 would be referred to as the Principal Act.

Clause 26 would commence on the day of Royal Assent.

Clause 27 : Rate of veterans' service pension

Section 47 of the Principal Act specifies, in part, the maximum rate of service pension payable to a veteran and provides for additional pension to be payable to a veteran who has a dependent child or children. As provided by paragraphs 47(3)(a)-(c), the amount of the pension increase payable in respect of each dependent child varies according to the age of the child. An additional increase is payable at a flat rate, irrespective of the number of dependent children, to an unmarried veteran, or a veteran separated from his or her spouse due to ill health or infirmity, by virtue of paragraph 47(3)(e).

Clause 27 would amend subsection 47(3) of the Principal Act to link rates of additional service pension to the maximum rates of Family Allowance Supplement payable under the Social Security Act 1947, as amended by clause 6 of this Bill.

Clause 27(a) would omit paragraphs 47(3)(a), (b) and (c), which specify pension increases payable in respect of each dependent child, and insert new paragraphs referring to amounts specified in section 74 of the Social Security Act 1947. As a consequence of amendments to section 74 contained in clause 11 of the Bill and new sections 74AA and 74AB to be inserted in the Act by clause 12:

additional pension in respect of a child aged 13 to 15 years would be increased by \$161.20 a year to \$1773.20 a year with effect from the first pension payment falling due on or after 1 July 1989;

rates of additional pension would be increased if necessary, from the first pension payment falling due on or after 1 January 1990 and in each subsequent year, to ensure that combined payments of family allowance and additional pension would be at least:

- 15% of maximum combined married rate pension for a child under 13 years; and
- 20% of maximum combined married rate pension for a child aged 13 to 15 years.

Clause 27(b) would omit from paragraph 47(3)(e) of the Principal Act the amount of the additional service pension payable to an unmarried or separated veteran with dependent children and replace it with a reference to the amount of the equivalent addition payable to pensioners under subsection 33(3) of the Social Security Act 1947. As a consequence of new section 34A to be inserted in the Social Security Act by clause 8 of the Bill, the amount payable under paragraph 47(3)(e) of the Principal Act would be indexed with effect from 1 January 1990. Indexation would have effect for pension payments due on or after 1 January each year, by reference to movements in the Consumer Price Index in the preceding financial year.

Clause 27 would commence on 1 July 1989 and would apply to payments that fall due on or after that date.

Clause 28 : Variation of rates of certain pensions

Section 198 of the Principal Act provides for rates of certain pensions and fringe benefit income limits under the Act to be indexed in June and December of each year by reference to movements in the Consumer Price Index during the preceding December and June quarters, respectively.

Subsection 198(1) of the Principal Act defines the relevant periods for indexation purposes as the 6 months commencing on 13 December 1986 and each subsequent 6 months.

Clause 28(a) would omit the definition of "relevant period" from subsection 198(1) and substitute a new definition to provide for indexation dates of 15 November 1989, 18 April 1990 and each succeeding 20 September and 20 March. By 20 September 1990, indexation would have been brought forward by 12 weeks as a result of the new definition.

Clause 28(b) would make amendments to subsection 198(5) consequential upon the insertion by clause 28(a) of a new definition of "relevant period". Subparagraphs 198(5)(a)(i) and (ii) of the Principal Act, which stipulate the relevant index numbers for indexation periods commencing on 13 June and 13 December each year, would be omitted and new subparagraphs inserted in their place to refer to relevant periods commencing between 1 January and 30 June (inclusive) and 1 July and 31 December (inclusive).

Clauses 28(a) and 28(b) would commence on 13 June 1989.

Clause 29 : Variation of rates of orphan's pension

Clause 29 would insert new section 198A in the Principal Act, to provide for annual indexation of rates of pensions payable to the children of deceased veterans under subsection 30(2) of the Act, commencing on 1 January 1990.

New subsection 198A(1) would defined terms used in the new section. The 'relevant rate' would be a rate specified in subsection 30(2) of the Principal Act and the 'year to which the section applies' would be 1990 and each subsequent year.

New subsections 198A(2), (3), (4) and (5) would provide detailed mathematical formulae to be applied when the 'relevant rate' is to be varied in accordance with fluctuations in the Consumer Price Index.

New subsection 198A(6) would provide that the varied rate calculated under new subsection 198A(4) in respect of a year would apply to all payments falling due on or after the first day that year.

Clause 29 would commence on 1 January 1990.

PART 4 - AMENDMENTS OF SOCIAL SECURITY AND VETERANS'
ENTITLEMENTS (MAINTENANCE INCOME TEST)
AMENDMENT ACT 1988

Clause 30 : Principal Act

This clause would provide that, in this Part of the amending Act, the Social Security and Veterans' Entitlements (Maintenance Income Test) Amendment Act 1988 is referred to as the Principal Act.

Clause 30 would commence on the day of Royal Assent.

Clause 31 : Saving for certain existing pensions etc

Clause 31 would amend section 21 of the Principal Act to make minor changes to the operation of the saving provision for persons in receipt of certain pensions, benefits and allowances payable under the Social Security Act 1947 and the Veterans' Entitlements Act 1986 when the Principal Act took effect on 17 June 1988.

Clause 31(a) would amend the definition of "total income" in subsection 21(1) of the Principal Act to deduct from total income in a period so much of payments received in arrears as the "relevant authority" [as defined in clause 31(b)] was satisfied should be disregarded. This would prevent the premature cessation of the benefit of the saving provision through the operation of paragraph 21(2)(d) of the Principal Act.

Clause 31(b) would add a definition to those in subsection 21(1) of the Principal Act. This would be a definition of "extra payment". This definition would be necessary for new subsection 21(4A) for which clause 31(d) would provide. Such extra payments would be in the nature of top-ups paid to pensioners because they are married or have children or it would be rent assistance or remote area allowance.

Next, clause 31(c) would provide for insertion of definitions of "indexation increase" and "indexation provision" in subsection 21(1) of the Principal Act. An indexation increase would be a rate increase occurring pursuant to an indexation provision. An indexation provision would be a provision in the Social Security Act 1947 or Veterans' Entitlements Act 1986 providing for a rate increase by reference to the All Groups Consumer Price Index numbers published by the Australian Statistician. These definitions would be required for a substituted subsection 21(5) of the Principal Act for which clause 31(e) would provide.

Finally, clause 31(c) would add a definition of "relevant authority". In relation to a person eligible to receive a qualifying pension under the Social Security Act 1947, this would be the Secretary to the Department of Social Security. In relation to a person eligible to receive a qualifying pension under the Veterans' Entitlements Act 1986 this would be the Repatriation Commission.

Clause 31(d) would provide for new subsection 21(4A) of the Principal Act. New subsection 21(4A) would reduce the total income of a person where the person ceases to qualify for an extra payment. This might occur because a person is no longer married, no longer has a child, no longer pays rent or has moved away from a remote area. As currently drafted section 21 can be read to preserve entitlement to extra payments even where a person no longer qualifies for them. Such a result was not intended when the Principal Act was enacted.

Clause 31(e) would provide for a new subsection 21(5) of the Principal Act to substitute for the present subsection 21(5). Substitute subsection 21(5) of the Principal Act would allow a qualifying pension which contributes to a person's total income as saved by section 21 to be increased in accord with indexation increases since 17 June 1988. Substitute paragraph 21(5)(b) would confine this provision to a person who, immediately before 17 June 1988, had no dependent children.

This amendment would restore indexation increases to pensioners, beneficiaries or allowees who were in receipt of only spousal maintenance when the maintenance income test commenced. The fact that such a person is paid spousal maintenance reflects an assessment that the person has little, if any, potential for entry into the work force. He or she is not, therefore, in a position to maximise income by diversifying income sources through taking employment and so benefiting from the operation of the separate and cumulative tests on income and maintenance income. It is, therefore, intended that these social security recipients or veterans be returned to the position in which they would have been had the maintenance income test not been introduced.

Clauses 31(a), (c) and (e) would commence on 17 June 1988.

Clauses 31(b) and (d) would commence on the day of Royal Assent.