THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

VETERANS’ AFFAIRS AND OTHER LEGISLATION AMENDMENT
(PENSION REFORM) BILL 2009

EXPLANATORY MEMORANDUM

(Circulated by the authority of the
Minister for Veterans’ Affairs, the Hon Alan Griffin MP)
VETERANS’ AFFAIRS AND OTHER LEGISLATION AMENDMENT
(PENSION REFORM) BILL 2009

OUTLINE

This bill gives effect to the Government’s Secure and Sustainable Pension Reform package in respect of eligible veterans and their dependants.

The Bill further provides for the increases to certain payments under the Veterans’ Entitlements Act to compensate low and middle-income households for the expected increases in the cost of living arising out of the introduction of the Carbon Pollution Reduction Scheme.

Finally, the bill will make a number of minor amendments to the social security and aged care Secure and Sustainable Pension Reform measures enacted earlier this year.

Increased pension and income support supplement

This measure increases the single maximum basic rate of service pension by $1,560.00 per annum, or $30 per week, on and from 20 September 2009. This measure also applies an increase to war widow pension and ceiling rate income support supplement and service pension.

Indexation using the Pensioner and Beneficiary Living Cost Index

This measure allows for the indexation of the maximum basic rate of service pension to a new index, the Pensioner and Beneficiary Living Cost Index (PBLCI). This new index will be used to adjust the maximum basic pension rate where movement in the PBLCI is greater than movement in the CPI for the relevant indexation period.

Indexation using combined couple benchmark

From 20 March 2010, this measure provides for a new ‘combined couple benchmark’, for pension rates, which will be 41.76 per cent of the annualised Male Total Average Weekly Earnings figure. The maximum basic rate of service pension that can be paid to a person who is a member of a couple will be half the maximum combined couple rate of pension. The single pension will be benchmarked at 66.33 per cent of the annualised Male Total Average Weekly Earnings figure. This will apply to service pensions and, indirectly through the application of the “pension MBR factor”, to most disability pensions, components of war widow pension and ceiling rate income support supplement and service pension.

Supplements

In broad terms, these amendments aim to simplify the payments made to pensioners living in Australia by consolidating a number of smaller payments and allowances into one ‘pension supplement’.
In addition, the amendments will provide for an increase to pension payments of an estimated $10.10 per week for couples combined and $2.50 per week for singles.

From 20 September 2009, pharmaceutical allowance and telephone allowance will be replaced by “veterans supplement” under the Veterans’ Entitlements Act 1986 and “MRCA supplement” under the Military Rehabilitation and Compensation Act 2004. Veterans supplement and MRCA supplement will be payable to eligible persons not in receipt of service pension, income support supplement or an income support payment under the Social Security Act 1991.

Adjustments because of Carbon Pollution Reduction Scheme

Due to timing discrepancies between the introduction of the Carbon Pollution Reduction Scheme (CPRS) legislation and this bill, increases to pensions to compensate recipients of those payments for anticipated increases in the cost of living as a result of the introduction of the CPRS could not be accurately drafted.

Accordingly, the amendments in this bill now provide for the necessary increases and future adjustment of indexation for pensions that could not be included in the Carbon Pollution Reduction Scheme (Household Assistance) Bill 2009.

Income tests

The amendments will increase the income test taper rate from 40 cents to 50 cents per dollar of income over the ordinary income free area and remove the additional income test free area for dependent children from the calculation of the amount of a person’s ordinary income free area. Transitional arrangements will apply for existing pensioners affected by the new income test changes to ensure current payment rates are maintained in real terms, and that those pensioners also benefit from a pension increase.

Work bonus

This measure introduces a new Work Bonus, which allows for a certain amount of employment income that is earned, derived or received in an instalment period by a pensioner who has reached qualifying age to be disregarded for the purposes of the income test. The Work Bonus will enable pensioners over qualifying age to keep more of the money they earn through work. This is a mechanism to support those pensioners who have reached qualifying age and who wish to undertake some paid work to supplement their pension. It recognises that continuing employment offers both financial and non-financial benefits for individual pensioners, and recognises the contribution that their participation in the workforce can make to the community.
Pension bonus scheme

The pension bonus scheme, which provides a tax-free lump sum payment to older Australians who defer claiming service pension or income support supplement and choose to remain in the workforce, will be closed to new entrants from 20 September 2009. The scheme will, however, continue to be available to existing members.

Transitional arrangements

This measure provides for a range of savings and transitional provisions to allow pensioners who will be affected by changes to the veterans’ entitlements law made by this bill on the date of commencement, to transition smoothly to the new arrangements.

It ensures that the current entitlements of existing pensioners who would otherwise be affected by the income test changes, and whose pension would be reduced, will not be reduced in real terms.

Further, this measure provides a rule for couples, where at least one member is subject to transitional arrangements, that specifies how the ordinary income test will apply to a person to determine the rate payable to their partner.

Pension age for persons other than veterans

Under the Veterans’ Entitlements Act, the pension age for persons other than veterans, will increase for both men and women from 65 to 67 years by six months every two years commencing on 1 July 2017. This age increase reflects the increase in qualifying age for age pension under the Social Security Act and maintains the alignment of these two pension ages between the two Acts.

Pension age for veterans is not being increased.

Advance payments

Existing arrangements will be improved to make pension advances more accessible.

Amendments relating to aged care

This minor measure will ensure pensioners are not unintentionally charged higher aged care fees as result of the pension reform package.
Financial impact statement

**Total increase to pension payment:**
- Increased pension rates on 20 September 2009
- Indexation using the Pensioner and Beneficiary Living Cost Index
- Indexation using combined couple benchmark
- Pension supplement
- Veterans supplement
- MRCA supplement
- Advance payments

Total resourcing – all portfolios

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**Income tests:**
- Taper rate
- Income free area
- Work bonus
- Transitional arrangements

Total resourcing – all portfolios

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**Pension bonus scheme**

Total resourcing – all portfolios

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**Pension age for persons other than veterans**

Total resourcing – all portfolios

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NB The above financial impacts include impacts for the Department of Families, Housing, Community Services and Indigenous Affairs for amendments enacted in an earlier Act.

**Amendments relating to Aged care**

No financial impact.
VETERANS’ AFFAIRS AND OTHER LEGISLATION AMENDMENT (PENSION REFORM) BILL 2009

NOTES ON CLAUSES

Clause 1 sets out how the Act is to be cited, that is, as the Veterans’ Affairs and Other Legislation Amendment (Pension Reform) Act 2009.

Clause 2 provides a table that sets out the commencement dates of the various sections in, and Schedules to, the Act.

Clause 3 provides that each Act that is specified in a Schedule is amended or repealed as set out in that Schedule and any other item in a Schedule has effect according to its terms.

This explanatory memorandum uses the following abbreviations:

- “CPI” means Consumer Price Index;
- “CSHC” means Commonwealth Seniors Health Card;
- “DFISA” means Defence Force Income Support Allowance paid under Part VIIAB of the Veterans’ Entitlements Act;
- “MIA” means maternity immunisation allowance;
- “Military Rehabilitation and Compensation Act” means the Military Rehabilitation and Compensation Act 2004;
- “MTAWE” means Male Total Average Weekly Earnings;
- “Pension Reform Act” means the Social Security and Other Legislation Amendment (Pension Reform and Other 2009 Budget Measures) Act 2009;
- “Social Security Act” means the Social Security Act 1991;
- “Social Security Administration Act” means the Social Security (Administration) Act 1999; and
- “war widow” includes war widowers and defence widows and widowers.
Schedule 1 – Increased pension and income support supplement

Summary

This measure increases the single maximum basic rate of service pension by $1,560.00 per annum, or $30 per week, on and from 20 September 2009. This measure also applies an increase to war widow pension and ceiling rate income support supplement and service pension.

Background

The increase in the maximum basic rate of single pension responds to a number of key findings of the Pension Review (undertaken by Dr Jeff Harmer throughout 2008-09), including:

- single maximum rate pensioners should be a priority for reform. The existing single maximum rate of pension does not adequately recognise the costs faced by those wholly reliant on the pension to support themselves; and

- the relativity of the single maximum rate of pension to the couple combined maximum rate of pension is too low and should be in the range of 64 to 67 per cent.

Once the increases in the single maximum basic rate and the new pension supplement are applied, single maximum rate service pensioners will receive 66.33 per cent of the maximum rate of pension for a couple combined, as provided for in Schedule 3 to this bill.

The amendments made by this Schedule commence on 20 September 2009.

The Veterans’ Entitlements Act provides two types of pensions:

- compensation by way of disability pension to veterans, certain members of the Defence Force and members of peacekeeping forces and war widow pension and orphan’s pension for their dependants; and

- income support pensions by way of service pension for veterans with qualifying service and their eligible partners and income support supplement for war widows.

The Pension Reform measures affect only service pension, income support supplement and war widow pensions. Currently, war widow pension is based on the maximum base of rate of single service pension, the [GST] pension supplement and an additional amount, historically referred to as a ‘domestic allowance’.

War widows are also eligible for a means tested income support payment of ceiling rate income support supplement or service pension. (War widows who are also veterans in their own right are eligible for ceiling rate service pension. Non-veteran war widows are eligible for ceiling rate income support supplement.) Ceiling rate
income support supplement and service pension is assessed under the income and
assets tests. War widow pension is treated as income in calculating the income
support supplement rate, but is excluded in calculating the service pension rate.
Generally, the total rate cannot exceed the ceiling rate, which is currently $4425.20
per annum. Exceptions to this apply to persons who were either receiving an income
support payment prior to 1 November 1986 at a rate greater than the current ceiling
rate, or whose war widow pension is reduced by compensation under Part II or IV of
the Veterans’ Entitlements Act.

The maximum basic rate of service pension and income support supplement is the
same rate and is provided for under the table in SCH6-B1 of Schedule 6. Generally,
for a war widow, the maximum basic rate of income support supplement or service
pension is a notional figure only, as most war widows can be granted no more than
the ceiling rate of service pension or income support supplement. The maximum
basic rate of income support supplement or service pension is used to make a
comparison calculation when determining the rate of income support supplement or
service pension payable to a war widow. In broad terms, the income and assets
reduced rate of service pension or income support supplement is compared to the
ceiling rate of service pension or income support supplement and the lower or lowest
rate is determined to be the rate of service pension or income support supplement.
Blinded war widows receive the ceiling rate of income support supplement or service
pension.

Schedule 1 increases the single maximum basic rate of service pension by $1,560.00
per annum, or $30 per week, on and from 20 September 2009. It also increases the
fortnightly rate of war or defence widow or widower pension by $1,560 per annum
plus the 20 September 2009 indexation increase applied to maximum basic rate
service pension, plus the existing GST pension supplement adjusted on 20 September
2009, plus the existing single pharmaceutical allowance, plus the domestic allowance
adjusted on 20 September 2009. Finally, ceiling rate income support supplement and
service pension is increased by indexation on 20 September 2009, plus the annual
single rate of utilities allowance, CPI adjusted on 20 September 2009, plus the annual
single rate of telephone allowance at the increased rate and CPI adjusted on
20 September 2009 plus $130 per annum.

Parts 1, 2 and 4 of Schedule 1 commence on 20 September 2009. Division 1 of Part 3
of Schedule 1 commences on 20 September 2009. Division 2 of Part 3 of Schedule 1
commences immediately after the commencement of Schedule 4 to the Social
Security and Other Legislation Amendment (Pension Reform and Other 2009 Budget

Explanation of the items

Part 1 – Main amendments

Amendments to the Veterans’ Entitlements Act

Items 1 and 3 make technical amendments to subsection 30(1) and paragraph
30(1)(b) to reflect the minor revision to the format of the components of war widow
pension. For example, paragraph 30(1)(a) is to be expressed as 1/26th of an amount instead of an amount "per fortnight".

**Item 2** repeals paragraph 30(1)(a) and substitutes a new paragraph 30(1)(a). New paragraph 30(1)(a) provides that 1/26th of the amount specified in column 3 of item 1 of the table in point SCH6-B1 of Schedule 6 is to be applied when calculating the rate of war or defence widow or widowers pension under subsection 30(1). This is the maximum basic rate of single service pension and as applied on 20 September 2009, will include the $1,560 per annum increase plus the scheduled indexation adjustment.

**Item 4** repeals paragraph 30(1)(c) and substitutes a new paragraph 30(1)(c). The new fortnightly rate for the component of war widow pension specified in paragraph 30(1)(c) is $25.60. This fortnightly amount results from combining the former GST pension supplement and pharmaceutical allowance. Pharmaceutical allowance is currently $156 per annum. The former GST pension supplement is equivalent to the new "pension supplement basic amount" being provided for in Schedule 4. For a single person, the pension supplement basic amount of $509.60, as adjusted for indexation on 20 September 2009, is increased by $156 to $665.60.

**Item 5** adds a note at the end of section 30(1) to advise that each of the amounts referred to in paragraphs 30(1)(a), (b) and (c) is subject to indexation. Paragraph 30(1)(a) is indexed under Division 18 of Part IIB whilst paragraphs 30(1)(b) and (c) are indexed under section 198.

**Item 6** repeals subsection 30(1A). This subsection ensured that the GST pension supplement was added to a person’s amount of war or defence widow or widower’s pension. The GST pension supplement has been subsumed into the new pension supplement regime.

**Item 7** inserts a new section 198FB after section 198FA. New subsection 198FB(1) provides for the $1,560 annual increase to the maximum basic rate of service pension and income support supplement. On 20 September 2009, the maximum basic rate specified in column 3 of item 1 of the table in point SCH6-B1 of Schedule 6 will be adjusted in accordance with section 59C (CPI), section 59EA (MTAWE) or new section 59EAA (the Pensioner Beneficiary Living Cost Index). The resultant adjusted annual amount will then be increased by $1,560.

New subsection 198FB(2) provides for the increase to ceiling rate income support supplement and service pension. The ceiling rate income support supplement and service pension is specified in point SCH6-A4 of Schedule 6. The provision uses a Method statement to work out the new ceiling rate. The amount worked out under the Method Statement will replace the amount that would otherwise have been substituted on 20 September 2009 in accordance with the ceiling rate indexation provisions in section 59LA. The calculation requires that amounts of utilities allowance and telephone allowance, both of which are to be repealed in this Bill, be used in the calculation of the new ceiling rate.

Step 1 of the Method statement requires that the amount substituted under section 59LA for the amount specified in point SCH6-A4 of Schedule 6 on 20 September 2009, be worked out as usual. It should be noted that the operation of
section 59LA on 20 September 2009 is also affected by item 7 of Schedule 2. Item 7 is a transitional provision to ensure that the pension MBR factor is calculated as if the amendments made by Part 1 of the Schedule had not been made. The effect of this is that the pension MBR factor determined under section 59LA will not be distorted by the statutory increase to the maximum basic rate of single pension. That is, for the purposes of section 59LA on 20 September 2009, the “current single pension MBR amount” is to be calculated as if the statutory increase of $1,560 provided for under new subsection 198FB, had not occurred.

Step 2 of the Method statement requires that the rate of utilities allowance under column 3 of item 1 of the table in section 118OC be indexed on 20 September 2009, under section 198E, as if sections 118OC and 198E had not been repealed by this Bill. The utilities allowance and the associated indexation provisions are being repealed in this Bill as they are being replaced by the new pension supplement and veterans supplement described under Schedule 4 of this Bill.

Step 3 of the Method statement requires that the rate of telephone allowance under subsection 118SA(1) be indexed on 20 September 2009, under section 198F, as if subsection 118SA(1) and section 198F had not been repealed by this Bill. The telephone allowance and the associated indexation provisions are being repealed in this Bill as they are being replaced by the new pension supplement and veterans supplement described under Schedule 4 of this Bill.

Step 4 requires that the amounts in steps 1, 2 and 3 be added together and then increased by $130.

Step 5 provides for the rounding of the new ceiling rate to the nearest multiple of $2.60 if necessary.

Part 2 – Related amendments

Item 8 amends the definition of relevant rate in subsection 198(1) by inserting a reference to paragraph 30(1)(c). This means that paragraph 30(1)(c) will be indexed by CPI under section 198 each March and September.

Items 9 and 10 make technical amendments to repeal note 2 after subsection 198(4).

Item 11 repeals subsections 198(5A), (5D), (6), (7) and (8). These provisions provided for the adjustment of the amount of war widow pension specified paragraph 30(1)(a) with reference to both CPI and MTAWE. As this amount will now be set at equal to the single pension maximum basic rate, the provisions are no longer required.

Part 3 – Other amendments

Division 1 – Amendments to the Veterans’ Entitlements Act

Items 12 to 33 make consequential amendments to the pension bonus scheme provisions in Part IIIAB of the Veterans’ Entitlements Act.
The amendments will ensure that, for the purposes of determining a person’s annual rate of pension, which is used to calculate a person’s amount of pension bonus as at the date of grant of the pension, for a person who starts to receive a pension on or after 20 September 2009, the person’s annual rate of pension for the purposes of determining the person’s pension bonus will to be determined in accordance with the pension arrangements that applied before 20 September 2009. This means that the new pension supplements will not be applied in the determination of a person’s annual rate of pension. Instead, the current pension methodology of a maximum basic rate or ceiling rate of service pension or income support supplement and the GST pension supplement will be used to determine a person’s annual rate of pension and subsequently the amount of pension bonus. The pension bonus calculation will take account of increases in the maximum basic rate and the former GST pension supplement which is equivalent to the new pension supplement basic amount.

**Items 34 and 35** make minor amendments to section 93J of the Social Security Act to ensure that a person, whose marital status changes during their “overall qualifying period” (as defined in section 93F of the Social Security Act), has their pension bonus calculated by taking into account the amount for the person in the table in subsection 93H(4), as inserted by the *Social Security and Other Legislation Amendment (Pension Reform and Other 2009 Budget Measures) Act*. A person’s “annual notional single pension rate” or a person’s “annual notional partnered pension rate” will now be the adjusted percentage (as defined in subsection 93J(5)) of the sum of their maximum basic rate and the amount worked out for the person using the table in subsection 93H(4).

**Part 4 - Application**

**Part 4** of this Schedule provides for the application of the amendments made by the Schedule.

**Amendments of the Veterans’ Entitlements Act**

**Subitem 36(1)** clarifies that the amendments of the Veterans’ Entitlements Act made by this Schedule, with the exception of the amendments in Division 1 of Part 3 of this Schedule, apply for the purpose of working out the rates of payments for days on or after 20 September 2009, and not before.

**Subitem 36(2)** makes it clear that section new section 198FB of the Veterans’ Entitlements Act is to be applied in working out the amount specified in paragraph 30(1)(a) of the Act, as amended by this Schedule) for 20 September 2009.

**Subitem 36(3)** specifies that subitem (2) does not limit the application of new section 198FB.

**Subitem 36(4)** states that the amendments of the Veterans’ Entitlements Act made by Division 1 of Part 3 of this Schedule apply for the purposes of working out the amount of pension bonus for a person who starts to receive a designated pension on or after 20 September 2009.
**Subitem 36(5)** means that the amount specified in paragraph 30(1)(c) of the Veterans’ Entitlements Act is not to be indexed before 20 March 2010. This is because the amounts specified in paragraph 30(1)(c) include the indexation adjustment for 20 September 2009.

A note at the end of subitem 36(5) makes it clear that subitem 36(5) does not affect the indexation of the rate specified in paragraph 30(1)(a) and that this rate will be indexed on 20 September 2009.

**Amendments of the Social Security Act**

**Item 37** is an application provision that ensures that the amendments made to section 93J of the Social Security Act by this bill, apply for the purposes of working out the amount of pension bonus for a person only where that person’s start day for age pension is on or after 20 September 2009. This means that section 93J in force prior to the amendments made by this bill will operate to calculate a pension bonus for a person whose age pension start day is a day before 20 September 2009.
Schedule 2 – Indexation using the Pensioner and Beneficiary Living Cost Index

Summary

This measure allows for the indexation of the maximum basic rate of service pension to a new index, the Pensioner and Beneficiary Living Cost Index (PBLCI). This new index will be used to adjust the maximum basic pension rate where movement in the PBLCI is greater than movement in the CPI for the relevant indexation period.

Background

Currently, the maximum basic rates of service pension are increased in line with movements in the CPI on 20 March and 20 September of each year to produce an ‘indexed amount’. If, for singles, the indexed amount is lower than 25 per cent of MTAWE, the indexed amount is increased to at least 25 per cent of MTAWE.

The Australian Statistician is developing a new index, the PBLCI, to measure specifically changes in the cost of living experienced by pensioner and beneficiary households. To ensure that pension rates keep up with increases in the cost of living experienced by pensioners, this index is being introduced into pension rate calculations in social security law and to service pension rate calculations by this Schedule, so that movements in the CPI can be compared to movements in the PBLCI. The maximum basic rate of service pension will be indexed in line with whichever of these two indices has increased by a greater amount, before benchmarking to MTAWE.

The amendments made by this Schedule commence on Royal Assent.

Explanation of the items

Amendments to the Veterans’ Entitlements Act

Item 1 adds a new paragraph (aa) into section 59. The new paragraph means that Division 18 of Part IIIB now provides for the indexation of the maximum basic rate of service pension and income support supplement using the Pensioner and Beneficiary Living Cost Index (PBLCI).

Item 2 makes an amendment to subsection 59C(2), the purpose of which is to indicate that step 5 of the method statement in that subsection is subject to new section 59EAA. In accordance with subsection 59C(2), the rounded PBLCI amount is compared to the rounded CPI amount.

Item 3 amends the method statement at step 5 to ensure that the indexed amount can be an amount that is replaced under new section 59EAA.

Item 4 inserts new sections 59EAA, 59EAB and 59EAC into Division 18 of Part IIIB of the Veterans’ Entitlements Act.
New subsection 59EAA(1) provides for the application of section 59EAA. The amount referred to in item 1 of the table in section 59A is the ‘pension MBR’. This abbreviation refers to all the maximum basic rates of service pension. Importantly, from the indexation day of 20 March 2010, ‘pension MBR’ will only cover partnered rates of service pension (see Schedule 3 to the bill).

New subsection 59EAA(2) provides for the key function of section 59EAA, which is to specify that, if a condition is satisfied, the current figure of a maximum basic rate (that is, the figure as produced after indexation on the most recent indexation day) is to be replaced with the ‘living cost amount’. The condition that needs to be satisfied is that the indexed amount worked out under section 59C on an indexation day, but by disregarding MTAWE benchmarking (under section 59EA), is less than the living cost amount worked out on that indexation day using the method statement in the subsection. This will ensure that, in cases where there is greater positive movement in the PBLCI than in the CPI for a period, the indexed amount for the current figure will be produced in accordance with the PBLCI.

The method statement sets out a number of steps. The first step is to use section 59EAB to work out the living cost indexation factor on the relevant indexation day. The second step is to work out the ‘current figure’ (as defined in subsection 5NA(1) of the Veterans’ Entitlements Act) immediately before the relevant indexation day. This figure will effectively be the figure as adjusted under Division 18 of Part IIIB on the previous indexation day and will be, in practice, the actual maximum basic rate of the relevant social security pension as at the most recent indexation day. The third step is to multiply the current figure by the living cost indexation factor to produce a ‘provisional living cost amount’. The fourth step is to use section 59EAC to round off the provisional living cost amount to produce the ‘living cost amount’.

New subsection 59EAB provides for the living cost indexation factor. Subject to subsection 59EAB(5) and 59EAB(6), the living cost indexation factor is modelled in subsection 59EAB(1) on the ‘indexation factor’ in section 59D of the Veterans’ Entitlements Act. The formula divides the living cost index number for the most recent reference quarter by the living cost index number for the base quarter. The indexation factor produced will be a number that expresses the most recent PBLCI number in terms of a previous PBLCI number (in practice, usually the one produced for the previous indexation day, assuming constant increases in the living cost).

Subsections 59EAB(2) and (3) contain definitions for terms used in section 59EAB. In subsection 59EAB(2), the ‘living cost index number’ in relation to a quarter, is the All Groups Pensioner and Beneficiary Living Cost Index number that is the weighted average of the eight capital cities and is published by the Australian Statistician in respect of that quarter. This definition is modelled on the definition of ‘index number’ in subsection 5NA(1) of the Veterans’ Entitlements Act in order to ensure consistency in the comparison between the CPI and the PBLCI on indexation days.

In subsection 59EAB (3), the reference quarter for PBLCI indexation is, if the indexation day is 20 March, the most recent December quarter before the indexation day and, if the indexation day is 20 September, the most recent June quarter before the indexation day.
In subsection 59EAB(4), the base quarter for PBLCI indexation is the June or December quarter that is a quarter before the reference quarter and has the highest living cost index number other than the reference quarter.

The rounding rule in subsection 59EAB(5) is modelled on subsection 59D(2), again, to ensure consistency of comparison between the CPI and the PBLCI.

Subsection 59EAB(6) is modelled on subsection 59D(3) and ensures that, if the living cost index number for the most recent reference quarter is lower than the living cost index number for the base quarter (which would produce an indexation factor that is less than 1), the indexation factor is to be increased to 1. This will mean that in periods of negative growth in the PBLCI, pension rates cannot decrease.

Subsections 59EAB(7) and (8) are modelled on subsections 5NA(2) and (3) of the Veterans’ Entitlements Act. These provisions address the possibility that the Australian Statistician may publish a PBLCI index number for a quarter to replace a previously published PBLCI index number and the possibility that the reference base may change at some time in the future. If a new living cost number is published to replace an already published one (for example, in the case of error or reassessment by the Australian Statistician), to ensure that pension rates do not have to be recalculated, subsection (7) provides that the publication of the later living cost index number is to be disregarded.

Subsection (8) provides that, if a new reference base is used for the PBLCI, regard is to be had only to numbers published in terms of the new base. This is to ensure that numbers published in terms of the new base cannot be compared to numbers published in terms of an outdated base, because doing so could produce unintended indexation factors.

New section 59EAC provides for the rounding of the provisional living cost amount to the nearest multiple of $2.60, rounding up if the provisional living cost amount is exactly half way between the two nearest multiples of $2.60.

**Item 5** adds additional information to the end of note 2 in point SCH6-B1 of Schedule 6.

**Item 6** is an application provision that ensures that the amendments made to the Veterans’ Entitlements Act by items 2 and 4, apply to the indexation day of 20 September 2009 and all later indexation days.

**Item 7** is a transitional provision dealing with the adjustment of ceiling rate income support supplement and service pension on 20 September 2009. The provision specifies that, on 20 September 2009, the adjustment of the ceiling rate under section 59LA, is to be calculated as if the current single pension MBR factor on that day were the amount that would have been the current single pension MBR amount on that day if the amendments made by Part 1 of Schedule 1 to this Bill had not been made. Without this provision the pension MBR factor used in the adjustment of ceiling rate would be distorted as the single rate service pension, which is the basis for the pension MBR factor, is being increased by $1,560 on 20 September 2009.
Schedule 3 – Indexation using combined couple benchmark

Summary

From 20 March 2010, this measure provides for a new ‘combined couple benchmark’, for pension rates, which will be 41.76 per cent of the annualised Male Total Average Weekly Earnings figure. The maximum basic rate of service pension that can be paid to a person who is a member of a couple will be half the maximum combined couple rate of pension. The single pension will be benchmarked at 66.33 per cent of the combined couple benchmark, effectively 27.7 per cent of the annualised Male Total Average Weekly Earnings figure. This will apply to service pensions and, indirectly through the application of the “pension MBR factor”, to most disability pensions, components of war widow pension and ceiling rate income support supplement and service pension.

Background

Prior to these amendments, following indexation of the maximum basic rates for both singles and members of a couple in line with CPI increases, section 59EA applied to increase the indexed amount for the single maximum basic rate to 25 per cent of the annualised MTAWE figure, if this figure, for an indexation day, was greater than the CPI indexed amount. For members of a couple, their rate was increased proportionately. This ensured that, the rate of service pension reflected increases in living standards (as measured by MTAWE), as well as increases in the cost of living (as measured by CPI).

To ensure that the MTAWE benchmark continues to operate effectively for pensioners, the benchmark is changing from a single rate of pension benchmark, to a combined couple rate of pension benchmark. A further change in this bill to set the maximum single rate of pension to 66.33 per cent of the maximum combined couple rate of pension ensures that the maximum single rate of pension will be set at a fixed percentage of the maximum combined couple rate of pension. This will also ensure that the $30 a week increase in the maximum basic rate for a single pensioner, as provided by Schedule 1 to this bill, is preserved under future MTAWE benchmarking.

The commencement date of this measure is 1 January 2010, which is a date between the indexation days (see item 1 of the table in section 59B) of 20 September 2009 and 20 March 2010. This will ensure that the amendments made by this measure will have effect from the indexation day of 20 March 2010 and will not apply to an earlier indexation day.

The amendments made by this Schedule commence on 1 January 2010.
Explanation of the items

Amendments of the Veterans’ Entitlements Act

Item 1 changes the description of item 1 in the table in section 59A to indicate that, as a result of the amendments being made by this measure, item 1 will now only apply to maximum basic rate for persons who are partnered.

Item 2 omits the maximum basic rate pension payable to a person who is not a member of a couple, or is otherwise paid at the single rate, from item 1 of the table in section 59A of the Veterans’ Entitlements Act. Only the rate payable to a person who is a member of a couple remains. This amendment is made because all single maximum basic rates of service pension will, from 20 March 2010 be adjusted in accordance with new section 59G, and therefore need to be listed in a new and separate item in the table in section 59A.

Item 3 inserts a new item in the table in section 59A to refer to the single rate that was omitted by item 2. This is to ensure that this rate can be treated separately from the member of a couple rate and to allow for reference to be made to the amount by new section 59G. It should be noted that, although the description of the amount in column 1 of the new item refers to both service pension and income support supplement, the reference to a maximum basic rate of income support supplement is a reference to a notional amount only.

Item 4 repeals the definition of ‘category A amount’ in subsection 59EA(1). Before this amendment, a ‘category A amount’ meant the single maximum basic rate of service pension.

Item 5 repeals subsection 59EA(2) and replaces it with new subsections 59EA(2) and (2A). New subsection 59EA(2) will now apply only to the maximum basic rate of service pension for a person who is partnered. It provides that, if a category B amount, the partnered amount, is to be indexed under this Division on an indexation day and 50 per cent of the combined couple benchmark for that indexation day exceeds the ‘indexed amount’, then the indexed amount is to be increased by an amount equal to the excess and then rounded up to the next highest multiple of $2.60. This will ensure that the maximum basic rate for a person who is a member of a couple will be set at half of 41.76 per cent of the annualised MTAWE figure, which is the ‘combined couple benchmark’.

New subsection 59EA(2A) defines ‘combined couple benchmark’, for an indexation day, as 41.76 per cent of the annualised MTAWE figure published by the Australian Statistician for the relevant quarter.

Item 6 inserts new section 59G, which applies to the amounts referred to in new item 1AAA of the table in section 59A, abbreviated as ‘single pension rate MBR’. It provides that the Veterans’ Entitlements Act has effect as if, on an indexation day of 20 March or 20 September of each year, the adjusted single pension amount (as defined at step 4 of the method statement) were substituted for the single pension rate MBR amount. The effect of this section is to set the rate of single service pension at 66.33 per cent of the maximum combined couple basic rate. The single to couple
ratio of 66.33 per cent is also set in relation to the new pension supplement as set out in Schedule 4 to this bill.

The rounding rule at step 4 of the method statement in new section 59G provides that the step 3 amount is to be rounded to the nearest multiple of $2.60, and uses the words ‘rounding up if necessary’ in brackets. The intention of the words ‘rounding up if necessary’ is to ensure that, when the step 3 amount is not a multiple of $2.60 but is a multiple of $1.30, it is to be rounded up as, in this case, it will be necessary to decide whether to round up or down as both the higher and lower multiple will be equally near to the step 3 amount.

**Item 7** repeals subsections 59LA(1) and (2) and substitutes new subsections 59LA(1) and (2). These subsections are amended to take account of the new term *single pension rate MBR* as provided for in new table item 1A in section 59A.

**Item 8** amends the note 2 at the end of point SCH6-B1 of Schedule 6. The note is amended by the removal of the reference to indexation being “in line with CPI increases” as the indexation adjustment may also now be affected by PBLCI.
Schedule 4 – Supplements

Summary

The new pension supplement is intended to simplify the payments made to certain income support pensioners living in Australia by consolidating a number of smaller payments and allowances into one ‘pension supplement’.

In addition, the amendments will provide for an increase to pension payments of an estimated $10.10 per week for couples combined and $2.50 per week for singles.

The new “veterans supplement” and “MRCA supplement” will replace pharmaceutical allowance and telephone allowance for eligible persons who do not receive an income support payment under the Veterans’ Entitlements Act or the Social Security Act.

Background

Currently, individuals who are in receipt of a service pension or income support supplement receive a ‘pension supplement’ (also known as the GST supplement) in addition to the base rate of payment. These individuals may also qualify for additional add-on type payments such as pharmaceutical allowance, telephone allowance and utilities allowance.

Furthermore, under the existing provisions, individuals who qualify for a seniors health card may receive a seniors concession allowance of $518.80 a year (paid quarterly). Telephone allowance is also payable to cardholders if they or their partner subscribe to a telephone service, including the higher rate that applies if they also subscribe to a home internet connection.

The measures in this Schedule are designed to simplify service pension payment arrangements. From 20 September 2009, the GST supplement, pharmaceutical allowance, utilities allowance and telephone allowance (at the higher internet rate) will be consolidated into the new pension supplement. Further, increases will be applied to the supplement, with couples receiving an estimated additional $10.10 per week and singles receiving an estimated additional $2.50 per week. The pension supplement will be payable to service pensioners who are Australian residents in Australia, or temporarily absent from Australia for 13 weeks or less.

The pension supplement will be paid fortnightly, in conjunction with the base pension. However, from 1 July 2010, pensioners will have greater choice in how frequently they receive this supplement. Pensioners will be able to choose to receive around half of the supplement on a quarterly basis instead of receiving it with their regular fortnightly payments.

It should be noted that recipients of income support supplement will not be eligible for the pension supplement, other than the quarterly pension supplement. Income support supplement is only payable to war widows. The rates of war widow pension and income support supplement were increased under Schedule 1, to include the
former GST supplement, pharmaceutical allowance, utilities allowance and telephone allowance (at the higher internet rate).

A new seniors supplement will also be established for seniors health card holders and Gold card holders. The seniors concession allowance and the telephone allowance will be consolidated into the new seniors supplement. The single rate of the seniors supplement will be further increased to bring it to 66.33 per cent of the rate paid to a combined couple.

The amendments made by Parts 1, 2, 3, 4 and 6 of this Schedule commence on 20 September 2009. Items 5 to 111 and 113 to 206 of this Schedule commence immediately after the commencement of Schedule 4 to the Social Security and other Legislation Amendment (Pension Reform and Other 2009 Budget Measures) Act 2009. Item 112 of this Schedule commences immediately after the commencement of Schedule 5 to the Social Security and other Legislation Amendment (Pension Reform and Other 2009 Budget Measures) Act 2009. However, if that Schedule does not commence, the provision(s) do not commence at all.

**Explanation of the items**

**Part 1 – Pension supplement**

*Amendments of the Veterans' Entitlements Act*

**Item 1** inserts a new section 5GA into Part 1 of the Veterans’ Entitlements Act to provide definitions for the following new payment rates:

- **combined couple rate pension supplement,**
- **combined couple rate of minimum pension supplement,**
- **minimum pension supplement amount,**
- **pension supplement basic amount,** and
- **tax exempt pension supplement.**

New subsection 5GA(1) states that the annual rate of the combined couple rate of pension supplement is $2,199.60. This rate is the sum of the following, rounded up to the nearest multiple of $5.20:

(a) four times the annual rate of utilities allowance paid to a member of a couple (not an illness separated couple or respite care couple), as adjusted for indexation on 20 September 2009; and

(b) twice the annual rate of telephone allowance that is payable to a person who is partnered and whose partner is getting telephone allowance, as adjusted for indexation on 20 September 2009; and
(c) twice the annual rate of pharmaceutical allowance for a person who is partnered; and

(d) twice the annual rate of pension supplement basic amount for a person who is partnered, as adjusted for indexation on 20 September 2009; and

(e) if $525.20 exceeds twice the annual rate of utilities allowance for a person who is a member of a couple – the amount of the excess.

A note is inserted at the end of new subsection 5GA(1) to advise the reader that the combined couple rate of pension supplement is to be indexed every six months in accordance with CPI increases. This is provided for in sections 59B to 59E of the Veterans’ Entitlements Act.

A further note is inserted at the end of new subsection 5GA(1) to advise the reader that the combined couple rate of pension supplement is an annual rate.

New subsection 5GA(2) states that the annual rate of the combined couple rate of minimum pension supplement is $1,185.60. This rate is the sum of the following amounts rounded up to the nearest multiple of $5.20:

(a) four times the annual rate of utilities allowance for a person who is a member of a couple (other than an illness separated couple or respite care couple), as adjusted for indexation on 20 September 2009; and

(b) twice the annual rate of telephone allowance that is payable to a person who is partnered and whose partner is receiving telephone allowance, as adjusted for indexation on 20 September 2009.

A note is inserted at the end of new subsection 5GA(2) to remind the reader that the rate of minimum pension supplement is to be indexed every six months in accordance with CPI increases. This is provided for in sections 59B to 59E of the Veterans’ Entitlements Act.

A further note is inserted at the end of new subsection 5GA(2) to advise the reader that the combined couple rate of pension supplement is an annual rate.

New subsection 5GA(3) states that a person’s annual rate of minimum pension supplement amount is worked out by reference to the combined couple rate of minimum pension supplement. Accordingly, a person who is not a member of a couple will have a minimum pension supplement amount that is 66.33 per cent of the combined couple rate. A person who is a member of a couple will have a minimum pension supplement amount that is 50 per cent of the combined couple rate. A person who is a member of an illness separated couple or respite care couple will receive an amount that is equal to 66.33 per cent of the combined couple rate. That is, the rate for a person who is a member of an illness separated couple or respite care couple is equal to the single rate.

A note is inserted at the end of subsection 5GA(3) to advise that a person’s minimum pension supplement amount is an annual rate.
The new subsection 5GA(4) provides for a definition of **pension supplement basic amount**. This amount is equivalent to the rate of the former “pension supplement”, which was also known as the “GST supplement”. A person’s rate of “pension supplement basic amount” is determined by the person’s family situation. The table sets out the rates applicable to the relevant family situations.

The first note inserted after the table in subsection 5GA(4) advises that the amount of pension supplement basic amount will be indexed 6 monthly in line with CPI increases. New table item 1C in section 59B inserted by item 176 of this Schedule provides for the indexation of the new pension supplement basic amount.

The second and last note inserted after the table in subsection 5GA(4) advises that a person’s pension supplement basic amount is an annual rate.

New subsection 5GA(5) sets out, in a table, how to work out the daily rate of tax-exempt pension supplement for a person who is receiving a service pension or income support supplement.

The daily amount of tax-exempt pension supplement for a person receiving service pension is the person’s rate of pension supplement amount, less the person’s pension supplement basic amount. As each of the aforementioned pension supplement rates are expressed as annual rates, the daily rate is calculated by dividing the result of the subtraction by 364.

The daily amount of tax-exempt pension supplement for a person receiving income support supplement is the person’s minimum pension supplement amount divided by 364.

A note is inserted after subsection 5GA(5) to advise that the portion of the person’s service pension or income support supplement equal to the tax-exempt pension supplement is to be exempt from income tax in accordance with section 52-65 and section 52-70 of the Income Tax Assessment Act.

New subsection 5GA(6) sets out the additional requirements for working out the tax-exempt pension supplement for a person receiving either, a revised rate of service pension worked out under subpoint SCH6-A1(4) of Schedule 6, or a rate of service pension that is worked out under subpoint SCH6-A1(5) of Schedule 6. These rates of service pension do not have a pension supplement amount added through the rate calculator. In these circumstances, new subsection 5GA(5) applies in relation to the person as if the person had a pension supplement amount equal to what would be the person’s pension supplement amount if the person were receiving service pension at the rate worked out under subpoint SCH6-A1(4) of Schedule 6 and that rate of service pension is equal to the provisional rate. A provision rate of service pension worked out under SCH6-A1(4) had a pension supplement amount added by the rate calculator.

**Item 2** repeals paragraph (1)(aa) of clause 1 of Schedule 6, which refers to the “GST pension supplement” which is being repealed by this Bill.
**Item 3** amends note 1 in subclause 1(1) of Schedule 6 by omitting “rent assistance and pharmaceutical allowance” and substituting “pension supplement and rent assistance”. This reflects the replacement of pharmaceutical allowance with pension supplement.

**Item 4** repeals clause 4 and substitutes a new clause 4 in Schedule 6. Clause 4 sets out the order of reduction for service pension or income support supplement for income tax purposes.

Subclause 4(1) sets out the order of reduction for a person receiving service pension that is affected by a reduction under any or all of the following:

- Module E of the Rate calculator, the ordinary/adjusted income test; or
- Module F of the Rate calculator, the assets test; or
- section 59T, compensation recovery.

In these circumstances, the order of reduction is to be applied in the following descending order:

1st. all of the rate apart from the pension supplement amount and any increase under Module C (rent assistance) of the Rate Calculator;

2nd. the portion of the person’s pension supplement amount equal to the person’s pension supplement basic amount;

3rd. (a) if an election by the person under subsection 60A(1) is in force – any remaining portion of the person’s pension supplement amount; or
(b) otherwise – any remaining portion of the person’s pension supplement amount to the extent to which it exceeds the person’s minimum pension supplement amount;

4th. the amount of any increase under Module C;

5th. the person’s minimum pension supplement amount.

Subclause 4(2) sets out the order of reduction for a person receiving a revised rate of service pension worked out under subpoint SCH6-A1(4) or a rate that is worked out under subpoint SCH6-A1(5). In these circumstances, subclause 4(1) applies to the person and the pension as if:

- paragraphs (1)(a) and (b) of subclause 4(1) were omitted; and
- the person had a pension supplement amount equal to what would be the person’s pension supplement amount if the person were receiving a provisional rate of service pension worked out under subpoint SCH6-A1(4).
Subclause 4(3) sets out the order of reduction for a person receiving income support supplement that is affected by a reduction under any or all of the following:

- Module E of the Rate calculator, the ordinary/adjusted income test; or
- Module F of the Rate calculator, the assets test; or
- section 59T, compensation recovery.

In these circumstances, the reduction of a person’s rate of income support supplement is to be applied in the following descending order:

1st. all of the rate apart from any rent assistance increase under Module C and the person’s minimum pension supplement amount;

2nd. the amount of any rent assistance increase under Module C;

3rd. the person’s minimum pension supplement amount.

Subclause 4(3) specifies that if the rate (the main rate) of a person’s service pension or income support supplement is to be reduced as described in subclause (1) or (2); and there is an election in force under subsection 60A(1) in relation to the payment of quarterly pension supplement, the person’s quarterly pension supplement is reduced to the same extent (if any) that the component of the main rate that would correspond to the person’s minimum pension supplement amount would be reduced under that subclause were the election not in force.

Subclause 4(4) states how any reduction is to be applied if, the person’s rate (the main rate) of service pension or income support supplement is reduced because the person has elected to receive the quarterly pension supplement. In these circumstances, the person’s quarterly pension supplement is to be reduced to the same extent (if any) that the component of the main rate that would correspond to the person’s minimum pension supplement amount would be reduced under subclause 4(1) or 4(3) were the quarterly pension supplement election not in force.

A note at the end of subclause 4(4) advises that the reduction will be disregarded unless the person’s quarterly pension supplement is reduced to nil.

Items 5 to 8 amend method statements 3, 4, 5 and 6 in point SCH6-A1 to remove references to Module D - pharmaceutical allowance, which is being replaced by the new pension supplement or veterans supplement. Module D is being repealed by item 203 of this Schedule.

Item 9 repeals Module BA in Part 2 of Schedule 6 and substitutes a new Module BA.

New module BA sets out when the pension supplement amount is payable to an individual and the rate at which the pension supplement amount is to be paid with reference to the individual’s family circumstances.
New point SCH6-BA1 states that a pension supplement amount is to be added to a person’s maximum basic rate of pension.

New point SCH6-BA2 states that, if a person is in Australia, or is temporarily absent from Australia for a continuous period of 13 weeks or less, the amount of pension supplement is to be worked out with reference to new point SCH6-BA3 or new point SCH6-BA4. New point SCH6-BA3 is used to work out a person’s rate of pension supplement if the individual has made an election to receive the minimum amount of pension supplement by quarterly instalment rather than as part of their fortnightly rate of pension. New point SCH6-BA4 is used to calculate the person’s rate of pension supplement where they have not elected to receive the minimum amount of pension supplement by quarterly instalment.

New point SCH6-BA3 provides that a person’s annual rate of pension supplement is worked out by reference to the table at the end of the point, which sets the rate of pension supplement as a percentage of the rate of combined couple pension supplement. The table provides that a person who is not a member of a couple receives a rate of pension supplement that is 66.33 per cent of the combined couple rate, and that a person who is partnered receives a rate of pension supplement that is 50 per cent of the combined couple rate. Members of illness separated or respite care couples will receive pension supplement that is equal to 66.33 per cent of the combined couple rate (that is, the same rate as a single person).

Subpoint SCH6-BA3(b) provides that, where a person is not partnered and the amount calculated by reference to the table is not a multiple of $2.60, then the annual rate of pension supplement is to be rounded to the nearest multiple of $2.60. Where the annual rate of pension supplement for a single person is not a multiple of $2.60 but is a multiple of $1.30, the rate is to be rounded up to the nearest multiple of $2.60.

A note is inserted at the end of point SCH6-BA3 to direct the reader to the definition of combined couple rate of pension supplement as set out in subsection 5GA(1).

Point SCH6-BA4 applies to determine a person’s pension supplement amount where the person has elected to receive the minimum amount of pension supplement by quarterly instalment. Point SCH6-BA4 provides that a person’s annual rate of pension supplement is worked out in accordance with point SCH6-BA3 as if they had not elected to receive the quarterly payment of minimum pension supplement, then an amount equal to the minimum amount of pension supplement is subtracted from the result.

Point SCH6-BA5 provides that the annual rate of pension supplement for a person who is absent from Australia, either permanently or temporarily for more than 13 weeks, is the rate of pension supplement basic amount that applies to that individual in their family circumstances.
Part 2 – Quarterly pension supplement and seniors supplement

Amendments of the Veterans’ Entitlements Act

Item 10 inserts a new Part IIID into the Veterans’ Entitlements Act, after Part IIIC. New Part IIID provides for the new quarterly pension supplement which will be payable from 1 July 2010.

New subsection 60(1) states that new Part IIID is to apply to a person if the person is receiving a service pension or income support supplement (the main payment) and the person is residing in Australia or is temporarily absent from Australia for a continuous period not exceeding 13 weeks.

New subsection 60(2) means that, for the purposes of paragraph 60(1)(a), it does not matter if the rate of the person’s main payment would become nil should they elect under new section 60A, to receive the quarterly pension supplement. A person may still receive the quarterly pension supplement even if this results in their fortnightly rate of pension being reduced to nil.

New subsection 60A(1) provides that a person may notify the Commission, in such manner or way as is approved by the Commission, that they elect to receive the minimum pension supplement as a quarterly payment rather than as part of their fortnightly main payment.

New subsection 60A(2) provides that an election to receive a quarterly payment comes into force as soon as practicable after it is made.

New subsection 60A(3) states that an election ceases to be in force if the main payment ceases to be payable to the person.

New subsection 60A(4) provides that a person may notify the Commission, in such form as is approved by the Commission, that they want to revoke their election to receive the minimum pension supplement as a quarterly payment rather than as part of their fortnightly main payment and return to receiving the minimum amount of pension supplement as part of their fortnightly payment. New subsection 60A(4) also provides that any such revocation takes effects as soon as practicable after notification to the Commission.

New subsection 60A(5) provides that quarterly pension supplement is payable to a person for each day on which an election is in force.

New section 60B provides for the rate of quarterly pension supplement.

New subsection 60B(1) states that a person’s annual rate of quarterly pension supplement is the rate of minimum pension supplement that is applicable to the person depending on whether the person is single (or a member of an illness separated or respite care couple) or a member of a couple. It should be noted that income support supplement recipients are not eligible for pension supplement, other than the quarterly pension supplement.
Subsection 60B(2) provides that a person’s daily rate of quarterly pension supplement is the annual rate of quarterly pension supplement divided by 364.

New subsection 60B(3) provides that the section has effect subject to subclause 4(3) of Schedule 6.

New subsection 60C(1) provides that quarterly pension supplement is to be paid by instalments.

New subsection 60C(2) provides that quarterly pension supplement is to be paid as soon as reasonably practicable on or after the first supplement test day (the current test day) that follows a day on which the person has made an election to receive the minimum amount of pension supplement by quarterly rather than fortnightly payment.

New subsection 60C(3) specifies that the amount of the instalment of quarterly pension supplement is worked out by multiplying the person’s daily rate of quarterly pension supplement by the number of days during the test period for which an election subsection 60A(1) by the person is in force.

New subsection 60C(4) states that if a person is receiving quarterly pension supplement and, apart from this subsection, the portion of the instalment of the person’s quarterly pension supplement that corresponds to that day would be reduced under subclause 4(3) of Schedule 6, but not reduced to a nil amount, then the amount of that portion of the instalment is not to be reduced under subclause 4(3) of Schedule 6.

New subsection 60C(5) defines supplement test day to mean, 20 March, 20 June, 20 September and 20 December of each year. Subsection 60C(5) defines test period as being the period:

(a) starting on the most recent supplement test day before the current test day; and

(b) ending on the day immediately before the current test day.

Item 11 repeals Part VIIAD of the Veterans’ Entitlements Act and substitutes a new Part VIIAD to provide for the new seniors supplement. The former Part VIIAD provided for “seniors concession allowance” which is being replaced with this new “seniors supplement”.

Part VIIAD – Seniors supplement

Division 1 - Eligibility

New Division 1 of Part VIIAD sets out the eligibility criteria for the new seniors supplement.

New subsection 118P(1) provides that an individual is eligible for the seniors supplement if they are the holder of a seniors health card and the individual is not receiving any of the following payments:
• service pension;
• income support supplement;
• social security pension or benefit; or
• seniors supplement under the Social Security Act.

New subsection 118P(2) specifies that an individual is eligible for the seniors supplement if the person is the holder of a gold card and meets the following additional criteria:

• the person has reached qualifying age; and
• the person is in Australia, or is temporarily absent from Australia for a period not exceeding 13 weeks; and
• the person is not receiving service pension, income support supplement, a social security pension or benefit, or seniors supplement under the Social Security Act.

New subsection 118P(3) defines a **gold card** to mean a card known as the Repatriation Health Card-For All Conditions, that evidences a person’s eligibility, under the Veterans’ Entitlements Act or the Military Rehabilitation and Compensation Act, to be provided with treatment for all injuries or diseases.

New subsection 118PA(1) provides that seniors supplement is payable to a person for each day that a person is eligible for the payment.

New subsection 118PA(2) qualifies that the seniors supplement is not payable to an individual for a particular day if that person has elected, before the day, not to receive the supplement and that election has not been withdrawn, or if the individual has not provided the details of a bank account into which the supplement is to be paid.

New Division 2 of Part VIIAD of the Veterans’ Entitlements Act sets out the rate of seniors supplement that will be payable to an individual.

New subsection 118PB(1) of the Veterans’ Entitlements Act provides that the rate of seniors supplement is calculated by using the table at the end of the section to calculate an amount that is a percentage of the combined couple rate of minimum pension supplement as determined in new section 5GA. A person who is not a member of a couple will receive a seniors supplement that is 66.33 per cent of the combined couple rate of minimum pension supplement. A person who is partnered will receive 50 per cent of the combined couple rate of minimum pension supplement. If an individual is a member of an illness separated couple or respite care couple then the individual will receive a seniors supplement that is equal to 66.33 per cent of the combined couple rate of minimum pension supplement (that is, the same rate as a single person).

New paragraph 118PB(1)(b) states that the rate of seniors supplement for a person who is not a member of a couple is to be rounded to the nearest multiple of $2.60, where the rate calculated is not already a multiple of $2.60. In the event that the rate...
calculated by reference to the table is a multiple of $1.30, then the person’s rate is to be rounded up to the nearest multiple of $2.60.

A note is inserted at the end of subsection 118PB(1) signposting the reader to the definition of combined couple rate of minimum pension in subsection 5GA(1).

New subsection 118PB(2) states that a person’s daily rate of seniors supplement is to be calculated by dividing the annual rate by 364.

New Division 3 of Part VIIAD of the Veterans’ Entitlements Act sets out the payment rules for seniors supplement.

New subsection 118PC(1) states seniors supplement is to be paid by instalments.

New subsection 118PC(2) provides that seniors supplement is to be paid as soon as reasonably practicable on or after the first seniors supplement test day (the current test day) that follows a day on which the person is eligible for seniors supplement.

New subsection 118PC(3) provides that the amount of an instalment is worked out by multiplying a person’s daily rate by the number of days during the test period for which the individual was eligible for seniors supplement.

Subsection 118PC(4) defines seniors supplement test day to mean, 20 March, 20 June, 20 September and 20 December of each year. Subsection 118PC(4) defines test period as being the period:

(a) starting on the most recent supplement test day before the current test day; and

(b) ending on the day immediately before the current test day.
Part 3 – Veterans supplement

Amendments of the Veterans’ Entitlements Act 1986

Item 12 repeals Part VIIA of the Veterans’ Entitlements Act and substitutes a new Part VIIA to provide for the new veterans supplement.

The new veterans supplement and MRCA supplement are replacing pharmaceutical allowance and telephone allowance under the Veterans’ Entitlements Act and the Military Rehabilitation and Compensation Act for persons who were previously eligible for either or both of the allowances and who do not receive an income support payment under the Social Security Act or the Veterans’ Entitlements Act.

As a consequence of the pension reform measures, pharmaceutical allowance and telephone allowance are being abolished and replaced with either the new pension supplement for those in receipt of an income support payment or the new veterans or MRCA supplement for person who were previously eligible for the allowance or allowances and who do not receive an income support payment from either the Department of Veterans’ Affairs or Centrelink. For war widows and wholly dependent partners, the value of the former pharmaceutical allowance has been added to the rate of war widow pension payable under, or by reference to, subsection 30(1) of the Veterans’ Entitlements Act. The veterans supplement will replace pharmaceutical and telephone allowance under the Veterans’ Entitlements Act. MRCA supplement will replace pharmaceutical and telephone allowance under the Military Rehabilitation and Compensation Act.

New subsection 118A provides for veterans supplement to replace pharmaceutical allowance for persons who were previously eligible, who are not a war widow/war widower-pensioner and who do not receive a social security payment or service pension or income support supplement. New subsection 118B provides for veterans supplement to replace telephone allowance for persons who were previously eligible and who do not receive a social security payment, service pension, income support supplement or seniors supplement.

Part VIIA – Veterans supplement

Division 1 – Eligibility for veterans supplement

New subsection 118A effectively replaces pharmaceutical allowance with veterans supplement for person’s who are not a war widow/war widower-pensioner and who are not in receipt of an income support payment under either the Veterans’ Entitlements Act or Social Security Act. Section 118A effectively retains the entitlement to a fortnightly payment to assist with the cost of pharmaceuticals to non war widow/war widower-pensioners and non-income support recipients.

New subsection 118A(1) provides that subject to subsequent subsections in 118A, a person is eligible for veterans supplement under section 118A if the person is receiving a pension whose rate is specified under subsection 30(2) of the Veterans’ Entitlements Act (orphan pension).
New subsection 118A(1) further provides that to subject subsequent subsections in section 118A, a person is eligible for veterans supplement under section 118A if the person would have been receiving a pension under subsection 30(2) of the Veterans’ Entitlements Act (orphan pension), but for subsection 13(7) of the Veterans’ Entitlements Act.

Lastly, new subsection 118A(1) provides that, subject to subsequent subsections in section 118A, a person is eligible for veterans supplement under section 118A if the person is eligible for pharmaceutical benefits under the scheme known as the Repatriation Pharmaceutical Benefits Scheme. A person is eligible for pharmaceutical benefits under the Repatriation Pharmaceutical Benefits Scheme if the person is the holder of a Repatriation Health Card - For All Conditions (Gold card), or a Repatriation Health Card - For Specific Conditions (White card), or a Repatriation Pharmaceutical Benefits Card (Orange card).

New subsection 118A(2) stipulates that a person is not eligible for veterans supplement if the person is receiving a social security payment or service pension or the person is a war widow/war widower-pensioner.

New subsection 118A(3) specifies that a person who leaves Australia permanently is not eligible for veterans supplement from the day after the person left Australia.

New subsection 118A(4) provides that a person who leaves Australia temporarily, but who has been absent for more than 26 weeks, is not eligible for veterans supplement after the first 26 weeks of absence.

New subsection 118B effectively replaces telephone allowance with veterans supplement for persons who are not in receipt of an income support payment under either the Veterans’ Entitlements Act or Social Security Act. Section 118B effectively retains the entitlement to a regular payment to assist with the cost of a telephone service.

New subsection 118B(1) provides that, subject to subsequent exclusionary provisions in section 118B, the following categories of persons are eligible for veterans supplement:

- a person who is eligible for a general rate pension, the rate of which is specified in subsection 22(4); or
- a person who is eligible for a special rate pension, the rate of which is specified in section 24; or
- a person who is eligible for pension, the rate of which is increased under subsection 27(2) by an amount specified in any of items 1 to 8 of the table in subsection 27(1); or
- a person who under qualifying age and who is eligible for a war widow pension, the rate of which is specified in subsection 30(1).

A note at the end of subsection 118B(1) directs the reader to section 5Q for a definition of “qualifying age”.
New paragraph 118B(2)(a) provides that, subject to subsequent exclusionary provisions in section 118B, a person is eligible for veterans supplement if the person is a veteran who rendered eligible war service during World War 1.

New paragraph 118B(2)(b) provides that, subject to subsequent exclusionary provisions in section 118B, a person is eligible for veterans supplement if the person is a Commonwealth veteran who rendered continuous full-time service during World War 1.

New paragraph 118B(2)(c) provides that, subject to subsequent exclusionary provisions in section 118B, a person is eligible for veterans supplement if the person is an allied veteran who rendered continuous full-time service during World War 1.

A note at the end of subsection 118B(2) directs the reader to subsection 5B(1) and (3) for the definition of World War 1.

New subsection 118B(3) stipulates that a person is not eligible for veterans supplement under section 118B if the person is receiving any of the following payments:

- a social security payment;
- service pension;
- income support supplement;
- seniors supplement under either the Veterans’ Entitlements Act or the Social Security Act;
- a MRCA supplement under Division 4 of Part 7 of Chapter 4, or Division 5 of Part 2 of Chapter 5 of the Military Rehabilitation and Compensation Act.

New subsection 118B(4) specifies that if a person leaves Australia permanently, the person is not eligible for veterans supplement from the day after the person left Australia.

New subsection 118B(5) states that if a person is temporarily absent from Australia, and the person’s temporary absence is for longer than 26 weeks, the person is not eligible for veterans supplement after the first 26 weeks of the absence.

**Division 2 – Rate of veterans supplement**

New section 118C provides that the rate of veterans supplement applicable to a person who is eligible under section 118A is $6.00 per fortnight.

A note at the end of new section 118C advises that the amount specified in section 118C is adjusted annually under section 198F, in line with CPI increases.

New section 118D provides that the rate of veterans supplement applicable to a person who is eligible under section 118B is $6.00 per fortnight.

A note at the end of new section 118B advises that the amount specified in section 118D is adjusted annually under section 198F, in line with CPI increases.
Item 13 repeals Part VIIB of the Veterans’ Entitlements Act. Part VIIB provided for telephone allowance which is being replaced by veterans supplement.

Item 14 amends the definition of pension subsection 121(7) by inserting “veterans supplement under Part VIIA or” after the word “includes”. Section 121 provides for a number of administrative matters relating to the payment of instalments of pension. The inclusion of veterans supplement in the definition of “pension” for the purposes of section 121(7) means that the provisions of section 121 apply to veterans supplement.

Item 15 repeals section 198F and substitutes a new section 198F to provide for the indexation of veterans supplement.

New subsection 198F(1) states that section 198F applies to the dollar amount mentioned in section 118C and section 118D.

New subsection 198F(2) sets out the formula to be applied to a dollar amount mentioned in sections 118C and 118D for an indexation day on which the indexation factor is greater than one. On any such indexation day, the amount mentioned in subsections 118C and 118D is to be replaced with an amount that is worked out by multiplying the “Dollar amount for that provision on the day before the indexation day” by the “Indexation factor for the indexation day”.

New subsection 198F(3) specifies that the “indexation factor” for an indexation day is the number worked out in the formula in subsection 198F(3).

New subsection 198F(4) requires that the indexation factor is to be calculated to three decimal places. New subsection 198F(4) also requires that the indexation factor is to be increased by 0.001 if the fourth decimal place of the indexation factor is more than four.

New subsection 198F(4) states that if an amount worked out under subsection 198F(2) is not a multiple of twenty cents, then the amount is to be rounded down to the nearest multiple of twenty cents.

New subsection 198F(6) provides that, for the purposes of section 198F, an indexation day is 1 January 2010 and each 1 January of later years.
Part 4 – MRCA supplement

Amendments of the Military Rehabilitation and Compensation Act

Item 16 repeals the heading of Division 4 of Part 7 of Chapter 4 of the Military Rehabilitation and Compensation Act and substitutes a new heading.

Division 4 – MRCA supplement for members and former members

Item 17 repeals section 220A. Section 220A defined the term telephone allowance payday. This term is no longer applicable.

Item 18 amends subsection 221(1) by omitting “a telephone allowance” and substituting “MRCA supplement under this section”.

A note in the legislation advises that the heading to section 221 is altered by omitting “telephone allowance” and substituting “MRCA supplement”.

Items 19 and 23 make technical amendments to the respective paragraphs.

Item 20 repeals paragraph 221(1)(c). Paragraph 221(1)(c) required a person to have a telephone service connected in Australia in the person’s name or jointly in the person’s name and someone else’s name. This will no longer be a requirement for a person to receive MRCA supplement under Division 4.

Item 21 amends the note at the end of subsection 221(1) by omitting the words “telephone allowance” and substituting “MRCA supplement”.

Item 22 amends subsection 221(2) by omitting the words “telephone allowance” and substituting “MRCA supplement under this section”.

Item 24 repeals paragraph 221(2)(c). Paragraph 221(2)(c) required a person to have a telephone service connected in Australia in the person’s name or jointly in the person’s name and someone else’s name. This will no longer be a requirement for a person to receive MRCA supplement under Division 4.

Item 25 amends the note at the end of subsection 221(2) by omitting the words “telephone allowance” and substituting “MRCA supplement”.

Item 26 amends subsection 222(1) to ensure that a person cannot receive MRCA supplement under section 221 from the day after the person leaves Australia permanently.

Item 27 amends subsection 222(2) to prevent a person who is temporarily absent from Australia from receiving MRCA supplement after the first 26 weeks of the absence.

Item 28 amends subsection 222(3) to enable a person to regain eligibility for MRCA supplement on the later of, the day the person returns to Australia or the day the person notifies the Commission that the person has returned to Australia.
**Item 29** repeals subsections 222(4) and 222(5) and substitutes a new subsection 222(4) only. New subsection 222(4) states that even though a person is eligible for MRCA supplement under section 221(2), the MRCA supplement is not payable to the person if the person is already receiving MRCA supplement under subsection 221(1). This is because a person may be eligible for MRCA supplement under both subsections.

New subsection 222(5) provides that a person is not eligible for MRCA supplement, if the person is receiving:

(a) veterans supplement under section 118B of the Veterans’ Entitlements Act; or

(b) telephone allowance under the Social Security Act; or

(c) MRCA supplement under Division 5 of Part 2 of Chapter 5.

Paragraph 222(4)(c) is necessary as a person may be eligible for MRCA supplement under more than one criterion in subsection 221.

**Item 30** repeals sections 223 to 225 and substitutes new sections 223 and 224. New section 223 links the rate of MRCA supplement payable under section 221 to the rate of veterans supplement payable, from time to time, under section 118D of the Veterans’ Entitlements Act. This will ensure the rate of MRCA supplement remains the same as the rate of veterans supplement payable under the Veterans’ Entitlements Act.

New subsection 224 provides that a person’s payment of MRCA supplement under section 221 is payable to the person on each pension payday on which the person is eligible for the MRCA supplement and the MRCA supplement is payable to the person. In this section, “pension payday” has the same meaning as in the Veterans’ Entitlements Act.

**Item 31** repeals the heading of Division 5 of Part 2 of Chapter 5 and substitutes a new heading that reflects the change from “telephone allowance” to “MRCA supplement”.

**Division 5 – MRCA supplement for wholly dependent partners**

**Item 32** repeals section 244A. Section 244A defined the term *telephone allowance payday*. This term is no longer applicable.

**Item 33** amends section 245 by omitting “a telephone allowance” and substituting “MRCA supplement under this section”.

A note in the legislation advises that the heading to section 245 is altered by omitting “telephone allowance” and substituting “MRCA supplement”.

**Item 34** makes a technical amendment to paragraph 245(b).

**Item 35** repeals paragraph 245(c). Paragraph 245(c) required a person to have a telephone service connected in Australia in the person’s name or jointly in the
person’s name and someone else’s name. This will no longer be a requirement for a person to receive MRCA supplement under Division 5.

**Item 36** amends the note at the end of subsection 245 by omitting the words “telephone allowance” and substituting “MRCA supplement”.

**Item 37** amends subsection 246(1) to ensure that a person cannot receive MRCA supplement under section 245 from the day after the person leaves Australia permanently.

**Item 38** amends subsection 246(2) to prevent a person who is temporarily absent from Australia from receiving MRCA supplement under section 245, after the first 26 weeks of the absence.

**Item 39** amends subsection 246(3) to enable a person to regain eligibility for MRCA supplement on the later of, the day the person returns to Australia, or the day the person notifies the Commission that the person has returned to Australia.

A note in the legislation advises how the heading to subsection 246(3) is altered.

**Item 40** repeals subsections 246(4) and 246(5) and substitutes a new subsection 246(4) only. New subsection 246(4) states that even though a person is eligible for MRCA supplement under section 245, the MRCA supplement is not payable to the person if the person is already receiving:

(d) veterans supplement under section 118B of the Veterans’ Entitlements Act; or

(e) telephone allowance under the Social Security Act; or

(f) MRCA supplement under Division 4 of Part 7 of Chapter 4.

Paragraph 246(4)(c) is necessary as a person may be eligible for MRCA supplement under Division 4 of Part 7 of Chapter 4 and this Division.

**Item 41** repeals sections 247 to 249 and substitutes new sections 247 and 248. New section 248 links the rate of MRCA supplement payable under section 245 to the rate of veterans supplement payable, from time to time, under section 118D of the Veterans’ Entitlements Act. This will ensure the rate of MRCA supplement remains the same as the rate of veterans supplement payable under the Veterans’ Entitlements Act.

New section 248 provides that a person’s payment of MRCA supplement under section 245 is payable to the person on each pension payday on which the person is eligible for the MRCA supplement and the MRCA supplement is payable to the person. In this section, “pension payday” has the same meaning as in the Veterans’ Entitlements Act.

**Item 42** amends the heading to Division 4 of Part 4 of Chapter 6 and substitutes a new heading.

**Division 4 – MRCA supplement for members, former members and dependants**
**Item 43** amends section 300 by omitting the words “a pharmaceutical allowance” and substituting “MRCA supplement under this section”.

A note in the legislation advises how the heading to section 300 is altered.

**Item 44** amends the note at the ends of section 300 to advise that section 301 sets out some circumstances when MRCA supplement is not payable.

**Item 45** amends subsection 301(1) to ensure that a person cannot receive MRCA supplement under section 300 from the day after the person leaves Australia permanently.

A note in the legislation advises how the heading to section 301 is altered.

**Item 46** amends subsection 301(2) to prevent a person who is temporarily absent from Australia from receiving MRCA supplement under section 300, after the first 26 weeks of the absence.

**Item 47** amends subsection 301(3) to enable a person to regain eligibility for MRCA supplement on the later of the day the person returns to Australia, or the day the person notifies the Commission that the person has returned to Australia.

A note in the legislation advises how the heading to subsection 301(3) is altered.

**Item 48** repeals subsections 301(4) and 301(5) and substitutes a new subsection 301(4) only. New subsection 301(4) states that even though a person is eligible for MRCA supplement under section 300, the MRCA supplement is not payable to the person if the person:

(a) is receiving veterans supplement under section 118A of the Veterans’ Entitlements Act; or

(b) is receiving pharmaceutical allowance under the Social Security Act; or

(c) is a wholly dependent partner of a deceased member.

**Items 49 and 50** amend section 302 to link the rate of MRCA supplement payable under section 300 to the rate of veterans supplement payable, from time to time, under section 118C of the Veterans’ Entitlements Act. This will ensure the rate of MRCA supplement remains the same as the rate of veterans supplement payable under the Veterans’ Entitlements Act.

**Items 51 and 52** provide that a person’s payment of MRCA supplement under section 300 is payable to the person on each pension payday on which the person is eligible for the MRCA supplement and the MRCA supplement is payable to the person. In this section, “pension payday” has the same meaning as in the Veterans’ Entitlements Act.

**Item 53** amends the note at the end of section 303 so that it refers to a payment of “MRCA supplement” and not an “allowance”.

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Part 5 – Other amendments

Amendments of the Income Tax Assessment Act

Item 54 of the Schedule inserts a new item 12.1 into the table in section 52-65 of the Income Tax Assessment Act to provide that the new quarterly pension supplement is exempt from income tax.

Item 55 of the Schedule repeals table item 16A.1 and substitutes a new table item 16A.1 into the table in section 52-65 of the Income Tax Assessment Act to provide that the new seniors supplement is exempt from income tax.

Item 56 repeals table item 18.1 from section 52-65. Table item 18.1 refers to telephone allowance and is no longer required.

Item 57 repeals table item 20A.1 from section 52-65. Table item 20A.1 refers to utilities allowance and is no longer required.

Item 58 inserts new table item 21A.1 into the table in section 52-65 to provide that veterans supplement is exempt from income tax.

Item 59 adds a new paragraph (d) at the end of section 52-70. New paragraph 52-70(d) provides that so much of a payment as is equal to the tax-exempt pension supplement for the payment is exempt from income tax.

Item 60 of the Schedule repeals table item 12A and inserts a new item 12A into the table in section 52-75 of the Income Tax Assessment Act to advise that the new quarterly pension supplement is provided for under Part IIID of the Veterans’ Entitlements Act.

Item 61 of the Schedule inserts a new item 16A into the table in section 52-75 of the Income Tax Assessment Act to advise that the new seniors supplement is provided for under Part VIIAD of the Veterans’ Entitlements Act.

Item 62 repeals table item 18 from section 52-75. Table item 18 refers to telephone allowance and is no longer required.

Item 63 repeals table item 20A from section 52-75. Table item 20A refers to utilities allowance and is no longer required.

Item 64 inserts new table item 21A into the table in section 52-75. New table item 21A advises that the new veterans supplement is provided for under Part VIIA of the Veterans’ Entitlements Act.

Items 65 and 66 amend table item 10 of the table in section 52-114 of the Income Tax Assessment Act and provides that a payment of MRCA supplement under sections 221, 245 or 300 of the Military Rehabilitation and Compensation Act, is exempt from income tax.

Item 67 repeals table item 20 from the table in section 52-114. Table item 20 provided for the tax status of pharmaceutical allowance and is no longer required.
Amendments of the Military Rehabilitation and Compensation Act

Item 68 amends section 3 by replacing the references to telephone allowance and pharmaceutical allowance with a reference to “veterans supplement”.

Items 69 to 71 amend the definition of compensation in subsection 5(1) by removing “pharmaceutical allowance” and “telephone allowance” from the definition and adding “MRCA supplement under section 221, 245 or 300” to the definition.

Items 72 to 78 amend a number of provisions by removing references to “pharmaceutical allowance” or “telephone allowance” and substituting a reference to “MRCA supplement”.

Amendments of the Social Security Act

Item 79 repeals subparagraph 8(8)(y)(viia) and substitutes a new subparagraph 8(8)(y)(viia) to remove the reference to utilities allowance under the Veterans’ Entitlements Act and include a reference to the veterans supplement that is being inserted into the Veterans’ Entitlements Act elsewhere in this bill.

Item 80 omits the words ‘seniors concession allowance’ from subparagraph 8(8)(y)(viib) and replaces them with the words ‘seniors supplement’. This is because seniors concession allowance under the Veterans’ Entitlements Act is being replaced with seniors supplement.

Item 81 repeals subsection 44(2) and substitutes a new subsection 44(2) which provides that an individual’s age pension remains payable even though the rate is nil, where the individual’s rate is nil merely because they have elected to receive the minimum amount of pension supplement on a quarterly basis.

Item 82 repeals subsection 98(2) and substitutes a new subsection 98(2) which provides that an individual’s disability support pension remains payable even though the rate is nil, where the individual’s rate is nil merely because they have elected to receive the minimum amount of pension supplement on a quarterly basis.

Item 83 repeals subsection 148(2) and substitutes a new subsection 148(2) which provides that an individual’s wife pension remains payable even though the rate is nil, where the individual’s rate is nil merely because they have elected to receive the minimum amount of pension supplement on a quarterly basis.

Item 84 repeals subsection 199(2) and substitutes a new subsection 199(2) which provides that an individual’s carer payment remains payable even though the rate is nil, where the individual’s rate is nil merely because they have elected to receive the minimum amount of pension supplement on a quarterly basis.

Item 85 repeals subsection 316(2) and substitutes a new subsection 316(2) which provides that an individual’s bereavement allowance remains payable even though the rate is nil, where the individual’s rate is nil merely because they have elected to receive the minimum amount of pension supplement on a quarterly basis.
Item 86 repeals subsection 364(2) and substitutes a new subsection 364(2) which provides that an individual’s widow B pension remains payable even though the rate is nil, where the individual’s rate is nil merely because they have elected to receive the minimum amount of pension supplement on a quarterly basis.

Item 87 omits the words ‘or Division 2 of Part VIIA of the Veterans’ Entitlements Act’ from paragraph 408CA(2)(b) because the provisions for payment of advance pharmaceutical allowance are being removed from the Veterans’ Entitlements Act.

Item 88 omits the words ‘or Division 2 of Part VIIA of the Veterans’ Entitlements Act’ from paragraph 500I(2)(b) because the provisions for payment of advance pharmaceutical allowance are being removed from the Veterans’ Entitlements Act.

Item 89 repeals subsection 547(2) and substitutes a new subsection 547(2) which provides that an individual’s youth allowance remains payable even though the rate is nil, where the individual’s rate is nil merely because they have received an advance of pharmaceutical allowance under the social security law.

Item 90 omits the words ‘or Division 2 of Part VIIA of the Veterans’ Entitlements Act’ from paragraph 572(2)(b) because the provisions for payment of advance pharmaceutical allowance are being removed from the Veterans’ Entitlements Act.

Item 91 omits the words ‘or Division 2 of Part VIIA of the Veterans’ Entitlements Act’ from paragraph 608(2)(b) because the provisions for payment of advance pharmaceutical allowance are being removed from the Veterans’ Entitlements Act.

Item 92 omits the words ‘or Division 2 of Part VIIA of the Veterans’ Entitlements Act’ from paragraph 677(2)(b) because the provisions for payment of advance pharmaceutical allowance are being removed from the Veterans’ Entitlements Act.

Item 93 omits the words ‘or Division 2 of Part VIIA of the Veterans’ Entitlements Act’ from paragraph 732(2)(b) because the provisions for payment of advance pharmaceutical allowance are being removed from the Veterans’ Entitlements Act.

Item 94 omits the words ‘or Division 2 of Part VIIA of the Veterans’ Entitlements Act’ from paragraph 771HC(2)(b) because the provisions for payment of advance pharmaceutical allowance are being removed from the Veterans’ Entitlements Act.

Item 95 repeals subsection 1061G(2) as the provisions for payment of advance pharmaceutical allowance are being removed from the Veterans’ Entitlements Act.

Item 96 repeals paragraphs (a) to (c) in the note to section 1061JC as pharmaceutical allowance will no longer be paid under pension rate calculators A, B or C.

Item 97 omits the number ‘1’ from subsection 1061JD(1).

Item 98 repeals subsection 1061JD(2) as the provisions for payment of advance pharmaceutical allowance are being removed from the Veterans’ Entitlements Act.
Item 99 repeals section 1061R and substitutes a new section 1061R to set out all the circumstances in which telephone allowance is not payable to an individual.

New paragraph 1061R(a) provides that telephone allowance will not be payable to an individual who is being paid a rate of pension supplement, that is greater than the basic amount, as part of their fortnightly pension.

New paragraph 1061R(b) provides that where an individual qualifies for payment of telephone allowance by virtue of subsection 1061Q(3C), subsection 1061Q(3F) or subsection 1061Q(3G), the allowance is not payable to them if they were being paid pension supplement, above the basic amount, as part of their fortnightly payment immediately before they qualified for the payment of telephone allowance under these subsections.

New paragraph 1061R(c) provides that telephone allowance is not payable to an individual who is receiving the minimum amount of pension supplement by quarterly instalments rather than as part of their fortnightly rate of payment.

New paragraph 1061R(d) states that telephone allowance is not payable where a person is paid seniors supplement under the Social Security Act or the Veterans’ Entitlements Act.

New paragraph 1061R(e) provides that an individual receiving MRCA supplement in accordance with section 221 or section 245 of the Military Rehabilitation and Compensation Act will not be paid telephone allowance.

New paragraph 1061R(f) provides that a person receiving veterans supplement under section 118B of the Veterans Entitlements Act will not be paid telephone allowance.

New paragraph 1061R(g) states that if a person is a member of a couple (other than an illness separated, temporarily separated or respite care couple) and that person’s partner is receiving a veterans supplement under subsection 118B(2), or a determination under subsection 5R(1) of the Veterans’ Entitlements Act then telephone allowance is not payable to that person.

The intention is that where a person is receiving, or in the case of paragraph 1061R(b) was receiving, a pension supplement, seniors supplement, veterans supplement or MRCA supplement, telephone allowance no longer is payable to that individual. That is because these supplements all include a component that replaces in full the dollar value of the telephone allowance.

It is also intended that individuals in receipt of a rate of payment that is determined under clause 146 of Schedule 1A to the Social Security Act will no longer be paid telephone allowance.

A new note 1 is inserted at the end of section 1061R to confirm that for the purposes of subparagraph 1061R(b)(i), subsection 1061Q(3C) and subsection 1061Q(3G) are to have an extended application and the reader is signposted to subsections 1061Q(3D), 1061Q(3E) and 1061Q(3H).
A new note 2 is inserted after note 1 to signpost the reader to the definitions of member of a couple, illness separated couple, temporarily separated couple and respite care couple in section 4 of the Social Security Act.

Note 3 is inserted after new note 2 and reminds the reader that subsection 118B(2) of the Veterans’ Entitlements Act covers certain categories of World War I veterans.

Note 4 advises the reader that a determination under subsection 5R(1) of the Veterans’ Entitlements Act provides that certain categories of World War I Australian mariners are eligible for the veterans supplement.

**Item 100** repeals the cell in column 2 at table item 4 from subsection 1061S(1) and substitutes a new cell in column 2 at table item 4. Section 1061S sets the rate of telephone allowance for telephone subscribers.

New table item 4 provides that the rate of telephone allowance for a person who is partnered, whose partner does not receive telephone allowance and the payability rules in section 1061R would not prevent that partner being paid telephone allowance, is to be the equivalent of the single rate of telephone allowance.

**Item 101** repeals the cell in column 2 at table item 5 from subsection 1061S(1) and substitutes a new cell in column 2 at table item 5. Section 1061S sets the rate of telephone allowance for telephone subscribers.

New table item 5 provides that the rate of telephone allowance for a person who is partnered, whose partner does not receive telephone allowance and the payability rules in section 1061R would not prevent that partner being paid telephone allowance, is to be the equivalent to half the single rate of telephone allowance.

**Item 102** repeals the cell in column 2 at table item 7 from subsection 1061S(1) and substitutes a new the cell in column 2 at table item 7. Section 1061S sets the rate of telephone allowance for telephone subscribers.

New table item 7 provides that the rate of telephone allowance for a person who is partnered, whose partner does not receive veterans supplement under the Veterans’ Entitlements Act or MRCA supplement under the Military Rehabilitation and Compensation Act is to be equivalent to the single rate of telephone allowance.

**Item 103** repeals the cell in column 2 at table item 8 from subsection 1061S(1) and substitutes a new the cell in column 2 at table item 8. Section 1061S sets the rate of telephone allowance for telephone subscribers.

New table item 8 provides that the rate of telephone allowance for a person who is partnered, whose partner does receive veterans supplement under the Veterans’ Entitlements Act or MRCA supplement under the Military Rehabilitation and Compensation Act is to be equivalent to half of the single rate of telephone allowance.

**Item 104** repeals table item 4 from subsection 1061SA(1) and substitutes a new item 4 into the table. Section 1061SA sets the rate of telephone allowance for telephone and internet subscribers.
New table item 4 provides that the rate of telephone allowance for a person who is partnered, whose partner does not receive telephone allowance and the payability rules in section 1061R would not prevent that partner being paid telephone allowance, is to be the equivalent of the single rate of telephone allowance.

**Item 105** repeals table item 5 from subsection 1061SA(1) and substitutes a new item 5 into the table. Section 1061SA sets the rate of telephone allowance for telephone and internet subscribers.

New table item 5 provides that the rate of telephone allowance for a person who is partnered, whose partner does receive telephone allowance or the payability rules in section 1061R do prevent that partner being paid telephone allowance, is to be equivalent to half of the single rate of telephone allowance.

**Item 106** repeals the cell in column 2 at table item 7 from subsection 1061SA(1) and substitutes a new the cell in column 2 at table item 7. Section 1061SA sets the rate of telephone (internet) allowance for individuals who are telephone and internet subscribers.

New table item 7 provides that the rate of telephone (internet) allowance for a person who is partnered, whose partner does not receive veterans supplement under the Veterans’ Entitlements Act or MRCA supplement under the Military Rehabilitation and Compensation Act is to be equivalent to the single rate of telephone allowance.

**Item 107** repeals the cell in column 2 at table item 8 from subsection 1061SA(1) and substitutes a new the cell in column 2 at table item 8. Section 1061SA sets the rate of telephone (internet) allowance for individuals who are telephone and internet subscribers.

New table item 8 provides that the rate of telephone (internet) allowance for a person who is partnered, whose partner does receive veterans supplement under the Veterans’ Entitlements Act or MRCA supplement under the Military Rehabilitation and Compensation Act is to be equivalent to half of the single rate of telephone allowance.

**Item 108** repeals item 11 from the table in subsection 1061SA(1) as there will no longer be telephone allowance paid under the Veterans’ Entitlements Act or the Military Rehabilitation and Compensation Act and there is no longer a need to distinguish between different rates of telephone allowance that were previously paid under that legislation.

**Item 109** omits the reference to item 11 of the table in subsection 1061SA(1) from subsection 1061SA(3).

**Item 110** omits the reference to ‘seniors concession allowance’ in paragraph 1061TA(2)(b) and substitutes the reference to ‘seniors supplement’. This is because seniors concession allowance under the Veterans’ Entitlements Act is being replaced with seniors supplement.
Item 111 inserts a new subsection 1061VA(2A) after subsection 1061VA(2) to confirm that an election to receive the minimum amount of pension supplement on a quarterly, rather than fortnightly, basis will cease to be in force when that person ceases to be paid the main payment that qualifies the individual for payment of the pension supplement.

Item 112 omits the reference to ‘seniors concession allowance’ in paragraph 1061ZAAZA(2)(ea) and substitutes the reference to ‘seniors supplement’. This is because seniors concession allowance under the Veterans’ Entitlements Act is being replaced with seniors supplement.

Item 113 omits the reference to section 1168 in note 5 after point 1064-A1 and substitutes a reference to section 1173. A note is inserted to advise the reader that this item fixes an incorrect cross-reference.

Item 114 repeals subparagraph 1064-H1(aa)(ii) and substitutes a new subparagraph 1064-H1(aa)(ii) which provides that an individual’s remote area allowance remains payable even though their rate of pension is nil, where the individual’s rate of pension is nil merely because they have elected to receive the minimum amount of pension supplement on a quarterly basis.

Item 115 repeals subparagraph 1065-E1(aa)(ii) and substitutes a new subparagraph 1065-E1(aa)(ii) which provides that an individual’s remote area allowance remains payable even though their rate of pension is nil, where the individual’s rate of pension is nil merely because they have elected to receive the minimum amount of pension supplement on a quarterly basis.

Item 116 repeals subparagraph 1066-H1(aa)(ii) and substitutes a new subparagraph 1066-H1(aa)(ii) which provides that an individual’s remote area allowance remains payable even though their rate of pension is nil, where the individual’s rate of pension is nil merely because they have elected to receive the minimum amount of pension supplement on a quarterly basis.

Item 117 repeals points 1066A-D2 and 1066A-D3 and substitutes new points 1066A-D2 and 1066A-D3 to provide that pharmaceutical allowance is not to be added to a person’s maximum basic rate if the person, or their partner, is in receipt of veterans supplement under the Veterans’ Entitlements Act or MRCA supplement under the Military Rehabilitation and Compensation Act.

Item 118 repeals paragraph 1066A-D4(a) and substitutes a new paragraph 1066A-D4(a) which removes the reference to advance pharmaceutical allowance paid under the Veterans’ Entitlements Act as pharmaceutical allowance will no longer be paid under that Act.

Item 119 repeals point 1066A-D7 as advance pharmaceutical allowance will no longer be paid under the Veterans’ Entitlements Act or the Military Rehabilitation and Compensation Act.
Item 120 repeals subparagraph 1066A-I1(aa)(ii) and substitutes a new subparagraph 1066A-I1(aa)(ii) which provides that an individual’s remote area allowance remains payable even though their rate of pension is nil, where the individual’s rate of pension is nil merely because they have received an advance of pharmaceutical allowance under the Social Security Act.

Item 121 repeals points 1066B-D2 and 1066B-D3 substitutes new points 1066B-D2 and 1066B-D3 to provide that pharmaceutical allowance is not to be added to a person’s maximum basic rate if the person, or their partner, is in receipt of veterans supplement under the Veterans’ Entitlements Act or MRCA supplement under the Military Rehabilitation and Compensation Act.

Item 122 repeals paragraph 1066B-D4(a) and substitutes a new paragraph 1066B-D4(a) which removes the reference to advance pharmaceutical allowance paid under the Veterans’ Entitlements Act as pharmaceutical allowance will no longer be paid under that Act.

Item 123 repeals point 1066B-D7 as advance pharmaceutical allowance will no longer be paid under the Veterans’ Entitlements Act or the Military Rehabilitation and Compensation Act.

Item 124 repeals subparagraph 1066B-F1(aa)(ii) and substitutes a new subparagraph 1066B-F1(aa)(ii) which provides that an individual’s remote area allowance remains payable even though their rate of pension is nil, where the individual’s rate of pension is nil merely because they have received an advance of pharmaceutical allowance under the Social Security Act.

Item 125 repeals point 1067G-C2 and substitutes a new point 1067G-C2 to provide that pharmaceutical allowance is not to be added to a person’s maximum basic rate if the person, or their partner, is in receipt of veterans supplement under the Veterans’ Entitlements Act or MRCA supplement under the Military Rehabilitation and Compensation Act.

Item 126 repeals point 1067L-C2 and substitutes a new point 1067L-C2 to provide that pharmaceutical allowance is not to be added to a person’s maximum basic rate if the person, or their partner, is in receipt of veterans supplement under the Veterans’ Entitlements Act or MRCA supplement under the Military Rehabilitation and Compensation Act.

Item 127 repeals points 1068-D4 and 1068-D5 and substitutes new points 1068-D4 and 1068-D5 to provide that pharmaceutical allowance is not to be added to a person’s maximum basic rate if the person, or their partner, is in receipt of veterans supplement under the Veterans’ Entitlements Act or MRCA supplement under the Military Rehabilitation and Compensation Act.

Item 128 repeals paragraph 1068-D6(a) and substitutes a new paragraph 1068-D6(a) which removes the reference to advance pharmaceutical allowance paid under the Veterans’ Entitlements Act as pharmaceutical allowance will no longer be paid under that Act.
**Item 129** repeals point 1068-D9 as advance pharmaceutical allowance will no longer be paid under the Veterans’ Entitlements Act or the Military Rehabilitation and Compensation Act.

**Item 130** repeals paragraph 1068-J1(aa) and substitutes a new paragraph 1068-J1(aa) which provides that an individual’s remote area allowance remains payable even though their rate of benefit is nil, where the individual’s rate of benefit is nil merely because they have received an advance of pharmaceutical allowance under the Social Security Act or because the individual’s rate of benefit is nil merely because they have elected to receive the minimum amount of pension supplement on a quarterly basis.

**Item 131** repeals point 1068A-C2 and substitutes a new point 1068A-C2 to provide that pharmaceutical allowance is not to be added to a person’s maximum basic rate if the person is in receipt of veterans supplement under the Veterans’ Entitlements Act or MRCA supplement under the Military Rehabilitation and Compensation Act.

**Item 132** repeals paragraph 1068A-C3(a) and substitutes a new paragraph 1068A-C3(a) which removes the reference to advance pharmaceutical allowance paid under the Veterans’ Entitlements Act as pharmaceutical allowance will no longer be paid under that Act.

**Item 133** repeals point 1068A-C6 as advance pharmaceutical allowance will no longer be paid under the Veterans’ Entitlements Act or the Military Rehabilitation and Compensation Act.

**Item 134** repeals paragraph 1068A-F1(a) and substitutes a new paragraph 1068A-F1(a) which provides that an individual’s remote area allowance remains payable even though their rate of pension PP (single) is nil, where the individual’s rate of pension PP (single) is nil merely because they have received an advance of pharmaceutical allowance under the Social Security Act or because the individual’s rate of pension PP (single) is nil merely because they have elected to receive the minimum amount of pension supplement on a quarterly basis.

**Item 135** repeals points 1068B-E2 and 1068B-E3 and substitutes new points 1068B-E2 and 1068B-E3 to provide that pharmaceutical allowance is not to be added to a person’s maximum basic rate if the person, or their partner, is in receipt of veterans supplement under the Veterans’ Entitlements Act or MRCA supplement under the Military Rehabilitation and Compensation Act.

**Item 136** repeals paragraph 1068B-E4(a) and substitutes a new paragraph 1068B-E4(a) which removes the reference to advance pharmaceutical allowance paid under the Veterans’ Entitlements Act as advance pharmaceutical allowance will no longer be paid under that Act.

**Item 137** repeals point 1068B-E7 as advance pharmaceutical allowance will no longer be paid under the Veterans’ Entitlements Act or the Military Rehabilitation and Compensation Act.
**Item 138** repeals paragraph 1068B-G1(b) and substitutes a new paragraph 1068B-G1(b) which provides that an individual’s remote area allowance remains payable even though their rate of benefit PP (partnered) is nil, where the individual’s rate of benefit PP (partnered) is nil merely because they have received an advance of pharmaceutical allowance under the Social Security Act or because the individual’s rate of benefit PP (partnered) is nil merely because they have elected to receive the minimum amount of pension supplement on a quarterly basis.

**Item 139** repeals items 55 and 56 in the table at section 1190 and substitutes new items 55 and 56 into the table. This item removes the references to telephone allowance paid under the Veterans’ Entitlements Act and the Military Rehabilitation and Compensation Act and substitutes references to payment of the veterans supplement and MRCA supplement. Telephone allowance will no longer be paid under the Veterans’ Entitlements Act or Military Rehabilitation and Compensation Act.

**Item 140** repeals items 56AG and 56AH in the table at section 1190 and substitutes new items 56AG and 56AH into the table. This item removes the references to telephone allowance paid under the Veterans’ Entitlements Act and the Military Rehabilitation and Compensation Act and substitutes references to payment of the veterans supplement and MRCA supplement. Telephone allowance will no longer be paid under the Veterans’ Entitlements Act or Military Rehabilitation and Compensation Act.

**Item 141** repeals item 56AK from the table at section 1190 as table item 11 in subsection 1061SA has been repealed. There will no longer be telephone allowance paid under the Veterans’ Entitlements Act or the Military Rehabilitation and Compensation Act and there is no longer a need to distinguish between different rates of telephone allowance that were previously paid under that legislation.

**Item 142** repeals item 33AAC from the table at subsection 1191(1) as table item 11 in subsection 1061SA has been repealed. There will no longer be telephone allowance paid under the Veterans’ Entitlements Act or the Military Rehabilitation and Compensation Act and there is no longer a need to distinguish between different rates of telephone allowance that were previously paid under that legislation.

**Item 143** omits the reference to section 1168 in subparagraph 1210(1)(b)(ii) and substitutes a reference to section 1173. A note is inserted to advise the reader that this item fixes an incorrect cross-reference.

**Amendments to the Social Security Administration Act**

**Item 144** repeals subsection 48C(3) and substitutes a new subsection 48C(3) to correctly set out the method for calculation of an instalment of quarterly pension supplement. An individual’s quarterly pension supplement is to be calculated by multiplying the daily rate of quarter pension supplement by the number of days in the quarter for which a person had elected to receive the minimum amount of their pension supplement on a quarterly rather than fortnightly basis.
Item 145 repeals paragraph (k) of the definition of category I welfare payment in section 123TC and substitutes a new paragraph (k). This item removes the reference to telephone allowance paid under the Veterans’ Entitlements Act and substitutes a reference to veterans supplement paid under section 118B of that Act.

Item 146 repeals paragraph (m) of the definition of category I welfare payment in section 123TC to remove the reference to utilities allowance paid under the Veterans’ Entitlements Act as utilities allowance will no longer be paid under that Act.

Item 147 omits the words “or VIIA” from paragraph (v) of the definition of category I welfare payment in section 123TC to remove the reference to advance pharmaceutical allowance paid under the Veterans’ Entitlements Act as pharmaceutical allowance will no longer be paid under that Act.

Item 148 omits the words “(other than an advance pharmaceutical allowance in relation to an age pension or a carer payment)” from paragraph (k) of the definition of category Q welfare payment as pharmaceutical allowance will no longer be paid to age pension or carer payment recipients as it has been incorporated into the pension supplement.

Amendment of the Veterans’ Entitlements Act

Items 149 to 156 insert, in alphabetical order, a number of new terms into the index of definitions in section 5.

Item 157 repeals paragraph 5H(8)(ba) and substitutes a new paragraph to exempt from the income test, a payment of an instalment of veterans supplement under Part VIIA of the Veterans’ Entitlements Act.

Item 158 repeals paragraph 5H(8)(ga) which referred to utilities allowance. Utilities allowance is being subsumed into the new pension supplement and increased rate of income support supplement.

Item 159 amends paragraph 5H(8)(gb) by omitting the words “seniors concession allowance” and substituting the words “seniors supplement”.

Item 160 repeals paragraph 5H(8)(zt) and substitutes a new paragraph to exempt from the income test, a payment of an instalment of MRCA supplement under section 221, 245 or 300 of the Military Rehabilitation and Compensation Act.

Item 161 repeals paragraphs (d) and (e) of the definition of compensation affected pension in subsection 5NB(1). Pharmaceutical allowance and telephone allowance will no longer be paid under the Veterans’ Entitlements Act.

Item 162 amends the definition of Australia in subsection 5Q(1).

Item 163 inserts a definition for pension supplement amount in subsection 5Q(1).

Item 164 inserts a definition for quarterly pension supplement in subsection 5Q(1).

Item 165 repeals the definition of seniors concession allowance in subsection 5Q(1).
Item 166 inserts a definition for *seniors supplement* in subsection 5Q(1).

Item 167 repeals the definition of *utilities allowance* in subsection 5Q(1).

Items 168 to 170 amend subsections 36A(3), 37A(3) and 38A(3) respectively to reflect that advance pharmaceutical allowance is no longer paid under the Veterans’ Entitlements Act.

Item 171 amends subparagraph 53M(4)(b)(ii) so that, in respect of a partner who was permanently blind, the rate of the income support supplement is to be worked out as the sum of the maximum basic rate under point SCH6-B1 and the partner’s pension supplement amount (worked out as if the partner was receiving a service pension worked out under subpoint SCH6-A1(2) of Schedule 6).

Item 172 repeals subsection 58A(7) and (8) and substitutes new subsections.

New subsection 58A(7) provides that, under certain circumstances, if apart from subsection 58A(7), the portion of an instalment corresponding to a day would be less than the person’s minimum daily rate, but more than nil, the amount of that portion of the instalment is to be increased to the person’s minimum daily rate.

The circumstances under which the portion of an instalment corresponding to a day is to be increased is if:

- an amount for a particular day of an instalment of service pension or income support is payable to a person in relation to a particular day; and

- on that day, the person is residing in Australia and the person is either, in Australia, or is temporarily absent from Australia for a continuous period not exceeding 13 weeks; and

- there is no election in force under subsection 60A(1) in relation to the person.

New subsection 58A(8) provides that the new minimum daily rate for a person is to be $1/364^{th}$ of the person’s minimum pension supplement amount.

Item 173 makes a technical amendment at the end of section 58K(1).

Item 174 repeals note 2 at the end of section 58K(1).

Item 175 repeals table item 2, the former GST pension supplement, from the table in section 59A and substitutes new table items 2, 2A and 2B, to be indexed under Division 18 of Part IIIB. New table item 2 provides for the new “combined couple rate of pension supplement”, abbreviated to “PS rate” and specified in subsection 5GA(1). New table item 2A provides for the new “combined couple rate of minimum pension supplement”, abbreviated to “PS minimum rate” and specified in subsection 5GA(2). New table item 2B provides for the new “pension supplement basic amount”, abbreviated to “PS basic rate” and specified in subsection 5GA(5).

Item 176 repeals table items 18 and 19 from the table in section 59A. The items referred to “pharmaceutical allowance” and are no longer applicable.
Item 177 adds a new note at the end of section 59A. The note advises that indexing the PS minimum rate will also result in the indexation of the rate of quarterly pension supplement in section 60B and the rate of seniors supplement in section 118PB.

Item 178 repeals table item 1A, the former GST pension supplement, from the table in subsection 59B(1) and substitutes new table items 1A, 1B and 1C. The table in section 59B(1) specifies the indexation days, reference quarter, base quarter and rounding base for the amounts to be indexed under Division 18 of Part IIIIB. New table item 1A provides for the new “combined couple rate of pension supplement (PS rate). New table item 1B provides for the new “combined couple rate of minimum pension supplement”, (PS minimum rate). New table item 1C provides for the new “pension supplement basic amount” (PS basic rate).

Item 179 inserts a new subsection 59C(2AB) before subsection 59C(2A). New subsection 59C(2AB) specifies that the first indexation of amounts under items 1A, 1B and 1C of the CPI Indexation Table in subsection 59B(1) is to occur on 20 March 2010.

Item 180 repeals section 59L that provided for the adjustment of pharmaceutical allowance. This provision is no longer applicable.

Items 181 and 183 omit the word “allowance” or “allowances” from subsections 59M(1), (2), (3) and (4) as the allowances referred to are no longer applicable.

Item 182 repeals paragraphs 59M(1)(g) and (h) which referred to “telephone allowance” and “advance pharmaceutical allowance” respectively. These allowances have been replaced by the new pension supplement and the veterans supplement.

Item 184 repeals paragraph 59Q(7)(b) and substitutes a new paragraph. New paragraph 59Q(7)(b) provides the formula for to work out the number of weeks in a person’s lump sum preclusion period. The existing formula required amendment because of the change in the taper rate provided for in Schedule 6 and the abolition of pharmaceutical allowance in this Schedule.

New paragraph 59Q(7)(b) provides that, where a person has received a lump sum compensation payment on or after 20 March 1997, the person’s lump sum preclusion period is calculated by the formula. The formula divides 52 times the compensation of the lump sum compensation payment by the total of twice the sum of the person’s maximum basic rate and the amount applicable to the person in point SCH6-BA3 plus the ordinary free area limit.

For the purposes of the formula, the “maximum basic rate” means the amount specified in column 3 of item 1 in Table B in point SCH6-B1.

For the purposes of the formula, the “ordinary free area limit” means the amount specified in column 3 of item 1 of Table E-1 in point SCH6-E6. Table E-1 in point SCH6-E6 provides for the ordinary/adjusted income free area.

For the purposes of the formula, “point SCH6-BA3 amount” means the pension supplement amount worked out under table item 1 in point SCH6-BA3 for a person who is not a member of a couple. The amount for a person who is not a member of a
couple is to be applied in the formula regardless of whether or not the person is a member of a couple and regardless of whether the table item applies to the person for whom the lump sum preclusion period is being worked out.

**Items 185 and 186** fix incorrect cross references.

**Item 187** repeals Part VIIAC of the Veterans’ Entitlements Act. Part VIIAC provided for the payment of utilities allowance which has been subsumed into the new pension supplement and the increase to income support supplement.

**Item 188** amends the definition of *pension* in subsection 121(7) by omitting “, loss of earnings allowance under section 108, utilities allowance under Part VIIAC or seniors concession allowance under Part VIIAD” and substituting “or loss of earnings allowance under section 108”. Utilities allowance and seniors concession allowance are being replaced with the new pension supplement and the increase to income support supplement and seniors supplement.

**Item 189** omits the words “seniors concession allowance” and substitutes the words “seniors supplement” in subsections 122A(1A) and 122A(1C). Seniors supplement is replacing the seniors concession allowance.

The heading to section 122A is changes by omitting “allowance” and substituting “supplement”.

**Item 190** omits the words “the allowance” and substitutes the words “the supplement” in subsection 122A(1C).

**Item 191** omits the words “pension or” and substitutes the words “pension, supplement or” in the definition of *pension* in subsection 122A(2).

**Item 192** omits “(other than utilities allowance or seniors concession allowance)” from paragraph (d) of the definition of *income payment* in subsection 128A(1).

**Item 193** repeals section 198E. 198E provided for the indexation of utilities allowance and seniors concession allowance, which will no longer be payable under the Veterans’ Entitlements Act.

**Item 194** repeals step 3 from method statement 1 in Schedule 6. Step 3 added an amount of pharmaceutical allowance. This step is no longer applicable as pharmaceutical allowance has been replaced by veterans supplement.

**Item 195** omits from step 4 in method statement 1, the reference to step 3, omitted in item 192.

**Item 196** omits from note 4, at the end of step 11 in method statement 1 of Schedule 6, the words “(maximum basic rate first, then rent assistance and finally pharmaceutical allowance)”.

**Item 197** repeals step 3 from method statement 2.

**Item 198** makes a technical amendment to method statement 2.
Item 199 repeals step 3 from method statement 3.

Item 200 repeals step 2 from method statement 4.

Item 201 repeals step 3 from method statement 5.

Item 202 makes a technical amendment to method statement 5.

Item 203 omits from note 4, at the end of step 12 in method statement 5 of Schedule 6, the words “(maximum basic rate first, then rent assistance and finally pharmaceutical allowance)”.

Item 204 repeals step 2 from method statement 6.

Item 205 repeals module D of the rate calculator in Part 2 of Schedule 6. Module D provided for an amount of pharmaceutical allowance to be added to an individual’s rate of pension. Module D is no longer required as the rate of pension supplement incorporates an amount for pharmaceutical allowance.

Item 206 omits the reference in subparagraph SCH6-G1(1)(a)(ii) to an advance payment of pharmaceutical allowance under Division 2 of Part VIIA of the Veterans’ Entitlements Act. Part VIIA is being replaced with the new veterans supplement provisions by Schedule 4 of this Bill.
Part 6 – Application, saving and transitional

Item 207 provides for a transitional rate of pension supplement that will only apply to the single rate for a limited period starting on 20 September 2009 and ending on 19 March 2010 inclusive.

Subitem 207(1) provides that, for the period between 20 September 2009 and 19 March 2010, the Veterans’ Entitlements Act as amended by this Schedule, applies in accordance with the modifications specified in subitems 208(2) and 208(3).

Subitem 207(2) provides that subsection 5GA(7) will be inserted at the end of section 5GA. Subsection 5GA(7) provides for the definition and calculation of a ‘temporary singles’ amount’ for the pension supplement. The rate of the temporary singles amount is $1,458.60 per annum, comprised of the sum of the following components and rounded up to the nearest multiple of $2.60:

(a) the annual rate of utilities allowance for a person who is not a member of a couple;

(b) the annual rate of telephone allowance, at the increased rate for home internet connection, for a person who is not a member of a couple;

(c) the annual rate of pharmaceutical allowance for a person who is not a member of a couple;

(d) the basic amount of the pension supplement; and

(e) $130.

Subitem 207(3) temporarily omits point SCH6-BA3 and temporarily substitutes a new point SCH6-BA3. Transitional point SCH6-BA3 provides a person who is partnered receives a rate of pension supplement that is 50 per cent of the combined couple rate of pension supplement. People who are single, or a member of an illness separated or respite care couple will receive pension supplement that is equal to the temporary singles amount.

The note inserted at the end of SCH6-BA3 advises that the definition of combined couple rate of pension supplement is in subsection 5GA(1).

Item 208 is an application provision that states that Part VIIAD of the Veterans’ Entitlements Act as inserted by this Schedule, applies in relation to elections made under subsection 60A(1) of the Veterans’ Entitlements Act on or after 1 July 2010. That is, the quarterly pension supplement will not commence until 1 July 2010.
Subitem 209(1) provides that, despite the repeal of Part VIIAD of the Veterans’ Entitlements Act, those provisions will continue to apply in relation to the seniors concession allowance test day on 20 September 2009 as if the repeals had not occurred. Holders of a seniors health card and eligible Gold card holders will receive a final quarterly payment of seniors concession allowance in respect of the test day 20 September 2009, and will commence receiving seniors supplement on the following test day, being 20 December 2009.

Subitem 209(2) provides that for the purposes of subitem (1), under which the final instalment of seniors concession allowance will be paid, section 198E of the Veterans’ Entitlements Act, as in force immediately before the commencement of this item, applies in relation to 20 September 2009. Section 198E provides for the indexation of seniors concession allowance. This means that the final instalment of seniors concession allowance will include the 20 September 2009 indexation adjustment.

Subitem 209(3) provides that despite the repeal of table item 16A.1 in section 52-65 of the Income Tax Assessment Act (as in force immediately before the commencement of this item), table item 16A.1 continues to apply on and after the commencement of this item in relation to payments of seniors concession allowance made before, on or after that commencement. The effect of this is that the final instalment of seniors concession allowance to be made in respect of 20 September 2009 will be exempt from income tax.

Subitem 209(4) provides that despite the repeal of paragraph 8(8)(y)(viib) of the Social Security Act (as in force immediately before the commencement of this item), paragraph 8(8)(y)(viib) continues to apply on and after the commencement of this item in relation to payments of seniors concession allowance made before, on or after that commencement. The effect of this is that the final instalment of seniors concession allowance to be made in respect of 20 September 2009 will be exempt under the social security income test.

Subitem 209(5) provides that despite the repeal of paragraph 5H(8)(gb) of the Veterans’ Entitlements Act (as in force immediately before the commencement of this item), paragraph 5H(8)(gb) continues to apply on and after the commencement of this item in relation to payments of seniors concession allowance made before, on or after that commencement. The effect of this is that the final instalment of seniors concession allowance to be made in respect of 20 September 2009 will be exempt under the veterans’ entitlements income test.

Subitem 209(6) provides that, despite the amendments made by items 187 and 188 of this Schedule, which omit references to ‘seniors concession allowance’ from subsections 122A(1A) and (1C), subsection 122A(1C) of the Veterans’ Entitlements Act (as in force immediately before the commencement of this item) continues to apply on and after that commencement in relation to payments of seniors concession allowance made before, on or after that commencement. This means that if a person has not nominated a bank account for the payment of seniors concession allowance, within the time period required by the Commission, the seniors concession allowance is not payable to the person.
Subitem 210(1) provides that, despite the repeal of Part VIIAC of the Veterans’ Entitlements Act, those provisions will continue to apply in relation to the utilities allowance test day on 20 September 2009 as if the repeal had not occurred. A final instalment of utilities allowance will be paid in respect of the test day of 20 September 2009.

Subitem 210(2) provides that for the purposes of subitem (1), under which the final instalment of utilities allowance will be paid, section 198E of the Veterans’ Entitlements Act, as in force immediately before the commencement of this item, applies in relation to 20 September 2009. Section 198E provides for the indexation of utilities allowance. This means that the final instalment of utilities allowance will include the 20 September 2009 indexation adjustment.

Subitem 210(3) provides that despite the repeal of table item 20A.1 in section 52-65 of the Income Tax Assessment Act (as in force immediately before the commencement of this item), table item 20A.1 continues to apply on and after the commencement of this item in relation to payments of utilities allowance made before, on or after that commencement. The effect of this is that the final instalment of utilities allowance be made in respect of 20 September 2009 will be exempt from income tax.

Subitem 210(4) provides that despite the repeal of paragraph 8(8)(y)(viia) of the Social Security Act (as in force immediately before the commencement of this item), paragraph 8(8)(y)(viia) continues to apply on and after the commencement of this item in relation to payments of utilities allowance made before, on or after that commencement. The effect of this is that the final instalment of utilities allowance to be made in respect of 20 September 2009 will be exempt under the social security income test.

Subitem 210(5) states that despite the amendment made by item 144, paragraph (m) of the definition of category I welfare payment in section 123TC of the Social Security (Administration) Act (as in force immediately before the commencement of item 144) continues to apply on and after that commencement in relation to payments of utilities allowance made before, on or after that commencement.

Subitem 210(6) provides that despite the repeal of paragraph 5H(8)(ga) of the Veterans’ Entitlements Act (as in force immediately before the commencement of this item), paragraph 5H(8)(ga) continues to apply on and after the commencement of item 157 in relation to payments of utilities allowance made before, on or after that commencement. The effect of this is that the final instalment of utilities allowance to be made in respect of 20 September 2009 will be exempt under the veterans’ entitlements income test.

Subitem 211(1) provides that, despite the repeal of Part VIIB of the Veterans’ Entitlements Act, those provisions will continue to apply in relation to the telephone allowance test day on 20 September 2009 as if the repeal had not occurred. A final instalment of telephone allowance will be paid in respect of the test day of 20 September 2009.
Subitem 211(2) provides that for the purposes of subitem (1), under which the final instalment of telephone allowance will be paid, section 198F of the Veterans’ Entitlements Act, as in force immediately before the commencement of this item, applies in relation to 20 September 2009. Section 198F provides for the indexation of telephone allowance. This means that the final instalment of telephone allowance will include the 20 September 2009 indexation adjustment.

Subitem 211(3) provides that despite the repeal of table item 18.1 in section 52-65 of the Income Tax Assessment Act (as in force immediately before the commencement of this item), table item 18.1 continues to apply on and after the commencement of this item in relation to payments of telephone allowance made before, on or after that commencement. The effect of this is that the final instalment of telephone allowance be made in respect of 20 September 2009 will be exempt from income tax.

Subitem 211(4) states that despite the amendment made by item 143, paragraph (k) of the definition of category I welfare payment in section 123TC of the Social Security (Administration) Act (as in force immediately before the commencement of item 144) continues to apply on and after that commencement in relation to payments of telephone allowance made before, on or after that commencement.

Subitem 211(5) provides that despite the repeal of paragraph 5H(8)(ba) of the Veterans’ Entitlements Act (as in force immediately before the commencement of this item), paragraph 5H(8)(ba) continues to apply on and after the commencement of item 155 in relation to payments of telephone allowance made before, on or after that commencement. The effect of this is that the final instalment of telephone allowance to be made in respect of 20 September 2009 will be exempt under the veterans’ entitlements income test.

Subitem 212(1) provides that, despite the repeal of Part VIIA of the Veterans’ Entitlements Act by item 12 of this Schedule, Part VIIA as in force immediately before the commencement of item 12, continues to apply on and after that commencement in relation to days occurring before 20 September 2009. This provision takes account of the circumstance whereby an amount of pharmaceutical allowance will be paid to eligible persons on the payday of 24 September 2009, in respect of days falling before 20 September 2009 on which the person was eligible pharmaceutical allowance.

Subitem 212(2) provides that despite the repeal of table item 12.1 in section 52-65 of the Income Tax Assessment Act (as in force immediately before the commencement of this item), table item 12.1 continues to apply on and after the commencement of this item in relation to payments of pharmaceutical allowance made before, on or after that commencement. The effect of this is that the final instalment of pharmaceutical allowance be made in respect of 20 September 2009 will be exempt from income tax.

Subitem 212(3) states that despite the amendment made by item 98, subsection 1061JD(2) of the Social Security Act (as in force immediately before the commencement of item 98) continues to apply on and after that commencement in relation to payments of pharmaceutical allowance made under Part VIIA of the Veterans’ Entitlements Act made before, on or after that commencement.
**Subitem 212(4)** provides that despite the repeal of paragraph 5H(8)(ba) of the Veterans’ Entitlements Act (as in force immediately before the commencement of this item), paragraph 5H(8)(ba) continues to apply on and after the commencement of item 155 in relation to payments of pharmaceutical allowance made before, on or after that commencement.

**Subitem 213(1)** provides that item 214 applies to a person if the person receives an instalment of service pension for the pension period that includes 20 September 2009.

**Subitem 213(2)** provides that the circumstances under which the amount of a portion of the instalment is to be increased to a person’s minimum daily rate. The circumstances are if:

(a) for a day in that period before 20 September 2009, an amount of pharmaceutical allowance is added to the person’s maximum basic rate in working out the amount of the instalment; and

(b) apart from this item, the portion of the instalment corresponding to that day would be less than the person’s minimum daily rate, but more than nil.

**Subitem 213(3)** defines a person’s **minimum daily rate** for the purposes of item 214 as being 1/364th of the yearly amount of pharmaceutical allowance added to the person’s maximum basic rate in working out that portion of the instalment.

This item maintains the minimum daily rate based on the rate of pharmaceutical allowance for the pay day of 24 September 2009 for the days in the pay period that are before 20 September 2009. Item 170 of this Schedule, provides for the minimum daily rate for the days in the pay period that fall on or after 20 September 2009 which will be calculated using the new minimum pension supplement amount.

**Subitem 214(1)** provides that, despite the amendment of Division 4 of Part 7 of Chapter 4 and of Division 5 of Part 2 of Chapter 5 of the Military Rehabilitation and Compensation Act, those Divisions will continue to apply in relation to the telephone allowance test day on 20 September 2009 as if the amendments had not occurred. A final instalment of telephone allowance will be paid in respect of the test day of 20 September 2009.

**Subitem 214(2)** provides that for the purposes of subitem (1), under which the final instalment of telephone allowance will be paid, section 198F of the Veterans’ Entitlements Act, as in force immediately before the commencement of this item, applies in relation to 20 September 2009. Section 198F provides for the indexation of telephone allowance. This means that the final instalment of telephone allowance will include the 20 September 2009 indexation adjustment.

**Subitem 214(3)** states that despite the amendments of Division 4 of Part 4 of Chapter 6 of the Military Rehabilitation and Compensation Act made by this Schedule, Division 4 of Part 4 of Chapter 6, as in force immediately before the commencement of this item, continues to apply on and after that commencement in relation to days occurring before 20 September 2009.
**Subitem 214(4)** provides that despite the repeal of table items 10 and 20 in section 52-114 of the Income Tax Assessment Act (as in force immediately before the commencement of this item), table items 10 and 20 continues to apply on and after the commencement of this item in relation to payments of telephone allowance or pharmaceutical allowance made before, on or after that commencement. The effect of this is that the final payment of telephone allowance and pharmaceutical allowance will be exempt from income tax.

**Subitem 214(5)** makes it clear that section 388, 398, 401, 402 and 403 of the Military Rehabilitation and Compensation Act apply on and after the commencement of this item as if a reference in those sections to MRCA supplement included a reference to telephone allowance.

**Subitem 214(6)** states that despite the amendment made by item 98, subsection 1061JD(2) of the Social Security Act (as in force immediately before the commencement of item 98) continues to apply on and after that commencement in relation to payments of pharmaceutical allowance made under the Military Rehabilitation and Compensation Act before, on or after that commencement.

**Subitem 214(7)** provides that despite the repeal of paragraph 5H(8)(zt) of the Veterans’ Entitlements Act (as in force immediately before the commencement of this item), paragraph 5H(8)(zt) continues to apply on and after the commencement of item 156 in relation to a payment of telephone allowance or pharmaceutical allowance made before, on or after that commencement. The effect of this is that the final instalment of telephone and pharmaceutical allowance to be made in respect of 20 September 2009 will be exempt under the veterans’ entitlements income test.

**Division 3 – Social security payments**

**Item 215** is a saving provision and provides for three discrete provisions. The first provision states that despite the repeal of table item 22.B-1 in section 52-10 of the Income Tax Assessment Act any payments of seniors concession allowance paid before, on or after the commencement of the Pension Reform Act are to remain exempt from income tax. This provision ensures that the final payment of seniors concession allowance, to be paid on the first pay day after 20 September 2009, will retain the same tax treatment that all previous payments of seniors concession allowance have had.

The second saving provision ensures that despite the amendments made in the Pension Reform Act to section 1190 and section 1191 of the Social Security Act the final payment of seniors concession allowance will be indexed in accordance with any CPI increases before the payment is made to qualified individuals.

The third saving provision ensures that, despite amendments made to the nominee provisions contained in section 123A of the Social Security Act to remove reference to the seniors concession allowance, the provisions will continue to apply for the final payment of seniors concession allowance that is to be paid on the first pay day after 20 September 2009 to qualified individuals.
**Item 216** provides that, despite the amendments to the qualification rules for utilities allowance, these provisions will continue to apply in relation to the utilities allowance test day on 20 September 2009 as if the amendments had not occurred. This is because utilities allowance is paid in relation to the previous quarter and the test day for payment of this allowance is 20 September 2009. Accordingly, individuals who would have been paid utilities allowance with their first usual payment after 20 September 2009 but for these amendments will still receive the last instalment of utilities allowance on the first payday after 20 September 2009.

It is intended that individuals who receive a rate of pension that is calculated by reference to clause 146 in Schedule 1A to the Social Security Act will also receive this payment of utilities allowance.

**Item 217** contains a saving provision to ensure that despite amendments made to the Social Security Act by the Pension Reform Act, and elsewhere in this Bill, telephone allowance will continue to be payable for the telephone allowance test day on 20 September 2009 as if the repeals had not occurred. This is because the telephone allowance is paid in relation to the previous quarter and the test day for payment of this allowance is 20 September 2009. Accordingly, individuals who would have been paid telephone allowance with their first usual payment after 20 September 2009 but for these amendments will still receive the last instalment of telephone allowance on the first payday after 20 September 2009.

It is intended that individuals who receive a rate of pension that is calculated by reference to clause 146 in Schedule 1A to the Social Security Act will also receive this payment of telephone allowance.

**Item 218** provides that despite amendments to the Social Security Act set out in this bill and the Pension Reform Act some sections of the Social Security Act relating to the payment of advance pharmaceutical allowance will continue to operate where an advance of pharmaceutical allowance has been granted before, on or after the commencement of the amending legislation.

That is, where an individual’s rate of social security payment would be reduced to nil because of an advance payment of pharmaceutical allowance then their social security payment remains payable to them, despite their rate being nil for that particular instalment. In addition, where an individual has received an advance payment of pharmaceutical allowance and this reduces their rate of social security payment to nil, the individual will still have remote area allowance added to their base rate if they qualify for that allowance, despite having a nil rate of base payment.

**Item 219** provides that if pharmaceutical allowance is added to a person’s daily rate of social security payment for a day in an instalment period before 20 September 2009, and the person’s rate would be less than the minimum amount of pharmaceutical allowance, but more than nil, then their daily rate of social security pension is to be increased to the minimum amount of pharmaceutical allowance for that day. Accordingly, where an individual’s instalment period includes days before 20 September 2009 and after 19 September 2009 different provisions will apply.
On or after 20 September 2009 there will not be pharmaceutical allowance added to many pensions as it has been included in the new pension supplement. However, the rate of payment for days in the instalment period that are before 20 September 2009, are to include the minimum amount of pension supplement as the provisions of item 95 of Schedule 4 to the Pension Reform Act are only to operate with respect to days in the instalment period that are on or after 20 September 2009.
Schedule 5 – Adjustments because of Carbon Pollution Reduction Scheme

Summary

Due to timing discrepancies between the introduction of the Carbon Pollution Reduction Scheme (Household Assistance) Bill 2009 and this bill, it was not possible for the increases to pension payments to be accurately drafted and included in the earlier bill.

Pensions will be increased to compensate recipients of those payments for anticipated increases in the cost of living arising out of the introduction of the Carbon Pollution Reduction Scheme (CPRS).

The amendments proposed in this bill will also remove the legislative instrument powers that were included in the Carbon Pollution Reduction Scheme (Household Assistance) Bill 2009 to ensure the Government’s commitments as set out in the White Paper for the Carbon Pollution Reduction Scheme could be implemented despite the original timing discrepancy.

Background

In broad terms, this Schedule amends what will become the *Carbon Pollution Reduction Scheme (Household Assistance) Act 2009*.

This Schedule provides for increases to pension payments as a result of expected increases in the living cost index arising from the introduction of the Carbon Pollution Reduction Scheme. Pensioners will receive an increase to payments totalling 2.8 per cent over the first two years of the scheme.

Certain pension rates will be increased by a total of 2.8 per cent over the first two years of the scheme. This includes a 1 per cent increase from 1 July 2011 and a further 1.8 per cent increase on 1 July 2012, including upfront indexation.

The 1 per cent increase on 1 July 2011 incorporates a 0.4 per cent component that represents a bring forward on future CPI increases. The 1.8 per cent increase on 1 July 2012 incorporates a 0.8 per cent component that represents a bring-forward on future CPI increases. The 0.4 per cent and the 0.8 per cent figures represent the two expected increases in the CPI as a result of the Carbon Pollution Reduction Scheme.

This Schedule will commence immediately after the commencement of Part 1 of Schedule 3 to the *Carbon Pollution Reduction Scheme Amendment (Household Assistance) Act 2009* but, if that Part does not commence, then the provisions of this Schedule do not commence at all.
Explanation of the items

Part 1 – Main amendments

Amendments to the Veterans’ Entitlements Act

Item 1 repeals Division 5 of Part XII and substitutes a new Division 5 of Part XII. In broad terms, new Division 5 provides rules for increasing certain payments under the Veterans’ Entitlements Act by 2.8 per cent over two years. The new Division sets out the increases to payments to assist with the anticipated cost of living increases arising out of the Carbon Pollution Reduction Scheme.

Subdivision A - Introduction

New subsection 198P(1) sets out that the objects of the Division are to increase certain amounts that affect the rate at which payments are made to individuals under the Veterans’ Entitlements Act. The increases are to be provided by way of assistance in respect of expected rises in the cost of living as a result of the implementation of the Carbon Pollution Reduction Scheme. This subsection sets out that certain of the following payments will be increased:

(a) disability pensions (as defined in subsection 5Q(1));

(b) service pensions; and

(c) pensions payable to war widow/war widower-pensioners under Part II or IV of the Veterans’ Entitlements Act.

Subsection 198P(2) specifies that the second object of the Division is to adjust the future indexation of CPRS increased payments. The increases provided in this bill bring forward the increases to the Consumer Price Index (CPI) that are expected to flow from the introduction of the Carbon Pollution Reduction Scheme. To avoid duplication of the increases, which would ordinarily flow to payments after the CPI increase occurs, subsequent indexation arrangements are to be adjusted.

Subdivision B – Increases in disability pension

New section 198Q uses a table to identify the base amount rates of disability pension that will receive a CPRS increase. The base amounts are listed in Column 1 of the table and a brief description of the rate is provided in column 2 of that table.

A note at the end of new section 198Q advises that the base amounts listed in the table are as indexed or adjusted from time to time under section 198 and 198D, as affected by Subdivision C, if relevant.
New section 198R provides for a 1 per cent increase on 1 July 2011 to each of the base amounts of those payments set out in the table in section 198Q. The effect of the section is that, on 1 July 2011, each base amount is replaced with an amount (the replacement amount) that is worked out by first calculating the provisional replacement amount and then applying the rounding rules to that figure.

By virtue of new paragraph 198R(a), the provisional replacement amount is calculated by determining a figure that is 1 per cent greater than the base amount.

New paragraph 198R(b) needs to be read in conjunction with the rounding base specified in column 3 of the table in new section 198Q.

New paragraph 198R(b) provides that, if the provisional replacement amount (that is, the amount that has been increased by 1 per cent) is a multiple of the $0.10 cents, then the provisional replacement amount is the replacement amount. That is, the provisional replacement amount will become the new rate. If the provisional replacement amount is not a multiple of $0.10 cents, then it is rounded up or down to the nearest multiple of $0.10 cents and the resultant amount is the replacement amount. If the provisional replacement amount is a multiple of $0.05 cents, then the provisional replacement amount is rounded up to the nearest multiple of $0.10 cents.

A note is inserted at the end of section 198R to advise the reader that the 1 per cent increase provided for in the section includes a ‘brought forward’ increase of 0.4 per cent that represents the expected cost of living increase arising as a result of the introduction of the Carbon Pollution Reduction Scheme.

New section 198S provides for a 1.8 per cent increase to each of the base amounts on 1 July 2012. The effect of the section is that, on 1 July 2012, each base amount is replaced with an amount (the replacement amount) that is worked out by first calculating the provisional replacement amount and then applying rounding rules to that figure.

By virtue of new paragraph 198S(a), the provisional replacement amount is calculated by determining a figure that is 1.8 per cent greater than the base amount.

New paragraph 198S(b) needs to be read in conjunction with the rounding base specified in column 3 of the table in the new section 198Q.

New paragraph 198S(b) provides that, if the provisional replacement amount (that is, the amount that has been increased by 1 per cent) is a multiple of the $0.10 cents, then the provisional replacement amount is the replacement amount. That is, the provisional replacement amount will become the new rate. If the provisional replacement amount is not a multiple of $0.10 cents, then it is rounded up or down to the nearest multiple of $0.10 cents and the resultant amount is the replacement amount. If the provisional replacement amount is a multiple of $0.05 cents, then the provisional replacement amount is rounded up to the nearest multiple of $0.10 cents.
A note is inserted at the end of section 198S to advise the reader that the 1.8 per cent increase provided for in the section includes a ‘brought forward’ increase of 0.8 per cent that represents the expected cost of living increase arising as a result of the introduction of the Carbon Pollution Reduction Scheme.

Subdivision C – Adjustment of indexation of disability pensions

New section 198T and new section 198TA provide for adjusted indexation to occur on or after 20 March 2012 of the amounts that were subject to the increases provided for under new section 198R.

The new subsection 198T(1) provides for special rules around the CPI indexation on or after 20 March 2012, of amounts of disability pension specified in table items 1 to 4 of the table in section 198Q. Table items 1- 4 provide for the general rate of disability pension specified in subsection 22(3), the extreme disablement adjustment rate of disability pension specified in subsection 22(4), the intermediate rate of disability pension specified in subsection 23(4) and the special rate of disability pension specified in subsection 24(4).

By virtue of section 59D of the Veterans’ Entitlements Act, the affected payment rates may be indexed in accordance with CPI, as per the table in section 59B, by the application of an ‘indexation factor’. The CPI indexation factor is indirectly relevant to the rates provided for in subsections 22(3) and (4), 23 (4) and 24(4). These amounts are increased under section 198 by the “pension MBR factor”; that is the proportional increase that results from the adjustment of service pension with reference to CPI, the new PBLCI and MTAWE.

New subsection 198T(1) states that, the CPI indexation factor that applies on or after 20 March 2012, is to be reduced by the brought forward CPI indexation amount, but that the indexation factor is not to fall below 1.

Note 1 at the end of subsection 198T(1) explains the interrelationship between the rates specified in subsection 198T(1) and the indexation factor worked out under section 529C, 59D or 59G.

Note 2 at the end of subsection 198T(1) explains that the pension MBR factor used to adjust the rates in subsection 198T(1) will be affected by the reduction to the indexation factor or living cost indexation factor, whichever is relevant, the reduction of which is to be applied by virtue of under this section.

Note 3 advises that once the brought forward CPI indexation amount becomes zero, there will be no further reduction of the factor. That is, the operation of this section will cease.

An example is also inserted at the end of the new subsection 198T(1) to provide a clear picture of how the adjustment of the indexation provisions will apply.

New subsection 198T(2) provides for special rules around the living cost indexation of amounts on or after 20 March 2012.
By virtue of section 59EAB of the Veterans’ Entitlements Act, payment rates may be indexed in accordance with a living cost indexation factor, by the application of an ‘indexation factor’. The indexation factor is indirectly relevant to the rates provided for in subsections 22(3) and (4), 23(4) and 24(4). These amounts are increased under section 198 by the “pension MBR factor”; that is the proportional increase that results from the indexation of service pension with reference to CPI, the new PBLCI and MTAWE.

New subsection 198T(2) states that, the living cost indexation factor that applies on or after 20 March 2012, is to be reduced by the brought forward PBLCI indexation amount, but that the indexation factor is not to fall below 1.

Note 1 at the end of subsection 198T(2) explains the interrelationship between the rates specified in subsection 198T(1) and a factor worked out under section 59C, 59EAB or 59G.

Note 2 at the end of subsection 198T(2) explains that the pension MBR factor used to adjust the rates in subsection 198T(2) will be affected by the reduction to the indexation factor or living cost indexation factor, whichever is relevant, the reduction of which is to be applied by virtue of this section.

Note 3 advises that once the brought forward PBLCI indexation amount becomes zero, there will be no further reduction of the factor. That is, the operation of this section will cease.

An example is also inserted at the end of the new subsection 198T(2) to provide a clear picture of how the adjustment of the indexation provisions will apply.

New subsection 198T(3) creates a definition of brought forward CPI indexation amount for the purposes of this section. The “brought forward CPI indexation amount” is 0.004 less any reduction made under this section for a previous indexation day.

New subsection 198T(3) also creates a definition of brought forward PBLCI indexation amount for the purposes of this section. The “brought forward PBLCI indexation amount” is 0.004 less any reduction made under this section for a previous indexation day.

Furthermore, new subsection 198T(3) provides that, once either of the indexation factors has reached zero, then both indexation factors are zero and the effect of the section will cease. That is, no further reduction of the indexation factor will occur.

New subsection 198T(4) specifies that section 198T affects the rate of a payment under the Veterans’ Entitlements Act if, an only if, section 198R affected that rate of payment for the person.

New section 198U provides for special rules around the CPI indexation on or after 20 March 2012, of amounts of disability pension specified in table item 5 of the table in
section 198Q. Table item 5 relates to rates of disability pension that are increased by an amount in the table in section 27(1).

By virtue of subsections 198(5) and 198D(5) of the Veterans’ Entitlements Act, the rates in table item 5 of the table in section 198Q are indexed in accordance with CPI, by the application of an ‘indexation factor’.

New subsection 198U(1) states that, the CPI indexation factor that applies on or after 20 March 2012, is to be reduced by the brought forward CPI indexation amount, but that the indexation factor is not to fall below 1.

A note advises that once the “brought forward CPI indexation amount” becomes zero, there will be no further reduction of the factor. That is, the operation of this section will cease.

An example is also inserted at the end of the new subsection 198TA(1) to provide a clear picture of how the adjustment of the indexation provisions will apply.

New subsection 198U(2) creates a definition of “brought forward CPI indexation amount” for the purposes of this section. The “brought forward CPI indexation amount” is 0.004 less any reduction made under this subsection 198TA(1) for a previous indexation day.

New subsection 198U(3) specifies that section 198TA affects the rate of a payment under the Veterans’ Entitlements Act if, an only if, section 198R affected that rate of payment for the person.

New section 198V and new section 198W provide for further adjusted indexation to occur on or after 20 March 2013, of the base amounts that were subject to the increases provided for under new section 198S.

New subsection 198V(1) provides for special rules around the CPI indexation on or after 20 March 2013, of amounts of disability pension specified in table items 1 to 4 of the table in section 198Q. Table items 1-4 provide for the general rate of disability pension specified in subsection 22(3), the extreme disablement adjustment rate of disability pension specified in subsection 22(4), the intermediate rate of disability pension specified in subsection 23(4) and the special rate of disability pension specified in subsection 24(4).

By virtue of section 59D of the Veterans’ Entitlements Act, the affected payment rates may be indexed in accordance with CPI, as per the table in section 59B, by the application of an ‘indexation factor’. The CPI indexation factor is indirectly relevant to the rates provided for in subsections 22(3) and (4), 23(4) and 24(4). These amounts are increased under section 198 by the “pension MBR factor”; that is the proportional increase that results from the adjustment of service pension with reference to CPI, the new PBLCI and MTAWE.

New subsection 198V(1) states that, the CPI indexation factor that applies on or after 20 March 2013, is to be reduced by the brought forward CPI indexation amount, but that the indexation factor is not to fall below 1.
Note 1 at the end of subsection 198V(1) explains the interrelationship between the rates specified in subsection 198V(1) and a factor worked out under section 59C, 59D or 59G.

Note 2 at the end of subsection 198V(1) explains that the pension MBR factor used to adjust the rates in subsection 198V(1) will be affected by the reduction to the indexation factor or living cost indexation factor, whichever is relevant, the reduction of which is to be applied by virtue of this section.

Note 3 advises that once the brought forward CPI indexation amount becomes zero, there will be no further reduction of the factor. That is, the operation of this section will cease.

An example is also inserted at the end of the new subsection 198V(1) to provide a clear picture of how the adjustment of the indexation provisions will apply.

New subsection 198V(2) provides for special rules around the living cost indexation of amounts on or after 20 March 2013.

By virtue of section 59EAB of the Veterans’ Entitlements Act, payment rates may be indexed in accordance with a living cost indexation factor, by the application of an ‘indexation factor’. The indexation factor is indirectly relevant to the rates provided for in subsections 22(3) and (4), 23 (4) and 24(4). These amounts are increased under section 198 by the “pension MBR factor”; that is the proportional increase that results from the indexation of service pension with reference to CPI, the new PBLCI and MTAWE.

New subsection 198V(2) states that, the living cost indexation factor that applies on or after 20 March 2013, is to be reduced by the brought forward PBLCI indexation amount, but that the indexation factor is not to fall below 1.

Note 1 at the end of subsection 198V(2) explains the interrelationship between the rates specified in subsection 198U(2) and a factor worked out under section 59C, 59EAB or 59G.

Note 2 at the end of subsection 198V(2) explains that the pension MBR factor used to adjust the rates in subsection 198V(2) will be affected by the reduction to the indexation factor or living cost indexation factor, whichever is relevant, the reduction of which is to be applied by virtue of this section.

Note 3 advises that once the brought forward PBLCI indexation amount becomes zero, there will be no further reduction of the factor. That is, the operation of this section will cease.

An example is also inserted at the end of the new subsection 198U(2) to provide a clear picture of how the adjustment of the indexation provisions will apply.

New subsection 198V(3) creates a definition of brought forward CPI indexation amount for the purposes of this section. The “brought forward CPI indexation

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amount” is 0.008 less any reduction made under this section for a previous indexation day.

New subsection 198V(3) also creates a definition of PBLCI brought forward indexation amount for the purposes of this section. The PBLCI brought forward indexation amount is 0.008 less any reduction made under this section for a previous indexation day.

Furthermore, new subsection 198V(3) provides that, once either of the indexation factors has reached zero, then both indexation factors are zero and the effect of the section will cease. That is, no further reduction of the indexation factor will occur.

New subsection 198V(4) specifies that section 198V affects the rate of a payment under the Veterans’ Entitlements Act if, and only if, section 198S affected that rate of payment for the person.

New section 198W provides for special rules around the CPI indexation on or after 20 March 2013, of amounts of disability pension specified in table item 5 of the table in section 198Q. Table item 5 relates to rates of disability pension that are increased by an amount in the table in section 27(1).

By virtue of subsections 198(5) and 198D(5) of the Veterans’ Entitlements Act, the rates in item 5 of the table in section 198Q are indexed in accordance with CPI, by the application of an ‘indexation factor’.

New subsection 198W(1) states that, the CPI indexation factor that applies on or after 20 March 2013 is to be reduced by the brought forward CPI indexation amount, but that the indexation factor is not to fall below 1.

A note advises that once the brought forward CPI indexation amount becomes zero, there will be no further reduction of the factor. That is, the operation of this section will cease.

An example is also inserted at the end of the new subsection 198UA(1) to provide a clear picture of how the adjustment of the indexation provisions will apply.

New subsection 198WA(2) creates a definition of brought forward CPI indexation amount for the purposes of this section. The “brought forward CPI indexation amount” is 0.008 less any reduction made under this subsection 198UA(1) for a previous indexation day.

New subsection 198W(3) specifies that section 198UA affects the rate of a payment under the Veterans’ Entitlements Act if, an only if, section 198S affected that rate of payment for the person.

Subdivision D – Increases in certain persons’ service pension relating to 1 July 2011

New subsection 198X(1) states that this subdivision applies to a person if, on or after 1 July 2011, the person is receiving service pension and the person is not a war
widow/war widower pensioner and the person’s pension supplement amount is more than the person’s pension supplement basic amount.

New subsection 198X(2) makes it clear that the subdivision does not apply to a war widow/war widower-pensioner who is receiving service pension. War widow/war widower-pensioners will receive their CPRS increase through the war widow pension payable under subsection 30(1) of the Veterans’ Entitlements Act.

A note at the end of subsection 198X(2) advises that this subdivision does not affect (directly or indirectly) on or after 1 July 2011:

- the rate of service pension of a war widow/war widower-pensioner; or
- the rate of a person’s income support supplement; or
- the minimum pension supplement amount of a person who is a war widow/war widower-pensioner.

New paragraph 198Y(1)(a) provides that on 1 July 2011, the rate of pension supplement, for a person receiving more than the basic amount of pension supplement will increase by the ‘CPRS amount’ which is defined in subsection 198W(3).

New paragraph 198Y(b) provides that where the increase provided for in paragraph 198Y(1)(a) produces an amount that is not a multiple of $2.60 then the amount will be rounded to the nearest multiple of $2.60. Where the result is not a multiple of $2.60 but is a multiple of $1.30 the amount is to be rounded up to the nearest multiple of $2.60.

New paragraph 198Y(2)(a) provides that on 1 July 2011, a person’s rate of minimum amount of pension supplement will increase by the ‘CPRS amount’ which is defined in subsection 198Y(3).

New paragraph 198Y(2)(b), provides that where the increase provided for in paragraph 198Y(2)(a) produces an amount that is not a multiple of $2.60 then the amount will be rounded to the nearest multiple of $2.60. Where the result is not a multiple of $2.60 but is a multiple of $1.30 the amount is to be rounded up to the nearest multiple of $2.60.

Subsection 198Y(3) provides that, the “CPRS” amount’ for a person who receives a service pension to which this subdivision applies, is the sum of the following amounts:

(a) 1 per cent of the person’s maximum basic rate of service pension; and

(b) 1 per cent of the person’s pension supplement basic amount.

A note is inserted at the end of section 198Y to advise the reader that the 1 per cent increase includes the estimated cost of living increase of 0.4 per cent for the 2011-12 financial year that has been brought forward and that future indexation will be adjusted to avoid duplication of this brought forward amount.

New section 198Z provides for special rules around indexation of some amounts on or after 20 March 2012.
By virtue of section 59D of the Veterans’ Entitlements Act, payment rates are indexed in accordance with CPI, as per the table in section 59B, by the application of an ‘indexation factor’. The indexation factor is applied on 20 March and 20 September each year.

New subsection 198Z(1) states that, for the indexation factors that apply to a person’s maximum base rate of pension and the pension supplement minimum amount after 20 March 2012, the indexation factor is to be reduced by the \textit{brought forward CPI indexation amount}, but that the indexation factor is not to fall below 1.

Note 1 at the end of subsection 198Z (1) confirms that the PS minimum rate is the amount as increased under subsection 198W(2).

A second note is inserted at the end of the new subsection 198Z(1) to state that, once the “brought forward CPI indexation amount” equals zero, there is no further reduction of the indexation factor.

An example is also inserted at the end of the new subsection 198Z(1) to provide a clear picture of how the adjustment of the indexation provisions will apply.

New subsection 198Z(2) provides that where there is an adjustment to indexation in accordance with subsection 198X(1) then the rate used to work out a person’s pension supplement amount is to be reduced by the same dollar value as the reduction in the person’s minimum pension supplement amount.

A method statement is inserted in subsection 198Z(2) that sets out how the reduction to the pension supplement is to be determined.

- **Step 1** is to work out the minimum pension supplement amount for the individual after application of the adjusted indexation in accordance with subsection 198X(1).

- **Step 2** is to work out what would have been the person’s minimum pension supplement amount for that day if the adjustment to indexation in subsection 198X(1) had not occurred.

- **Step 3** is to subtract step 1 from step 2.

- **Step 4** is to subtract the result of step 3 from what would have been, apart from this subsection, the person’s pension supplement amount.

- **Step 5** is to round the result of step 4 to the nearest multiple of $2.60, rounding up if the result of step 4 is not a multiple of $2.60, but is a multiple of $1.30.

Note 1 states that the amount in step 1 is the amount worked out from the pension supplement minimum amount as adjusted under subsection 198X(1).
Note 2 provides that the amount in step 2 is the amount as increased under subsection 198W(2) and as indexed under subsection 59C, but without the adjustment of indexation as provided for in subsection 198X(1).

Note 3 states that for step 4 the amount is as increased under subsection 198W(1) and as indexed under subsection 59C.

By virtue of section 59EAB of the Veterans’ Entitlements Act, payment rates may be indexed in accordance with PBLCI, by the application of an ‘indexation factor’. The indexation factor is applied on 20 March and 20 September each year.

New subsection 198Z(3) states that, for the indexation factors that apply after 20 March 2012, the indexation factor is to be reduced by the *brought forward PBLCI indexation amount*, but that the indexation factor is not to fall below 1.

A note is inserted at the end of the new subsection 198Z(3) to state that, once the “brought forward PBLCI indexation amount” equals zero, there is no further reduction of the indexation factor.

An example is also inserted at the end of the new subsection 198Z(3) to provide a clear picture of how the adjustment of the indexation provisions will apply.

New subsection 198Z(4) creates a definition of *brought forward CPI indexation amount* for the purposes of this section. The “brought forward CPI indexation amount” is 0.004 less any reduction made under this section for a previous indexation day.

New subsection 198Z(4) also creates a definition of *brought forward PBLCI indexation amount* for the purposes of this section. The “brought forward PBLCI indexation amount” is 0.004 less any reduction made under this section for a previous indexation day.

### Subdivision E - Increases in certain person’s service pension relating to 1 July 2012

New section 198ZA sets out the payments to which subdivision E of Division 5 of Part XII will apply. Subsection 198ZA(1) states that the increases in payments, and adjustment of indexation, provided for in this subdivision will apply where the person is receiving service pension and the person is not a war widow/war widower-pensioner and the person’s pension supplement amount is more than the person’s pension supplement basic amount.

New subsection 198ZA(2) makes it clear that the subdivision does not apply to a war widow/war widower-pensioner who is receiving service pension. War widow/war widower-pensioners receiving service pension will receive their CPRS increase through the war widow pension payable under section 30(1) of the Veterans’ Entitlements Act.

A note at the end of subsection 198ZA(2) advises that this Subdivision does not affect the following payments (directly or indirectly) on or after 1 July 2012:

- the rate of service pension of a war widow/war widower-pensioner; or
• the rate of a person’s income support supplement; or
• the minimum pension supplement amount of a person who is a war widow/war widower-pensioner.

New paragraph 198ZB(1)(a) provides that, on 1 July 2012, the rate of pension supplement, for a person receiving more than the basic amount of pension supplement will increase by the ‘CPRS amount’ which is defined in subsection 198Z(3).

New paragraph 198ZB(1)(b) provides that where the increase provided for in paragraph 198Z(1)(a) produces an amount that is not a multiple of $2.60 then the amount will be rounded to the nearest multiple of $2.60. Where the result is not a multiple of $2.60 but is a multiple of $1.30 the amount is to be rounded up to the nearest multiple of $2.60.

New paragraph 198ZB(2)(a) provides that, on 1 July 2012, a person’s rate of minimum amount of pension supplement will increase by the ‘CPRS amount’ which is defined in subsection 198ZB(3)

New paragraph 198ZB(2)(b), provides that where the increase provided for in paragraph 198ZB(2)(a) produces an amount that is not a multiple of $2.60 then the amount will be rounded to the nearest multiple of $2.60. Where the result is not a multiple of $2.60 but is a multiple of $1.30 the amount is to be rounded up to the nearest multiple of $2.60.

Paragraph 198ZB(3) provides that, the ‘CPRS amount’ for a person who receives a service pension to which this subdivision applies, is the sum of the following amounts:

(a) 1.8 per cent of the person’s maximum basic rate of service pension; and

(b) 1.8 per cent of the person’s pension supplement basic amount.

A note is inserted at the end of section 198ZB to advise the reader that the 1.8 per cent increase includes the estimated cost of living increase of 0.8 per cent for the 2012-13 financial year that has been brought forward and that future indexation will be adjusted to avoid duplication of this brought forward amount.

New section 198ZC provides for special rules around indexation of some amounts on or after 20 March 2013.

By virtue of section 59D of the Veterans’ Entitlements Act, payment rates are indexed in accordance with CPI, as per the table in section 59B, by the application of an ‘indexation factor’. The indexation factor is applied on 20 March and 20 September each year.

New subsection 198ZC(1) states that, for the indexation factors that apply to a person’s maximum base rate of pension and the pension supplement minimum amount after 20 March 2013, the indexation factor is to be reduced by the brought forward CPI indexation amount, but that the indexation factor is not to fall below 1.
Note 1 at the end of subsection 198ZC(1) confirms that the PS minimum rate is the amount as increased under subsection 198ZB(2).

A second note is inserted at the end of the new subsection 198ZC(1) to state that, once the brought forward indexation amount equals zero, there is no further reduction of the indexation factor.

An example is also inserted at the end of the new subsection 198ZC(1) to provide a clear picture of how the adjustment of the indexation provisions will apply.

New subsection 198ZC(2) provides that where there is an adjustment to indexation in accordance with subsection 198ZC(1), then the rate used to work out a person’s pension supplement amount is to be reduced by the same dollar value as the reduction in the person’s minimum pension supplement amount.

A method statement is inserted in subsection 198ZC(2) that sets out how the reduction to the pension supplement is to be determined.

Step 1 is to work out the minimum pension supplement amount for the individual after application of the adjusted indexation in accordance with subsection 198ZB(1).

Step 2 is to work out what would have been the person’s minimum pension supplement amount for that day if the adjustment to indexation in subsection 198ZB(1) had not occurred.

Step 3 is to subtract step 1 from step 2.

Step 4 is to subtract the result of step 3 from what would have been, apart from this subsection, the person’s pension supplement amount.

Step 5 is to round the result of step 4 to the nearest multiple of $2.60, rounding up if the result of step 4 is not a multiple of $2.60, but is a multiple of $1.30.

Note 1 states that the amount in step 1 is the amount worked out from the pension supplement minimum amount as adjusted under subsection 198ZC(1).

Note 2 provides that the amount in step 2 is the amount as increased under subsection 198Z(2) and as indexed under subsection 59C, but without the adjustment of indexation as provided for in subsection 198ZC(1).

Note 3 states that for step 4 the amount is as increased under subsection 198ZB(1) and as indexed under subsection 59C.

By virtue of section 59EAB of the Veterans’ Entitlements Act, payment rates may be indexed in accordance with PBLCI, by the application of an ‘indexation factor’. The indexation factor is applied on 20 March and 20 September each year.
New subsection 198ZC(3) states that, for the indexation factors that apply after 20 March 2013, the indexation factor is to be reduced by the *brought forward PBLCI indexation amount*, but that the indexation factor is not to fall below 1.

A note is inserted at the end of the new subsection 198ZC(3) to state that, once the “brought forward PBLCI indexation amount” equals zero, there is no further reduction of the indexation factor.

An example is also inserted at the end of the new subsection 198ZC(3) to provide the reader with a clear picture of how the adjustment of the indexation provisions will apply.

New subsection 198ZC(4) creates a definition of *brought forward CPI indexation amount* for the purposes of this section. The “brought forward CPI indexation amount” is 0.008 less any reduction made under this section for a previous indexation day.

New subsection 198ZC(4) also creates a definition of PBLCI brought forward indexation amount for the purposes of this section. The PBLCI brought forward indexation amount is 0.008 less any reduction made under this section for a previous indexation day.

Subdivision F – Increases in pension payable to war widow/war widower-pensioners

New section 198ZD applies the CPRS increase on 1 July 2011, to the amount specified in paragraph 30(1)(b) of the Veterans’ Entitlements Act. Paragraph 30(1)(b) provides the amount of the component of war widow pension known as the ‘domestic allowance’.

New paragraph 198ZD(a) states that the amount specified in paragraph 30(1)(b) of the Veterans’ Entitlements Act is to be increased by 1 per cent of the sum of the following amounts:

a) the amount worked out on 1 July 2011, under paragraph 30(1)(a); plus

b) the amount specified in paragraph 30(1)(b) on 1 July 2011, apart from this section; plus

c) the amount specified in paragraph 30(1)(c) as at 1 July 2011.

New paragraph 198ZD(b) requires that if the result of paragraph 198ZD(a) is not a multiple of ten cents, the resulting amount is to be rounded up or down to the nearest multiple of ten cents. New paragraph 198ZD(b) further requires that if the resulting amount is a multiple of 5 cents, the amount is to be rounded up.

A note is inserted at the end of section 198ZD to advise the reader that the 1 per cent increase includes the estimated cost of living increase of 0.4 per cent for the 2011-12 financial year that has been brought forward and that future indexation will be adjusted to avoid duplication of this brought forward amount.
New section 198ZE provides for special rules around indexation of war widow pension on or after 20 March 2012.

By virtue of section 59D of the Veterans’ Entitlements Act, the amount in paragraph 30(1)(b) may be indirectly indexed in accordance with CPI, as per the table in section 59B, by the application of an ‘indexation factor’. The amount in paragraph 30(1)(b) is increased under subsection 198(8A) by the “pension MBR factor”; that is the proportional increase that results from the indexation of service pension with reference to CPI, the new PBLCI and MTAWE.

New subsection 198ZE(1) states that, for the CPI indexation factor that applies, including indirectly, to the amount specified in paragraph 30(1)(b) on or after 20 March 2012, the indexation factor is to be reduced by the brought forward CPI indexation amount, but that the indexation factor is not to fall below 1.

Note 1 at the end of subsection 198ZE(1) explains the interrelationship between the rates specified paragraph 30(1)(b) of the Veterans’ Entitlements Act and a factor worked out under section 59D of the Veterans’ Entitlements Act.

Note 2 at the end of subsection 198ZE(1) explains that the pension MBR factor used to adjust the rate specified in paragraph 30(1)(b) will be affected by the reduction to the indexation factor or living cost indexation factor, whichever is relevant, the reduction of which is to be applied by virtue of this section.

Note 3 advises that once the “brought forward CPI indexation amount” becomes zero, there will be no further reduction of the factor. That is, the operation of this section will cease.

An example is also inserted at the end of the new subsection 198ZE(1) to provide a clear picture of how the adjustment of the indexation provisions will apply.

New subsection 198ZE(2) states that, for the living cost indexation factor that applies on or after 20 March 2012, the indexation factor is to be reduced by the brought forward PBLCI indexation amount, but that the indexation factor is not to fall below 1.

Note 1 at the end of subsection 198ZE(2) explains the interrelationship between the rates specified paragraph 30(1)(b) of the Veterans’ Entitlements Act and a factor worked out under section 59C, 59EAB or 59G of the Veterans’ Entitlements Act.

Note 2 at the end of subsection 198ZE(2) explains that the pension MBR factor used to adjust the rate specified in paragraph 30(1)(b) will be affected by the reduction to the indexation factor or living cost indexation factor, whichever is relevant, the reduction of which is to be applied by virtue of this section.

Note 3 advises that once the brought forward PBLCI indexation amount becomes zero, there will be no further reduction of the factor. That is, the operation of this section will cease.
An example is also inserted at the end of the new subsection 198ZE(2) to provide a clear picture of how the adjustment of the indexation provisions will apply.

New subsection 198ZE(3) creates a definition of *brought forward CPI indexation amount* for the purposes of this section. The “brought forward CPI indexation amount” is 0.004 less any reduction made under this section for a previous indexation day.

New subsection 198ZE(3) also creates a definition of *brought forward PBLCI indexation amount* for the purposes of this section. The “brought forward PBLCI indexation amount” is 0.004 less any reduction made under this section for a previous indexation day.

New subsection 198ZE(4) states that section 198ZC applies if, and only if, the person’s rate of war widow pension is affected by section 198ZB.

New paragraph 198ZF(a) states that the amount specified in paragraph 30(1)(b) of the Veterans’ Entitlements Act is to be increased, on 1 July 2012, by 1.8 per cent of the sum of the following amounts:

(a) the amount worked out on 1 July 2012, under paragraph 30(1)(a); plus

(b) the amount specified in paragraph 30(1)(b) on 1 July 2012, apart from this section; plus

(c) the amount specified in paragraph 30(1)(c) as at 1 July 2012.

New paragraph 198ZF(b) requires that if the result of paragraph 198ZF(a) is not a multiple of ten cents, the resulting amount is to be rounded up or down to the nearest multiple of ten cents. New paragraph 198ZF(b) further requires that if the resulting amount is a multiple of 5 cents, the amount is to be rounded up.

A note is inserted at the end of section 198ZF to advise the reader that the 1.8 per cent increase includes the estimated cost of living increase of 0.8 per cent for the 2012-13 financial year that has been brought forward and that future indexation will be adjusted to avoid duplication of this brought forward amount.

New section 198ZG provides for special rules around indexation of war widow pension on or after 20 March 2013.

By virtue of section 59D of the Veterans’ Entitlements Act, the amount in paragraph 30(1)(b) may be indirectly indexed in accordance with CPI, as per the table in section 59B, by the application of an ‘indexation factor’. The amount in paragraph 30(1)(b) is increased under subsection 198(8A) by the “pension MBR factor”; that is the proportional increase that results from the indexation of service pension with reference to CPI, the new PBLCI and MTAWE.
New subsection 198ZG(1) states that, for the CPI indexation factor that applies, including indirectly, to the amount specified in paragraph 30(1)(b) on or after 20 March 2013, the indexation factor is to be reduced by the brought forward CPI indexation amount, but that the indexation factor is not to fall below 1.

Note 1 at the end of subsection 198ZG(1) explains the interrelationship between the rates specified paragraph 30(1)(b) of the Veterans’ Entitlements Act and a factor worked out under section 59C, 59D or 59G of the Veterans’ Entitlements Act.

Note 2 at the end of subsection 198ZG(1) explains that the pension MBR factor used to adjust the rate specified in paragraph 30(1)(b) will be affected by the reduction to the indexation factor or living cost indexation factor, whichever is relevant, the reduction of which is to be applied by virtue of this section.

Note 3 advises that once the brought forward CPI indexation amount becomes zero, there will be no further reduction of the factor. That is, the operation of this section will cease.

An example is also inserted at the end of the new subsection 198ZG(1) to provide a clear picture of how the adjustment of the indexation provisions will apply.

New subsection 198ZG(2) states that, for the living cost indexation factor that applies on or after 20 March 2013, the indexation factor is to be reduced by the brought forward PBLCI indexation amount, but that the indexation factor is not to fall below 1.

Note 1 at the end of subsection 198ZG(2) explains the interrelationship between the rates specified paragraph 30(1)(b) of the Veterans’ Entitlements Act and a factor worked out under section 59C, 59EAB or 59G of the Veterans’ Entitlements Act.

Note 2 at the end of subsection 198ZG(2) explains that the pension MBR factor used to adjust the rate specified in paragraph 30(1)(b) will be affected by the reduction to the indexation factor or living cost indexation factor, whichever is relevant, the reduction of which is to be applied by virtue of this section.

Note 3 advises that once the “brought forward PBLCI indexation amount” becomes zero, there will be no further reduction of the factor. That is, the operation of this section will cease.

An example is also inserted at the end of the new subsection 198ZG(2) to provide a clear picture of how the adjustment of the indexation provisions will apply.

New subsection 198ZG(3) creates a definition of brought forward CPI indexation amount for the purposes of this section. The “brought forward CPI indexation amount” is 0.008 less any reduction made under this section for a previous indexation day.

New subsection 198ZG(3) also creates a definition of brought forward PBLCI indexation amount for the purposes of this section. The “brought forward PBLCI
indexation amount” is 0.008 less any reduction made under this section for a previous indexation day.

New subsection 198ZG(4) states that section 198ZG applies if, and only if, the person’s rate of war widow pension is affected by section 198ZD.

**Item 2** inserts a new clause 34A after clause 34 in Schedule 5 of the VEA.

New subclause 34A(1) provides that new clause 34 will apply to an individual if; clause 30 in Schedule 5 affects the rate at which a person is paid a service pension, and subclause 31(1) or (2) is relevant to the person.

That is, clause 34A will apply to people who receive a “transitional” rate and who are resident in Australia and in Australia or temporarily absent from Australia.

Subclause 34A(2) sets out the purpose of the clause, which is to provide for increases to a person’s rate of service pension to account for the cost of living increases that are expected to arise as a result of the Carbon Pollution Reduction Scheme.

This outcome is achieved by providing for increases in the amount of pension payable to an individual and for adjustment to future indexation of payments to prevent possible duplication of indexation.

Paragraph 34A(3)(a) provides that on 1 July 2011 the rate of service pension payable to a person by virtue of subparagraph 30(4)(a)(i) will increase by the “CPRS amount” as defined in subsection 198Y(3).

Paragraph 34A(3)(b) provides that if the amount calculated in accordance with paragraph 34A(3)(a) does not result in a multiple of $2.60, then the amount is rounded to the nearest multiple of $2.60. If the amount calculated is not a multiple of $2.60 but is a multiple of $1.30 then the amount is rounded up to the nearest multiple of $2.60.

The “CPRS amount” is defined in subsection 198Y(3) as being the sum of:

- 1 per cent of the maximum basic rate of payment for someone who is receiving a payment calculated in accordance with Pension Rate Calculator A; and
- 1 per cent of the basic amount of pension supplement for that person as defined in subsection 20A(5).

Paragraph 34A(4)(a) provides that on 1 July 2012 the rate of pension payable to a person by virtue of subparagraph 30(4)(a)(i) will increase by the “CPRS amount” as defined in subsection 198ZB(3).

Paragraph 34A(4)(b) provides that if the amount calculated in accordance with paragraph 34A(4)(a) does not result in a multiple of $2.60, then the amount is rounded to the nearest multiple of $2.60. If the amount calculated is not a multiple of $2.60 but is a multiple of $1.30 then the amount is rounded up to the nearest multiple of $2.60.
The “CPRS amount” is defined in subsection 198ZB(3) as being the sum of:

- 1.8 per cent of the maximum basic rate of payment for someone who is receiving a payment calculated in accordance with Pension Rate Calculator A; and
- 1.8 per cent of the basic amount of pension supplement for that person as defined in subsection 20A(5).

The increases provided for in subclause 34A(3) and subclause 34A(4) include estimated cost of living increases of 0.4 per cent and 0.8 per cent respectively which have been brought forward.

Subclause 34A(5) provides that where a person’s payment rate would ordinarily be increased in line with CPI those increases will be adjusted commencing on 20 March 2012 to avoid duplication of indexation.

Subclause 31A(6) provides that the references in subsections 198Z(2) and 198ZC(2) to the “PS rate” will also apply to the amounts described subparagraph 30(4)(a)(i) of Schedule 5 for the purposes of the special rules for indexation which will apply on or after 20 March 2012 and 20 March 2013.

The Note to subclause 34A(6) refers to the role of the provisions of clause 34 in determining the component of the transitional rate of service pension or income support supplement that is to be treated as the pension supplement.

Subclause 34A(7) provides that the following provisions are not to be taken into account in determining a person’s rate of pension under clause 30 or the application of the income and assets test to a person’s rate of pension as applied by clause 34:

- Subsection 198Y(1);
- Paragraph 198Z(1)(a);
- Subsection 198Z(3);
- Subsection 198ZB(1);
- Paragraphs 198ZB(1)(a);
- Subsection 198ZC(3).

Part 2 – Related amendments

**Item 3** adds a note to the end of subsection 59D(3) to advise that on or after 20 March 2012 and 20 March 2013, the factor may be reduced by Division 5 of Part XII.

**Item 4** adds a note to the end of subsection 59EAB(1) to advise that on or after 20 March 2012 and 20 March 2013, the factor may be reduced by Division 5 of Part XII.

**Item 5** adds a note to the end of subsection 59D(3) to advise that on or after 20 March 2012 and 20 March 2013, the factor may be reduced by Division 5 of Part XII.
Item 6 adds a note to the end of subsection 59D(3) to advise that on or after 20 March 2012 and 20 March 2013, the factor may be reduced by Division 5 of Part XII.
Schedule 6 – Income tests

Summary

The amendments will increase the income test taper rate from 40 cents to 50 cents per dollar of income over the ordinary income free area and remove the additional income test free area for dependent children from the calculation of the amount of a person’s ordinary income free area. Transitional arrangements will apply for existing pensioners affected by the new income test changes to ensure current payment rates are maintained in real terms, and that those pensioners also benefit from a pension increase.

Background

As part of the Government’s Secure and Sustainable Pension Reforms package, the income test for pensions will be tightened from 20 September 2009, to ensure the pension system is sustainable in the longer term, and that increases can be targeted to those most in need. Transitional arrangements will apply for existing pensioners affected by the new income test changes to ensure current payment rates are maintained in real terms, and that those pensioners also benefit from a pension increase.

Under the Veterans’ Entitlements Act, for the purpose of calculating a person’s annual rate of service pension or income support supplement, ‘ordinary income’ is assessed under the income test.

In order to work out the effect of a person’s ordinary income on the person’s maximum pension rate, the person’s annual amount of ordinary income is calculated to determine whether the maximum rate of pension is payable to the person. If a person’s ordinary income exceeds the ordinary income free area (that is, the amount of ordinary income that a person can have without any deductions being made from the person’s maximum rate of pension), the person’s pension is reduced by a specified amount for each dollar of income over the free area. This is known as the income test taper rate. Currently, the specified amount of the taper rate is 40 cents for each dollar of income over the free area. As part of the measures relating to the changes to the income test, the income test taper rate will increase to 50 cents for each dollar of income over the free area. In other words, a person’s pension will be reduced by 50 cents for each dollar of ordinary income over the income test free area.

In order to bring certain social security and veterans’ entitlements income support pensions into line with other social security payments, including allowances and family assistance, the additional income test free area for dependent children will also be removed. Currently, the amount of a person’s ordinary income free area comprises a basic free area (based on whether the person is single or partnered) and an additional specified amount for each dependent child of the person. The changes to the income test will mean that the additional income test threshold (free area) for each dependent child of the person will no longer form part of the calculation of a person’s ordinary income free area.
The amendments made by this Schedule commence on 20 September 2009.

**Explanation of the items**

**Part 1 – Taper rate**

*Amendments of the Veterans’ Entitlements Act*

This part of Schedule 6 contains amendments to increase the taper rate for each dollar of income over the ordinary income free area, thereby reducing a person’s pension if the person’s ordinary income exceeds the ordinary income free area.

**Item 1** repeals the current figure of ‘0.4’ in step 6 of the method statement in point SCH6-C14B and substitutes a new figure of ‘0.5’, which will have the effect of reducing the amount of a person’s maximum rate of payment by 50 cents for each dollar of income over the ordinary income free area. This method statement is used to work out the effect of a person’s disability pension on their rate of rent assistance.

**Item 2** repeals the current figure of ‘0.4’ in the formula in subpoint SCH6-E11 and substitutes a new figure of ‘0.5’, which will have the effect of reducing the amount of a person’s maximum rate of payment by 50 cents for each dollar of income over the ordinary income free area. This formula is part of the ordinary/adjusted income test.

**Part 2 – Income free area**

*Division 1 – Main amendments*

*Amendments of the Veterans’ Entitlements Act*

This Part of Schedule 4 contains amendments to the income test threshold (free area), which removes the additional amount for each dependent child that is added to a person’s basic free area.

**Item 3** amends subsection 53E(2) by omitting the words “plus (if the veteran has a dependent child or dependent children) the amount in, or worked out in accordance with, column 5 of that item for each dependent child”. This effectively removes the reference to any additional reduction per year for each dependent child or children provided for in column 5 of the table in section 53E.

**Item 4** repeals columns 5 and 6 from table in subsection 53E(2). This removes the additional reduction per year for each dependent child or children.

**Item 5** repeals note 2 in subsection 53E(2) which referred to a definition for *dependent child*.

**Item 6** repeals subsection 53E(2A) which provided that a child receiving youth allowance was considered to be a dependent child.

**Item 7** makes a technical amendment to step 2 of the method statement in point SCH6-E2 of Schedule 6.
Item 8 amends point SCH6-E6 of Schedule 6 by omitting the words “plus an additional corresponding amount in column 5 for each dependent child of the person”. This effectively removes the reference to any additional reduction per year for each dependent child or children provided for in column 5 of the table in section point SCH6-E6.

Item 9 repeals columns 5 and 6 from table E-1 in point SCH6-E6. This removes the additional reduction per year for each dependent child or children from the ordinary/adjusted income test.

Item 10 repeals note 2 in point SCH6-E6 which is now redundant.

Item 11 repeals points SCH6-E7, SCH6-E8, SCH6-E10 and SCH6-E12 of Schedule 6. These points related to the additional free area for dependent children and are no longer applicable.

Division 2 – Consequential amendments

Amendments of the Veterans’ Entitlements Act

Item 12 repeals table item 10 from subsection 59B(1). This table item provided for the indexation of the IARL dependent child add-on which is no longer applicable.

Items 13 and 14 amend the method statement in subsection 59C(2). Step 5 no longer needs to cater for an amount that is indexed under table item 10 in section 59B(1), so the method statement can be simplified. This is achieved by step 3 resulting in the provisional indexed amount and the omission of step 4.

Item 15 repeals subsection 59C(2AA) which is no longer applicable.

Item 16 makes a technical amendment to note 1 in subsection 59E(1).

Item 17 repeals the example in subclause 3(3) of Schedule 6 and substitutes an example that refers to the second point, instead of the eighth point which is no longer applicable.

Part 3 – Application of amendments

This part of Schedule 4 contains the application provisions for the amendments to the Social Security Act.

Amendments of the Veterans’ Entitlements Act

Item 18 is an application provision to provide that, for the purposes of working out the rates of payments for days on or after 20 September 2009, the amendments made to the Veterans’ Entitlements Act by this Schedule apply.
**Schedule 7 – Work bonus**

**Summary**

This Schedule introduces a new Work Bonus into the veterans’ entitlements law, which allows for a certain amount of employment income that is earned, derived or received in a pension period by a person, who is of qualifying age and is in receipt of service pension or income support supplement, to be disregarded for the purposes of the ordinary income or adjusted income tests.

For each pension period of fourteen days, the amount that is to be disregarded is 50 per cent of $500 where the person earns more than $500 in the pension period, or 50 per cent of the person’s total employment income for a period, where the person earns less than $500 in the pension period.

The Work Bonus will enable service pensioners and income support supplement recipients over qualifying age to keep more of the money that they earn through work. This is a mechanism to support those service pensioners or income support supplement recipients of qualifying age who wish to undertake some paid work to supplement their service pension or income support supplement.

The benefit provided by the Work Bonus recognises that continuing employment can be important because of both the financial and non-financial benefits for individual service pensioners and income support supplement recipients, and for the contribution that their participation in the workforce can make to the community.

**Background**

Employment income is income received for any form of paid employment, including full time, permanent part-time, seasonal, contract or casual work. It will include normal wages and also overtime, penalty rates, incentive payments and other employment-related payments.

Where a person receives a gift or a non-cash benefit instead of money for work performed, the value of the gift or benefit is assessed in the same way as money received. This means that the money value of work-related benefits (such as a car, or assistance with health insurance payments) is calculated and then added to the person’s gross income.

If a person sacrifices some of his or her earnings (for example, to increase superannuation contributions), the sacrificed amounts are still assessed as part of the income of the person. It is the gross income from wages and earnings that is counted for pension purposes, with the gross income being the total amount earned before tax and personal deductions are taken out.

The wages and earnings from employment are added to any other sources of income a person may have (such as deemed income on any financial assets) to calculate the total amount of ordinary or adjusted income of the person.
A person can earn a certain amount of income before the rate of pension is affected under the ordinary or adjusted income test. This amount is known as the income free area, with income above that resulting in the fortnightly rate of pension being reduced.

A number of provisions affect the meaning of “ordinary income”, with the result that some amounts that would otherwise be considered as “ordinary income” are able to be excluded from the application of the income test or otherwise treated in a special way.

Some of these provisions are sections 46 (general meaning of ordinary income), 46B and 46C (business income), sections 46D to 46M (deemed income from financial assets) and provisions in Division 4 of Part IIIB (income from income streams).

The amendments made by this Schedule commence on 20 September 2009.

**Explanation of the items**

**Amendments of the Veterans’ Entitlements Act**

**Item 1** amends note 2 to section 46 to include a reference to new “section 46AA (work bonus)” (as inserted by **item 2** of this Schedule). Note 2 to section 46 refers the reader to the various provisions of Part IIIB that affect the determination of the amount of a person’s ordinary income.

**Item 2** inserts new Division 1A (containing the new work bonus provisions, sections 46AA and 46AB) into Part IIIB.

New subsection 46AA(1) specifies that the new section applies to a person if the person’s rate of service pension or income support supplement is calculated in accordance with the Rate Calculator and the person has reached qualifying age as defined in section 5Q.

New subsection 46AA(2) provides a rule for working out how much employment income can be disregarded by the ordinary/ adjusted income test in Module E of the Rate Calculator.

Subsection 46AA(2) applies to circumstances where a person’s employment income for an instalment period is greater than or equal to the “income concession amount”. In those circumstances, employment income for that period, equivalent to 50 per cent of the income concession amount, is not ordinary income for the purposes of the ordinary/ adjusted income test in Module E of the Rate Calculator.

New subsection 46AA(3) applies in the circumstances where a person’s employment income for an instalment period is less than the “income concession amount”. In those circumstances, 50 per cent of the employment income for that period is not ordinary income for the purposes of the ordinary/ adjusted income test in Module E of the Rate Calculator.

New subsection 46AA(4) defines the “income concession amount” for the purposes of new section 46AA as being $500. This means that, as a result of the application of
new section 46AA for pension periods where the income concession is applicable, up
to $250 of employment income can be disregarded as “ordinary income” for the
purposes of Module E of the Rate Calculator.

The purpose of new subsection 46AA(5) is to clarify how new section 46AA relates
to point SCH6-E3 of the Rate Calculator. For members of the same couple, it is
intended that the provisions in 46AA(1) to (4) are applied to each individually to
reduce the total amount of “ordinary income” that is taken into account for the
relevant ordinary/ adjusted income test.

The reduced “ordinary income” amounts for each member of the couple are then
added together under point SCH6-E3 and divided by two to determine each member’s
total ordinary income that is to be subject to the ordinary/ adjusted income test.

The following two examples are based on the examples provided underneath new
subsection 46AA(5):

**Example 1**
David and Amy are members of a couple and are both in receipt of service
pension. In a pension period, David earns $50 and Amy earns $500 of
employment income. For David, $25 is disregarded and, for Amy, $250 is
disregarded. Assuming that neither member of the couple has any other
income for that period, the total amount of ordinary income that is taken into
account for each of them for that period, after applying the rule in point
SCH6-E3, is $137.50.

**Example 2**
Ian and Simone are members of a couple and are both in receipt of service
pension. In a pension period, Ian earns no employment income and Simone
earns $1,000 of employment income. For Ian, no income is disregarded and, for Simone, $250 is disregarded. Assuming that neither member of the couple
has any other income for that period, the total amount of ordinary income that
is taken into account for each of them for that period, after applying the rule in
point SCH6-E3 is $375.

New subsection 46AA(6) is applicable in the circumstances where an amount of
employment income is earned by an invalidity service pensioner who under section
115G is a participant in the Veterans’ Vocational Rehabilitation Scheme (VVRS).

The VVRS scheme assists veterans to find or continue in suitable employment which
helps eligible veterans, with or without a disability, who need special assistance to
obtain or hold suitable paid employment.

Subsections 115G(1) and (2) provides that invalidity service pensioners who
participate in the scheme will continue to be subject to the income and assets tests but
will receive a concession of up to 50% of the gross earnings from employment not
taken into account under the income test for the invalidity service pension for a period
of up to seven years.
New subsection 46AA(6) provides the income concession provided under subsections 46AA(2) or (3) will not be applicable where the amount of the concession available to the invalidity service pensioner under subsections 115G(1) and (2) is greater than the income concession available under subsections 46AA(2) or (3).

New section 46AB defines “employment income” for the purposes of new section 46AA.

This term is the basis for the new work bonus concession, with ordinary income amounts defined as being “employment income” being beneficial for a person over qualifying age and in receipt of a service pension or income support supplement.

New subsection 46AB(1) provides that the “employment income” of a person is ordinary income from remunerative work undertaken by the person as an employee in an employee/employer relationship.

The income may be earned, derived or received by the person or it may be income that the VEA takes the person to have earned, derived or received. For example, if a person has disposed of an amount of income in certain circumstances, Division 7 of Part IIIB has the effect of taking a person's ordinary income to include the amount. Such income may be employment income of the person.

The definition includes but is not limited to payments such as salary, wages, commissions and employment-related fringe benefits. Other types of payment, for which the concession under the income test would be inappropriate, are specifically excluded.

The payments that are specifically excluded are: income from superannuation, certain compensation payments related to the person’s inability to work, leave payments, employment termination payments and comparable foreign pensions.

New subsection 46AB(2) defines a “leave payment” for the purposes of paragraph 46AB(1)(e) as including payments made in respect of sick leave, annual leave, maternity leave or long service leave.

New paragraph 46AB(2)(b) provides that a leave payment can be made as a lump sum, in a series of regular payments, or in any other manner.

New paragraph 46AB(2)(c) provides that a leave payment will also be taken to have been made to a person if it is paid to another person for any of the following reasons:

- at the direction of the person or a court; or
- on behalf of the person; or
- for the benefit of the person; or
- if the person waives or assigns his or her right to the payment.

**Item 3** amends section 115G by inserting new subsection 115G(4). Section 115G is applicable to invalidity service pensioners who participate in the Veterans’ Vocational Rehabilitation Scheme (VVRS).
The VVRS is a voluntary scheme to assist veterans to find or continue in suitable employment which helps eligible veterans, with or without a disability, who need special assistance to obtain or hold suitable paid employment.

Subsection 115G(1) provides that invalidity service pensioners who participate in the scheme will continue to be subject to the income and assets tests but will receive a concession with 50% of the gross earnings from employment not taken into account under the income test for the invalidity service pension for the first two years.

Subsection 115G(2) provides that in the following five years, the concession applicable to that 50% of gross earnings from employment is progressively taken into account, at a rate of 5% every six months. After seven years no concession will be applicable and eligibility for the invalidity service pension will cease as the person will no longer be regarded as permanently incapacitated for work.

New subsection 115G(4) provides that subsections 115G(1) and (2) will not be applicable in the circumstances where the amount of income to be excluded will be less than or equal to the amount of income disregarded under the provisions of new subsections 46AA(2) or (3).

Item 4 amends point SCH6-E2 by inserting new paragraph (aa) to note 2 to step 6 of the method statement referring to the work bonus provision in new section 46AA.

Step 6 of the method statement in point SCH6-E2 refers to the reduction in a person’s ordinary/adjusted income for the excess of ordinary/adjusted income as determined under point SCH6-E11.

Note 2 to Step 6 refers to those provisions that may affect the determination of the amount of a person’s ordinary/adjusted income.

Item 5 is an application provision, which clarifies that new section 46AA applies to a pension period that includes 20 September 2009 (the commencement date of the measure) and later pension periods.
Schedule 8 – Pension bonus scheme

Summary

Under this Schedule, the pension bonus scheme, which provides a tax-free lump sum payment to older Australians who defer claiming service pension or income support supplement and choose to remain in the workforce, will be closed to new entrants from 20 September 2009. The scheme will, however, continue to be available to existing members.

Background

The pension bonus scheme was introduced on 1 July 1998. It provides an incentive for older Australians to defer claiming age or partner service pension or income support supplement and instead remain in the workforce. The scheme pays a tax-free lump sum to members when they eventually claim and receive age or partner service pension or income support supplement.

The Pension Review (undertaken by Dr Jeff Harmer) found that the scheme is complex and not meeting its objective of encouraging workforce participation.

The amendments made by this Schedule commence on the day on which they receive Royal Assent.

Explanation of the items

Amendments of the Veterans’ Entitlements Act

Item 1 inserts new subsection 45TI(1A) and (1B) after current subsection 45TI(1). Current subsection 45TI(1) provides that if a person applies for registration as a member of the pension bonus scheme, the Commission must register the applicant as a member of the pension bonus scheme. New subsection 45TI(1A) provides that despite the rule in subsection 45TI(1), the Commission must not register a person as a member of the pension bonus scheme if the person’s special date of eligibility for a designated pension occurs on or after 20 September 2009. (A person’s special date of eligibility is determined by the date on which the person becomes eligible for the designated pension, see section 45TB).

New subsection 45TI(1B) provides that, for the purposes of subsection 45TI(1A), subsections 45TB(4) and (5) apply in a way corresponding to the way in which they apply for the purposes of Part IIIAB. Current subsection 45TB(4) provides that, for the purposes of Part IIIAB, a person’s special date of eligibility for a designated pension is to be worked out on the assumption that being in Australia and being an Australian resident were additional eligibility criteria for the designated pension. Current 45TB(5) provides that, if a person would have two or more special dates of eligibility for the designated pension, only the first date is to be counted. The effect of new subsection 45TI(1B) is that the Commission must not register a person as a member of the pension bonus scheme if the person becomes an Australian resident on or after 20 September 2009.
Item 2 provides that the amendments made by item 1 apply in relation to applications for registration that are made on or after the commencement of that item. The item is to commence on Royal Assent. The effect is that, for applications made before the commencement of this item by persons whose special date of eligibility is on or after 20 September 2009, the Commission cannot refuse registration based on proposed subsection 45TI(1A). However, a person cannot apply for registration as a member of the pension bonus scheme any earlier than 13 weeks prior to their special date of eligibility for the designated pension, in accordance with subsection 45TH(1). Upon commencement of the item, the Commission cannot accept applications for registration from persons whose special date of eligibility is on or after 20 September 2009.

If a person’s special date of eligibility for the designated pension occurs before 20 September 2009, they may still be able to lodge an application as a member of the pension bonus scheme on or after 20 September 2009, in some circumstances. Applications for registration within 13 weeks after the date of qualification for the age pension will continue to be accepted in accordance with subsection 45TH(1). The discretion for the Commission to accept applications lodged after 13 weeks from the date of qualification for the age pension, if the criteria set out in subsection 45TH(4) are met, will continue.

Existing members of the pension bonus scheme will continue to accrue entitlements under existing rules.
Schedule 9 – Transitional arrangements

Summary

This Schedule contains a range of transitional provisions to allow veterans’ affairs pensioners, who will be affected by changes to the VEA made by this bill on the date of commencement, to transition smoothly to the new arrangements.

The measures included in this Schedule ensure that the current entitlements of existing veterans’ affairs pensioners who would otherwise be affected by the income test changes made by the bill, and whose pension would be reduced, will be maintained in real terms.

Further, this measure provides a rule for members of a couple, where at least one member is subject to transitional arrangements, that specifies how the ordinary income or adjusted test will apply to a person to determine the rate payable to their partner.

Background

Most existing pensioners, including all maximum rate pensioners, will immediately have higher rates of pension under the measures included in this bill. However, because of the changes that are being made by this bill to the ordinary and adjusted income tests in Module E of the Rate Calculator in order to better target pensions to those most in need, arrangements are required to ensure a smooth transition to payments under the new pension reform measures.

Existing part-rate pensioners will transition to the new arrangements at the point the new arrangements provide a higher rate of pension.

Pensioners who are in Australia, or are temporarily absent from Australia, and whose rate of pension is determined by the transitional arrangements, will also receive an increase in their maximum payment rate of $10.10 per week (as a person in receipt of a single rate or as a combined couple).

The amendments made by this Schedule commence on 20 September 2009.

Explanation of the items

Part 1 - Amendments of the Veterans Entitlements Act

Item 1 in Part 1 adds a number of transitional provisions to new Part 5 at the end of Schedule 5 of the VEA.

New clause 30 provides for the determination of the transitional rates of service pension and income support supplement that will be applicable on or after 20 September 2009. The transitional rules are intended to ensure that no person’s service pension or income support supplement rate will decrease because of the
changes being made to the ordinary and adjusted income tests by various measures in this bill.

Subclause 30(1) specifies that clause 30 is applicable to those persons who, on 19 September 2009, are in receipt of a service pension or income support supplement or one of the following payments under the Social Security Act:

- age pension
- disability support pension;
- wife pension;
- carer payment;
- bereavement allowance;
- widow B pension;
- special needs pension

Paragraph 30(1)(b) provides that clause 30 can continue to apply to a person so long as they are continuously receive one of the listed payments, even if they transfer between a number of those pensions or otherwise stop receiving one and start receiving another without a gap of a day or more between the cessation of one payment and the commencement of another listed payment.

Subclause 30(2) provides that clause 30 has the effect of working out the rate of a service pension or income support supplement on a “relevant day” that is after 19 September 2009, if the rate is calculated under subpoints SCH6-A1(2), (3), (4) or (6) of the Rate Calculator.

Subclause 30(3) sets out a comparison between the rate of service pension that would be payable to a person in accordance with the transitional provisions and the rate of service pension that would be payable to that person as if the transitional arrangements had not been enacted.

It provides that a person’s “provisional payment rate” (for the purposes of the method statements in subpoints SCH6-A1(2), (3) and (4) of the Rate Calculator as specified at subclause 30(2)) is taken to be the amount worked out under the transitional arrangements in subclause (4) if the total of is greater than what the total of the person’s “provisional payment rate” would be without the operation of the transitional provision.

The effect of subclause 30(3) is to ensure that, if a person’s rate of service pension would be higher as worked out in accordance with the pre-20 September 2009 income test rules and, as based on the pre-20 September maximum basic rates (plus an amount of $10.10 for singles or $5.05 for members of a couple) their rate can be worked out under subclause 30(4) and not under the rules that would apply apart from the transitional arrangements.

Subclause 30(4) provides for the amount to be substituted in the method statement in subpoint SCH6A1(2) as the “provisional payment rate” that has been determined under the transitional provisions. The transitional rate will be substituted when clause 30 is applicable and the conditions in subclause 30(3) have been met.
The subclause 30(4) reference to the “provisional payment rate” in the subpoint SCH6-A(2) method statement is relevant to all three of the method statements used to determine the rate of service pension in subpoints SCH6-A(2), (3) and (4) as the subpoint SCH6-A(3) and (4) method statements use as the starting amounts, service pension rates that are determined under the subpoint SCH6-A(2) method statement.

Subclause 30(4) provides that the substituted “provisional payment rate” in subpoint SCH6-A(2) will be the maximum payment rate, calculated as the sum of:

- the transitional rate determined under the relevant method statement in either subclause 31(1), (2), (3) or (4); plus
- rent assistance as payable under Module C of the Rate Calculator.

The resulting sum is reduced (where subclauses 31(1) or (2) are applicable) by the amount of the pension supplement payable to the person that is payable as the quarterly pension supplement.

Subclause 30(4) also provides that in the determination of the “provisional payment rate” the income and assets tests are applied on the assumption that the ordinary and adjusted income test changes made by Schedules 6 and 7 to this bill have not been made.

The Notes to subclause 30(4) include references to the circumstances in which the method statements in subclauses 31(1), (2), (3) and (4) will be applicable.

Note 6 to subclause 30(4) provides that the transitional rates of service pension determined under subclause 31(1), (2), (3) and (4) are to be indexed for CPI adjustments under Subdivision B of Division 18 of Part IIIB on and after 20 March 2010.

Subclause 30(5) sets out a comparison between the rate of income support supplement that would be payable to a person in accordance with the transitional provisions and the rate of income support supplement that would be payable to that person as if the transitional arrangements had not been enacted. The increased ceiling rate is applicable to both amounts for the purposes of the comparison.

It provides that a person’s “provisional payment rate” (for the purposes of the method statement in subpoint SCH6-A(6) of the Rate Calculator as specified at subclause 30(2)) is taken to be the transitional rate worked out under the transitional arrangements in subclause 30(6) if the total is greater than what the total of the person’s “provisional payment rate” would be without the operation of the transitional provision.

The effect of subclause 30(5) is to ensure that, if a person’s rate of income support supplement would be higher as worked out in accordance with the pre-20 September 2009 income test rules and, as based on the pre-20 September 2009 maximum basic rates (plus an amount of $10.10 for singles or $5.05 for members of a couple) their rate can be worked out under subclause 30(6) and not under the rules that would apply apart from the transitional arrangements.
Subclause 30(6) provides for the substitution in the method statement in subpoint SCH6A1(6) of the “provisional payment rate” and the “increased rate” that are determined under the transitional provisions. The transitional rates will be substituted when clause 30 is applicable and the conditions in subclause 30(3) have been met.

Subclause 30(6) provides that the substituted “provisional payment rate” in subpoint SCH6-A1(6) will be the maximum payment rate, calculated as the sum of:

- the transitional rate determined under the relevant method statement in either subclause 32(1) or (2); plus
- rent assistance as payable under Module C of the Rate Calculator.

The resulting sum is reduced by the amount of the pension supplement payable to the person that is payable as the quarterly pension supplement.

Subclause 30(6) also provides that in the determination of the “provisional payment rate” the income and assets tests are applied on the assumption that the ordinary and adjusted income test changes made by Schedules 6 and 7 to this bill have not been made.

Subclause 30(6) also provides that the amount to be substituted in the method statement in subpoint SCH6-A1(6) as the transitional “increased rate” will be determined under new subclause 32(3).

The Notes to subclause 30(6) include references to the circumstances in which the method statements in subclauses 32(1) and (2) will be applicable.

Note 4 to subclause 30(6) provides that the transitional rates of income support supplement determined under subclause 32(1) and (2) are to be indexed for CPI adjustments under Subdivision B of Division 18 of Part IIIB on and after 20 March 2010.

Note 5 to subclause 30(6) provides that the transitional “increased rate” referred to in paragraph 30(6)(c) is affected by indexation as the components of the transitional “increased rate” are indexed.

The intention of subclause 30(7) is to ensure that, once a person’s rate of payment is higher, or the same, as determined otherwise than in accordance with the transitional arrangements in Schedule 5 under the VEA or under the social security law, then that person’s payment can never again be determined in accordance with the transitional arrangements.

New subclause 30(8) provides an exception to the rule in subclause 30(7). The purpose of the subclause is to ensure that a person, who is a member of a couple (but not a member of a respite care couple), who benefits from the transitional arrangements in Schedule 5 of the VEA and subsequently meets the condition in paragraph 30(7)(a), (b) or (c) for the first time in respite care, can resume benefitting from the transitional arrangements as soon as they are no longer a member of a respite care couple.
Clause 31 contains the method statements for determining the transitional rate of service pension and the other components that are included in the maximum payment rate referred to in subsection 30(4).

The amount in subclause 31(1) is the transitional rate of service pension for a person who:

(a) is not a member of a couple, or is otherwise paid at a single rate of pension because they are a member of an illness separated couple or a member of a respite care couple;
(b) is residing in Australia; and
(c) either is in Australia or is temporarily absent from Australia for a continuous period not exceeding 13 weeks.

The method statement in subclause 31(1), provides for the calculation of the transitional rate by reference to a number of payment components as they would have existed if it were assumed that the amendments made by the Veterans’ Affairs and Other Legislation Amendment (Pension Reform) Act 2009 (should it be enacted) had not been made.

The purpose in step 1 of calculating the amount by reference to components that would have been payable if not for these amendments is to ensure that no existing service pensioner will receive a lower amount of pension, telephone allowance and utilities allowance than they would have otherwise received on 20 September 2009 had the VEA not been amended.

The effect of steps 2 and 3 is to add to the amount determined under step1 an amount that is at least $525.20 per annum. This will ensure that those persons to whom this amount applies and whose rate is determined by the transitional arrangements will receive an increase in their maximum payment rate of at least $10.10 per week.

The amount in subclause 31(2) is the transitional rate of service pension for a person who:

(a) is a member of a couple, but who is not a member of an illness separated couple or respite care couple;
(b) is residing in Australia; and
(c) either is in Australia or is temporarily absent from Australia for a continuous period not exceeding 13 weeks.

The method statement in subclause 31(2) provides for the calculation of the transitional rate by reference to a number of payment components as they would have existed if it were assumed that the amendments made by the Veterans’ Affairs and Other Legislation Amendment (Pension Reform) Act 2009 (should it be enacted) had not been made.

The purpose in step 1 of calculating the amount by reference to components that would have been payable if not for these amendments is to ensure that no existing service pensioner will receive a lower amount of pension, telephone allowance and
utilities allowance than they would have otherwise received on 20 September 2009 had the VEA not been amended.

The effect of steps 2 and 3 is to add to the amount determined under step 1 an amount that is at least $262.60 per annum. This will ensure that those persons to whom this amount applies and whose rate is determined by the transitional arrangements will receive an increase in their maximum payment rate of at least $5.05 per week.

The amount in subclause 31(3) is the transitional rate of service pension for a person who is not a member of a couple, or is otherwise paid at a single rate of pension because they are a member of an illness separated couple or a member of a respite care couple but is not otherwise covered by subclause 31(1) (because they are not residing in Australia or because they have been absent from Australia for more than 13 weeks continuously).

The method statement in subclause 31(3) provides for the calculation of the transitional rate by reference to the maximum basic rate of service pension payable if the amendments made by the Veterans’ Affairs and Other Legislation Amendment (Pension Reform) Act 2009 (should it be enacted) had not been made; and the pension supplement that would be payable to the person had the amendments not been made.

This amount does not include components to reflect utilities allowance and telephone allowance as those allowances are not payable to a person who is overseas and has been for more than 13 weeks.

The amount in subclause 31(4) is the transitional rate of service pension for a person who is a member of a couple, but who is not a member of an illness separated couple or respite care couple and is not otherwise covered by subclause 31(2) (because they are not residing in Australia or because they have been absent from Australia for more than 13 weeks continuously).

The method statement in subclause 31(4) provides for the calculation of the transitional rate by reference to the maximum basic rate of service pension payable if the amendments made by the Veterans’ Affairs and Other Legislation Amendment (Pension Reform) Act 2009 (should it be enacted) had not been made; and the pension supplement that would be payable to the person had the amendments not been made.

Clause 32 contains the method statements for determining the transitional rate of service pension and pension supplement that are included in the maximum payment rate referred to in subclause 30(6). It also includes a method statement to determine the transitional “increased rate” referred to in subclause 30(6) that will be substituted into the Rate Calculator.

The amount in subclause 32(1) is the transitional rate of service pension for a person who:

(d) is not a member of a couple, or is otherwise paid at a single rate of pension because they are a member of an illness separated couple or a member of a respite care couple;

(e) is residing in Australia; and
(f) either is in Australia or is temporarily absent from Australia for a continuous period not exceeding 13 weeks.

The method statement in subclause 32(1), provides for the calculation of the transitional rate by reference to the maximum basic rate of service pension and the pension supplement if it were assumed that the amendments made by the Veterans’ Affairs and Other Legislation Amendment (Pension Reform) Act 2009 (should it be enacted) had not been made.

The inclusion in the method statement of the amounts that would have been payable if not for these amendments is to ensure that no existing income support supplement recipient will receive a lower amount of income support supplement than they would have otherwise received on 20 September 2009 had the VEA not been amended.

The amount in subclause 32(2) is the transitional rate of service pension for a person who:

(g) is a member of a couple, but who is not a member of an illness separated couple or respite care couple;

(h) is residing in Australia; and

(i) either is in Australia or is temporarily absent from Australia for a continuous period not exceeding 13 weeks.

The method statement in subclause 32(2), provides for the calculation of the transitional rate by reference to the maximum basic rate of service pension and the pension supplement if it were assumed that the amendments made by the Veterans’ Affairs and Other Legislation Amendment (Pension Reform) Act 2009 (should it be enacted) had not been made.

The inclusion in the method statement of the amounts that would have been payable if not for these amendments is to ensure that no existing income support supplement recipient will receive a lower amount of income support supplement than they would have otherwise received on 20 September 2009 had the VEA not been amended.

The method statement in subclause 32(3), provides for the calculation of the transitional “increased rate” (as specified in paragraph 30(6)(c)), calculated as the sum of:

- the current ceiling rate (as set out in Module A of the Rate Calculator); plus
- rent assistance as payable under Module C of the Rate Calculator.

The resulting sum is reduced by the amount of the pension supplement payable to the person that is payable as the quarterly pension supplement.

**Clause 33** deals with how to treat the income of members of a couple where at least one member has their rate affected by the operation of clause 30.

New clause 33 provides that, in working out the amount payable to person A (the “partner”) it should be assumed that the service pension or income support
supplement payable to person B (the "person") is payable at the rate at which it would have been payable as if clause 30 had not been enacted.

This means that, before applying the rule at point SCH6-E3 for a person, it should be assumed that the person’s partner’s rate was determined by reference to the income test rules that apply apart from the transitional arrangements in Part 5, Schedule 5, of the VEA. Centrally, this will mean that the benefit of the Work Bonus measure will be able to flow from one member of a couple to the other notwithstanding whether or not a person’s rate is determined by the transitional arrangements.

Clause 34 provides for some payment and tax consequences of receiving a rate of pension affected by clause 30. Subclause 34(1) is an application provision that states that clause 34 applies if clause 30 affects the rate at which a service pension or income support supplement is payable to a person. This means that, if, because of that clause, a person’s provisional annual payment rate is replaced under subclause 30(3) or 30(5), clause 34 will apply to that person.

Subclause 34(2) states the purpose of the clause, which is to ensure that the rate of pension for a person to whom the clause applies is treated the same for income tax purposes as if the person’s rate had not been affected by clause 30. Centrally, this will mean that an amount equivalent to the maximum basic rate and pension supplement as at 20 March 2009, as indexed to the CPI, will be subject to income tax, while the remainder will be exempt.

Subclause 34(3) achieves this purpose by deeming that the VEA applies as if an amount described in subparagraphs 30(4)(a)(i) or 30(6)(a)(i) (as affected by any indexation) were an amount of pension supplement. One consequence of this subclause is that the subparagraphs 30(4)(a)(i) or 30(6)(a)(i) amounts will be deemed to be the full pension supplement in the context of determining the “tax-exempt pension supplement” as set out in subsection 5GA(5) as inserted by Schedule 4 to this bill.

As a result, the tax-exempt component of that amount will be worked out by subtracting the pension supplement basic amount (as affected by the deeming rule in subclause 34(4)) from the overall subparagraphs 30(4)(a)(i) and 30(6)(a)(i) amounts according to subsection 5GA(5) as inserted by Schedule 4. Another consequence of this provision will be that all of the rules relevant to a person’s minimum pension supplement amount, including the amount and the possibility of an election under section 60A (as inserted by Schedule 4 to this bill) will apply for people to whom clause 34 applies.

Subclause 34(4) provides that the amounts in the table in subsection 5GA(4), as inserted by Schedule 4 to this bill, are to be replaced by different amounts. This is done to ensure that the definition of “tax-exempt pension supplement” will apply to ensure that only amounts equivalent to the maximum basic rate and pension supplement as at 20 March 2009, and indexed to the CPI, are taken to be a person’s “pension supplement basic amount” for the purposes of applying subsection 5GA(5) for people whose rates are affected by clause 30.
Part 2 – Related amendments

Items 2 and 3 add new notes “4A” to the end of subpoints SCH6-A1(2) and SCH6-A1(6) (which contain the method statements relevant to calculating the rate, for a person, of service pension or income support supplement) to indicate that clause 30 of Schedule 5 can operate to deem a person’s provisional annual payment rate to be an amount that is different to what their provisional annual payment rate would otherwise be.

Items 4 and 5 add two new items to the tables at section 59A and 59B of the VEA, which refers to the amounts at subparagraphs 30(4)(a)(i) and 30(6)(a)(i). The new items refer to the “Maximum transitional service pension rates” and the Maximum transitional income support supplement rates”. The new item numbers are 23 and 24 (for section 59A) and 14 and 15 (for section 59B).

The effect of these amendments is that the amounts in subclauses 31(1) to (4) and subclauses 32(1) and (2) will be indexed to the CPI on 20 March and 20 September of each year from 20 March 2010 onwards.

Part 3 - Other amendments

The amendments in Part 3 of Schedule 9 of the bill make minor amendments to the operation of the transitional arrangements as inserted into the social security law by Schedule 10 of the Social Security and Other Legislation Amendment (Pension Reform and Other 2009 Budget Measures) Act 2009. They have two key functions.

The first is to ensure that, if a person, who is benefitting from the transitional arrangements under the VEA, moves, without a break of a day or more, from a service pension or income support supplement paid under the VEA to a social security pension covered by the transitional arrangements introduced by Schedule 10 of the Social Security and Other Legislation Amendment (Pension Reform and Other 2009 Budget Measures) Act 2009, then that person is eligible to benefit from the transitional arrangements in Schedule 1A of the Social Security Act 1991.

The second is to ensure that a person does not lose the benefit of the transitional arrangements as a result of becoming a member of a “respite care couple” (as defined in section 4 of the Social Security Act) on a day following a day where the person had, as a member of a couple (but not a member of a respite care couple), benefited from the transitional arrangements.

This will enable a person to resume being paid in accordance with the transitional arrangements, introduced by Schedule 10 of the Social Security and Other Legislation Amendment (Pension Reform and Other 2009 Budget Measures) Act 2009, in circumstances where they, after spending a period as a member of a respite care couple, would receive a higher rate of pension in accordance with the transitional arrangements.
Items 6 to 9 make amendments to the list of payments in subclause 146(1) of Schedule 1A of the Social Security Act 1991 to add service pension (except carer service pension) and income support supplement, paid under the VEA.

Item 10 amends subclause 146(2) of Schedule 1A of the Social Security Act 1991 to clarify that the purpose of the clause is limited to working out the rate of the social security pensions described in paragraph (1)(a) (and not for the payments listed in that paragraph paid under the VEA).

Item 11 adds a note to indicate that, in the case of doubt, clause 146 has no bearing on a person’s entitlement or qualification for a social security pension.

Item 12 replaces subclause 146(5) as inserted by the Social Security and Other Legislation Amendment (Pension Reform and Other 2009 Budget Measures) Act 2009. The purpose of new subclause 146(5) is to ensure that, once a person’s rate of payment is higher, or the same, as determined otherwise than in accordance with the transitional arrangements, whether under the social security law or under the VEA, then that person’s payment can never again be determined in accordance with the transitional arrangements.

New subclause 146(5A) provides an exception to the rule in subclause 146(5). The purpose of the subclause is to ensure that a person, who is a member of a couple (but not a member of a respite care couple), who benefits from the transitional arrangements in Schedule 1A of the Social Security Act and subsequently meets the condition in paragraph 146(5)(a), (b) or (c) for the first time in respite care, can resume benefitting from the transitional arrangements as soon as they are no longer a member of a respite care couple.
Schedule 10 – Pension age for persons other than veterans

Summary

Under the Veterans’ Entitlements Act, the pension age for persons other than veterans, will increase for both men and women from 65 to 67 years by six months every two years commencing on 1 July 2017. This age increase reflects the increase in qualifying age for age pension under the Social Security Act and maintains the alignment of these two pension ages between the two Acts.

Background

Under the Veterans’ Entitlements Act, the pension age for persons other than veterans is aligned with the pension age for age pension under the Social Security Act. Currently, the pension age for persons other than veterans is 65 years for men and 63.5 years for women. The pension age for non-veteran females is progressively increasing and will align with the non-veteran male pension age (that is, 65 years) on 1 July 2013.

This measure provides for an increase in the pension age for persons other than veterans, in relation to both men and women, from 65 to 67 years. This increase in pension age will be achieved gradually by increasing the pension age for persons other than veterans by six months every two years, starting on 1 July 2017 and ending on 1 January 2024. The effect of this Schedule is that this latest increase to pension age does not apply to people born before 1 July 1952.

The amendments made by this Schedule commence on the day on which they receive Royal Assent.

Explanation of the changes

Amendments of the Veterans’ Entitlements Act

Item 1 repeals subsection 5QB(2) and substitutes a new subsection (2). New subsection 5QB(2) provides that a man, other than a veteran, born during the period specified in column 2 of the Table reaches pension age when he turns the age specified in column 3 of the relevant item. This means that:

<table>
<thead>
<tr>
<th>A man born during the period:</th>
<th>will turn age pension age at:</th>
</tr>
</thead>
<tbody>
<tr>
<td>On or before 30 June 1952</td>
<td>65 years*</td>
</tr>
<tr>
<td>1 July 1952 to 31 December 1953</td>
<td>65 years and 6 months</td>
</tr>
<tr>
<td>1 January 1954 to 30 June 1955</td>
<td>66 years</td>
</tr>
<tr>
<td>1 July 1955 to 31 December 1956</td>
<td>66 years and 6 months</td>
</tr>
<tr>
<td>On or after 1 January 1957</td>
<td>67 years</td>
</tr>
</tbody>
</table>

* No increase in age pension age for this group.
**Item 2** repeals subsection 5QB(5) and substitutes a new subsection (5). New subsection 5QB(5) provides that a woman, other than a veteran, born during the period specified in column 2 of the Table reaches pension age when she turns the age specified in column 3 of the relevant item. This means that:

<table>
<thead>
<tr>
<th>A woman born during the period:</th>
<th>will turn age pension age at:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 1949 to 30 June 1952</td>
<td>65 years*</td>
</tr>
<tr>
<td>1 July 1952 to 31 December 1953</td>
<td>65 years and 6 months</td>
</tr>
<tr>
<td>1 January 1954 to 30 June 1955</td>
<td>66 years</td>
</tr>
<tr>
<td>1 July 1955 to 31 December 1956</td>
<td>66 years and 6 months</td>
</tr>
<tr>
<td>On or after 1 January 1957</td>
<td>67 years</td>
</tr>
</tbody>
</table>

* No increase in age pension age for this group.
Schedule 11 – Advance payments

Summary

This Schedule improves existing arrangements in relation to advance payments, to enable veterans’ affairs pensioners to have greater access to advances of pensions and income support supplement.

Background

As part of the Government’s Secure and Sustainable Pension Reforms package, existing arrangements in relation to advances will be improved, to enable veterans’ affairs pensioners to have greater access to advances of pension and income support supplement payments, through increases in the maximum and minimum allowable advance and in the number of advances available in a year.

The VEA provides for veterans’ affairs pensioners to apply for an advance payment of their pension or income support supplement. The primary objective of advance payments is to make payments more flexible to the needs of veterans’ affairs pensioners to help them meet unexpected expenses.

An advance payment is not an additional payment, but is a lump sum pre-payment of pension or income support supplement that is recovered from the pensioner.

This Schedule increases, with effect from 1 July 2010, the maximum and minimum advance payment amounts and ensures that the maximum and minimum amount will be increased in line with increases in the rate of service pension.

In addition, the measure will also enable veterans’ affairs pensioners to be able to access multiple advances up to the maximum advance amount. This means that veterans’ affairs pensioners are no longer limited to one advance in any twelve month period.

The provisions contained in this Schedule apply to service pensioners, disability pensioners, war widow and widower pensioners and income support supplement recipients.

The amendments made by this Schedule commence on 1 July 2010.
Explanation of the items

Amendments of the Veterans’ Entitlements Act

Item 1 inserts a listing of the definition of the term “advance payment eligible amount” and its subsection 5Q(1) location in the section 5 index of definitions.

Item 2 inserts in subsection 5Q(1) a definition of “advance payment eligible amount” for a person. Under paragraph (a) of the definition, if a person is receiving a service pension which is worked out under subpoint SCH6-A1(2) of the Rate Calculator, the advance payment eligible amount for a person is the sum of the person’s maximum basic rate plus the amount (if any) of the person’s pension supplement amount less the person’s minimum pension supplement amount.

Under paragraph (b) of the definition, if a person is receiving any other payment which is payable in advance, the amount of the person’s advance payment eligible amount is worked out under paragraph (a) above, as if the person was receiving a service pension as worked out under subpoint SCH6-A1(2) of the Rate Calculator.

Items 3 and 4 amend section 79B. Section 79B sets out the conditions of eligibility for an advance payment.

A minor amendment to paragraph 79B(1)(b) (item 3) to insert the words “is made” clarifies the reference to the application for an advance payment being lodged with the Department of Veterans’ Affairs as required under section 79E in accordance with the provisions of section 5T.

Item 4 repeals and substitutes subsection 79B(2).

New subsection 79B(2) provides for the rules under which a person will not be eligible for an advance payment. A person is not eligible for an advance payment if:

- the maximum amount of the advance payment to which the person is entitled under Division 5 of Part IVA is less than one week’s worth of the person’s advance payment eligible amount; or
- the amount of an advance payment under Part IVA or Part 2.22 of the Social Security Act 1991, which a person has received in full (whether as a single lump sum or in instalments), more than 12 months ago has not been fully repaid; or
- the person owes a debt to the Commonwealth (regardless of whether the debt arises under this Act or not) that is recoverable by deductions under section 205 or section 205A.

Rounding under paragraph 79B(2)(a) is to the nearest cent (rounding 0.5 cents upwards).

Note 1 at the end of subsection 79B(2) signposts that paragraph (a) of subsection 79B(2) does not preclude an advance payment being paid in instalments of less than the amount worked out under that paragraph.
Note 2 directs the reader to the definition of “advance payment eligible amount” in subsection 5Q(1).

**Item 5** repeal and substitutes Division 5 of Part IVA with the insertion of new section 79K. New section 79K provides the rules for working out the amount of an advance payment.

Subsection 79K(1) provides that the amount of the advance payment is the smaller of either:

- the amount of the advance payment sought; or
- the maximum amount of advance payment that is payable to the person as worked out under the method statement.

The subsection 79K(1) method statement provides the rules for determining the maximum amount of the advance payment on a step by step basis.

Step 1 calculates an amount that is equal to 3 weeks worth of the person’s “advance payment eligible amount” as defined in subsection 5Q(1).

Step 2 calculates an amount that is equal to the annual rate of the person’s “pension” (defined in section 79A to include pensions payable under Parts II, III and IV and income support supplement payable under Part IIIA) that was payable on the last payday before the application for the advance payment was made (disregarding any additional amounts paid by way of remote area allowance and so much of the person’s pension supplement amount (if any) that is equal to the person’s “minimum pension supplement amount”).

Step 3 provides for a comparison between the result of step 1 and:

- if the pension is a service pension or income support supplement, 7.5% of the result of step 2; or
- for all other advances, 13 times the fortnightly rate of pension.

Step 4 provides that the sum of:

- each advance payment (if any) of a person’s pension that may have previously been paid to the person during any of the 13 fortnights immediately before the application for the current advance payment was made; and
- each other advance payment (if any) of pension that was paid to the person that has not been fully repaid;

is to be subtracted from the smaller of the amounts compared at step 3.

Step 5 provides that the result of the calculation made under step 4 is the maximum amount of advance payment that is payable to the person (rounded to the nearest cent with the rounding 0.5 cents upwards).
Note 1 at the end of section 79K signposts that the amount of the advance payment must be more than the minimum eligible amount for the person which is provided by paragraph 79B(2)(a).

Note 2 directs the reader to the definition of “advance payment eligible amount” in subsection 5Q(1).

Currently, subsection 79B(2) provides that a person in receipt of a pension cannot receive more than one advance of pension in a 12 month period. The effect of section 79K is to remove this requirement – the nature of the method statement allows a person to receive multiple advance payments, subject to each advance exceeding the minimum advance amount. The total amount advanced in a 13 fortnight period can be up to three weeks’ worth of the maximum basic rate applicable to the person.

Item 6 provides an application provision to the effect that the amendments made by this Schedule apply in relation to applications for an advance payment which are lodged on or after 1 July 2010.
Schedule 12 – Amendments relating to aged care

Summary

This measure will ensure that pensioners are not charged higher aged care fees than intended.

Background

This Schedule amends the Aged Care Act 1997 to implement the 2009 Budget measure Secure and sustainable pensions – residential aged care.

On 20 September 2009, the Australian Government is increasing the rate of the basic age pension and introducing a new pension supplement to ensure that older Australians receive enough income to keep pace with the cost of living.

The new pension supplement will include amounts equivalent to the old pharmaceutical allowance, pensioner supplement, telephone allowance and utilities allowance. The telephone and utilities allowances, which now form the “minimum pension supplement”, were previously not counted as part of a recipient’s income support payment or ordinary income and therefore were not included in the total assessable income calculation for aged care fee purposes. The whole of the new pension supplement will be included in the recipient’s income support payment.

People in residential aged care make a contribution to the cost of their care through payment of a fee to the residential aged care service provider. This fee is referred to in the Aged Care Act 1997 as the daily income tested reduction, but is also commonly known as the income tested fee. The maximum amount of daily income tested reduction paid by the resident is set out in the Aged Care Act 1997 and is directly linked to the total assessable income amount of the resident (which currently includes the total amount of income support payment).

This Schedule makes consequential changes to the section in the Aged Care Act 1997 that calculates the amount of a resident’s total assessable income. These changes ensure that the amount of the resident’s minimum pension supplement, or equivalent, is excluded from the calculation of the resident’s total assessable income. The minimum pension supplement is comprised of the previous utilities and telephone allowances. These changes will maintain the current calculation of a resident’s total assessable income amount.

Explanation of the items

Part 1 - Main amendment

Items 1 to 3 amend paragraphs 44-24(2)(a), 44-24(3)(a) and 44-24(4)(a). Currently, subsections 44-24(2), (3) and (4) of the Aged Care Act 1997 describe what can be included in the total assessable income calculations for certain residents.
From 20 September 2009, the entire amount of the new pension supplement will be included in the amount of a resident’s income support payment. However it is not intended for the amount of a resident’s total assessable income to change.

Whilst most pensioners will receive the minimum pension supplement amount as part of their income support payment, some resident’s will receive an amount that is equivalent as part of their basic pension or income support supplement.

These items ensure that resident’s receiving the minimum pension supplement, or equivalent amount, will have that amount excluded from their total assessable income calculation.

In accordance with item 5, these items apply to the calculation of total assessable income for certain residents in receipt of an income support payment in respect of a day that is on or after 20 September 2009.

**Item 4** inserts a new subsection 44-24(4A) after subsection 44-24(4). From 20 September 2009, most residents will receive the minimum pension supplement or equivalent amount. However, some income support recipients will not receive the minimum pension supplement amount.

This item ensures that residents that do not receive the minimum pension supplement, or equivalent amount, will not receive the exclusion in items 1-3.

In accordance with item 5, this item applies to the calculation of total assessable income for certain residents in receipt of an income support payment in respect of a day that is on or after 20 September 2009.

**Item 5** is an application provision. This item makes it clear that the amendments made by items 1 to 4 apply in relation to the calculation of the total assessable income amounts under subsection 44-24(2), (3) and (4) for a day that is on or after 20 September 2009.