EXPLANATORY STATEMENT

Social Security (Threshold Rates) Determination 2004 (No. 1)

The *Social Security Act 1991* prescribes rules for calculating income from financial investments called deeming. Under these rules the value of a customer's financial assets are added together and income is deemed on these assets using a below threshold rate and an above threshold rate. The first $35,600 of a single person's financial assets ($59,400 for pensioner couples and $29,700 for allowee couples) is deemed to earn the below threshold rate, and the balance over this amount is deemed to earn the above threshold rate.

Under section 1082 of the *Social Security Act 1991* the Minister for Family and Community Services determines these rates. Before 20 March 2004 the below threshold rate was 2.5% and the above threshold rate was 4.0%.

The Minister for Family and Community Services determined that the deeming rates would be increased from 20 March 2004. The below threshold rate would be increased to 3.0% and the above threshold rate would also be increased to 5.0%.

The attached determination sets out the below and above threshold rates at 3.0% and 5.0%, respectively, from 20 March 2004.