EXPLANATORY STATEMENT

Social Security (Deeming Threshold Rates) (FaHCSIA) Determination 2008

Summary

The Social Security Act 1991 prescribes rules for calculating income from financial investments. These rules are generally known as deeming rules. 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 $39,400 of a single person’s financial assets ($65,400 for pensioner couples and $32,700 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. Thresholds indexed on 1 July every year.

Background

Under section 1082 of the Social Security Act 1991 the Minister for Families, Housing, Community Services and Indigenous Affairs determines the below threshold and above threshold rates. Until 20 March 2008 the below threshold rate was 3.5 per cent and the above threshold rate was 5.5 per cent.

The Minister for Families, Housing Community Services and Indigenous Affairs has determined that the deeming rates will be increased from 20 March 2008. The below threshold rate will be increased to 4 per cent and the above threshold rate will also be increased to 6 per cent.

The attached determination sets out the below and above threshold rates at 4 per cent and 6 per cent, respectively, from 20 March 2008.

Explanation of Provisions

Section 1 of the instrument states that the name of the instrument is the Social Security (Deeming Threshold Rates) (FaHCSIA) Determination 2008.

Section 2 states that the instrument commences on 20 March 2008.

Section 3 contains a definition of the term "Act".

Section 4 revokes the Social Security (Deeming Threshold Rates) (FaHCSIA) Determination 2007.

Section 5 sets out the below threshold rate of 4 per cent.

Section 6 sets out the above threshold rate of 6 per cent.
Consultation

The Department of Education, Employment and Workplace Relations was consulted during the preparation of this determination. This was done to ensure a co-ordinated and consistent approach for calculating income from financial investments under the income test.

Public consultation was seen as unnecessary as the instrument increases the thresholds for calculating income and is beneficial to customers.

Regulatory Impact Analysis and Business Cost Calculator

This instrument does not require a Regulatory Impact Statement (RIS) and/or a Business Cost Calculator Figure. This instrument is not regulatory in nature and will not have any direct impact on business activity.