EXPLANATORY STATEMENT

Social Security (Deeming Threshold Rates) (DEEWR) Determination 2009 (No. 1)

Summary

The Social Security Act 1991 prescribes rules for calculating income from financial investments. Because these rules deem a person to have received a certain rate of return on their financial investments, the 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 $41,000 of a single person’s financial assets ($68,200 for pensioner couples and $34,100 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.

Background

Under section 1082 of the Social Security Act 1991 Ministers administering the Education, Employment and Workplace Relations portfolio can determine the below threshold and above threshold rates. Until 25 January 2009 the below threshold rate is 3 per cent and the above threshold rate is 5 per cent.

The Minister for Employment Participation has determined that the deeming rates will decrease from 26 January 2009. The below threshold rate will remain at 3 per cent and the above threshold rate will decrease to 4 per cent.

The Social Security (Deeming Threshold Rates) (DEEWR) Determination 2009 (No. 1) (the Determination) sets out the below and above threshold rates at 3 per cent and 4 per cent, respectively, from 26 January 2009.

Explanation of Provisions

Section 1 of the Determination states that the name of the Determination is the Social Security (Deeming Threshold Rates) (DEEWR) Determination 2009 (No. 1).

Section 2 provides for the Determination to commence on 26 January 2009.

Section 3 contains a definition of the term “Act”.

Section 4 revokes the Social Security (Deeming Threshold Rates) (DEEWR) Determination 2008 (No. 2).

Section 5 sets out the below threshold rate of 3 per cent.
Section 6 sets out the above threshold rate of 4 per cent.

Consultation

The Department of Families, Housing, Community Services and Indigenous Affairs 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 in the *Social Security Act 1991*.

Public consultation was seen as unnecessary as the Determination 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 Determination is not regulatory in nature and will not have a direct impact on business activity.