

EXPLANATORY STATEMENT

Social Security Exempt Lump Sum (Climate Change Adjustment Program Re-establishment Grant) (FaHCSIA) Determination 2008

Summary

Paragraph 8(11)(d) of the *Social Security Act 1991* (the Act) allows the Secretaries of the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and the Department of Education, Employment and Workplace Relations to determine that an amount, or class of amounts, is an exempt lump sum for the purpose of the Act. This instrument determines that, for the purpose of social security payments for which the Minister for Families, Housing, Community Services and Indigenous Affairs is responsible, a Climate Change Adjustment Program Re-establishment Grant ('Re-establishment Grant') paid to Australian farmers under the *Australia's Farming Future Initiative 2008* (the Initiative) is an exempt lump sum under paragraph 8(11)(d) of the *Social Security Act 1991* (the Act).

The Re-establishment Grant is part of the response to assist primary industries prepare for a different future due to the long term challenges facing Australian agriculture through the impact of climate change. The Re-establishment Grant is designed to assist farmers leaving the land to have capacity to continue their lives outside of farming the land.

In general terms, the Re-establishment Grant is a one-off payment of up to \$150,000, made to a person where the person was an Australian farm owner who has sold their farm enterprise and meets the Commonwealth Government Department of Agriculture, Fisheries and Forestry eligibility guidelines under the Initiative.

The effect of this instrument is that a Re-establishment Grant paid under the Initiative will not be regarded as income under the Act. Consequently, if a recipient of a FaHCSIA administered social security payment receives a Re-establishment Grant under the Initiative, it will be exempt from the income test under the social security law.

Background

Under the social security law all income earned, derived or received for a person's own use or benefit, is counted as income. The only exceptions are items specifically exempted under the social security law. Paragraph 8(11)(d) of the Act allows the responsible Secretary to determine that an amount, or class of amounts, is an 'exempt lump sum' for the purposes of the Act. An exempt lump sum is not included in the definition of 'ordinary income' under subsection 8(1) of the Act, so any such amount would not be taken into account under the social security income test.

This instrument determines that a Re-establishment Grant under the Initiative is an exempt lump sum for the purposes of paragraph 8(11)(d) of the Act.

The effect of this instrument is that for customers receiving a Re-establishment Grant under the Initiative, the amount will not be assessed as income under the social security law.

Explanation of Provisions

Part 1

Section 1 of the determination states the name of the determination.

Section 2 states that the determination commences on 1 July 2008.

Section 3 contains interpretation provisions. The term Re-establishment Grant is defined as a one-off Climate Change Adjustment Program Re-establishment Grant to a person of up to \$150,000 made by the Commonwealth Government Department of Agriculture Fisheries and Forestry under the *Australia's Farming Future Initiative 2008*.

Part 2

Subsection 4(1) states that paragraph 8(11)(d) of the Act allows the Secretary to determine that an amount, or class of amounts, received by a person is an exempt lump sum.

Subsection 4(2) provides that if a person receives a *Re-establishment Grant* as defined in section 3, then the *Re-establishment Grant* received by the person is an exempt lump sum.

Section 5 specifies that a Re-establishment Grant received by a person referred to in **subsection 4(2)** will be regarded as an exempt lump sum from the date that the amount was received by the person, provided that date is on or after the commencement of this determination.

Consultation

The Department of Education, Employment and Workplace Relations and the Department of Veterans' Affairs were consulted during the preparation of this determination. This was done to ensure a co-ordinated and consistent approach to the income test treatment of this one-off payment for all social security payments under the Act.

This instrument is beneficial to customers because it exempts from the income test a Re-establishment Grant under the *Australia's Farming Future Initiative 2008*. Public consultation was therefore seen as unnecessary.

Regulatory Impact Analysis

This exemption does not require a Regulatory Impact Statement (RIS) and/or a Business Cost Calculator Figure. This exemption is not regulatory in nature, will not impact on business activity and will have no, or minimal, compliance costs or competition impact. It is not expected that any compliance costs will be incurred by business (against the nine categories listed) as a result of this exemption.