

1998-99

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

SENATE

A NEW TAX SYSTEM (FAMILY ASSISTANCE) BILL 1999

SUPPLEMENTARY EXPLANATORY MEMORANDUM

Requests for amendments to be moved on behalf of the Government

**(Circulated by authority of the Minister for Family and Community Services,
Senator the Hon Jocelyn Newman)**

ISBN: 0642 404631

A NEW TAX SYSTEM (FAMILY ASSISTANCE) BILL 1999

Requests for amendments to be moved on behalf of the Government

OUTLINE AND FINANCIAL IMPACT STATEMENT

The requests for amendments deal with:

- a) an extension of eligibility for *family tax benefit (Part A)* to young persons aged 21 to under-25 (if that young person is undertaking full-time study); and
 - b) an increase in the rate of family tax benefit to \$50, payable to an *FTB child* who is aged 18 to under-21, or who is undertaking full-time study and is aged 21 to under-25.
- These requests for amendments to the *A New Tax System (Family Assistance) Bill 1999* will take effect from the commencement of that Act, that is 1 July 2000. In order that the corresponding measures relating to family allowance commence with effect from 1 October 1999, complementary amendments to the *Social Security Act 1991* will be made in the *Social Security (Family Allowance and Related Matters) Legislation Amendment Bill 1999*.

The legislation is drafted to ensure that a young person who would attract a higher rate under the family tax benefit provisions rather than the youth allowance provisions will have the option to forgo his or her youth allowance entitlement to enable eligibility for family tax benefit by an adult (in respect of whom the young person would then be an *FTB child*).

This measure forms part of the Government's plan for a new tax system, in which the structure and administration of family assistance is being simplified with effect from 1 July 2000.

The financial impact of these measures are:

Rate of family tax benefit – increase to \$50 for over-18 year olds

2000-2001	\$ 50m (expenditure)
2001-2002	\$ 50m (expenditure)

A NEW TAX SYSTEM (FAMILY ASSISTANCE) BILL 1999

Requests for amendments to be moved on behalf of the Government

NOTES ON REQUESTS FOR AMENDMENTS

As part of the Government's plan for a new tax system, the structure and administration of family assistance is being simplified with effect from 1 July 2000. Under this initiative, twelve forms of assistance, currently available under the tax and social security systems, will be reduced to three: *family tax benefit (Part A)*, *family tax benefit (Part B)* and *child care benefit*.

Requests for amendments Nos. 1 – 5 (inclusive)

Requests for amendments 1 to 5 (inclusive) give effect to the Government's decision to extend eligibility for *family tax benefit (Part A)* to young people aged under-25 who are undertaking full-time study, with effect from 1 July 2000.

Requests for amendments No. 6 – 8 (inclusive) – Rate of family tax benefit - \$50

Requests for amendments Nos. 6 – 8 (inclusive) give effect to the Government's decision to increase the fortnightly rate of family tax benefit (Part A) to \$50, in respect of young persons over 18 years of age, with effect from 1 July 2000.

- These requests for amendments to the *A New Tax System (Family Assistance) Bill 1999* will take effect from the commencement of that Act, that is 1 July 2000. In order that the corresponding measures relating to family allowance commence with effect from 1 October 1999, complementary amendments to the *Social Security Act 1991* will be made in the *Social Security (Family Allowance and Related Matters) Legislation Amendment Bill 1999*.
- **Indexation:** these amounts are subject to CPI indexation - see Requests for amendment 9 - 15 (inclusive)

Requests for amendments No. 9 – 15 (inclusive) - Indexation

These requests for amendments provide for the CPI indexation of the new rates of family tax benefit.

Where is the ability to choose between youth allowance and family tax benefit (Part A)?

Section 22 of the Bill contains a Table which sets out some occasions when an individual cannot be an *FTB child* of an adult (and therefore not attract payment of family tax benefit). Item 3 of the Table provides that an individual is not an *FTB child* if the individual is receiving a *social security benefit* (among other things).

An individual in receipt of youth allowance is receiving a *social security benefit*. An individual who wishes to enable eligibility for *family tax benefit (Part A)* by an adult in respect of the individual, rather than receiving youth allowance, may choose to do so simply by not applying for youth allowance, or, if the individual is already receiving youth allowance, by relinquishing that benefit.