

Social Services Legislation Amendment (Omnibus and Child Care Reform) Bill 2017

Fact Sheet

Pension recipients

Proportional payment of pensions outside of Australia

This measure will see a reduction from 26 weeks to six weeks of the period during which Age Pension, and a small number of other payments with unlimited portability, can be paid outside Australia at the basic means-tested rate. After six weeks, payment will be adjusted according to the length of the pensioner's Australian working life residence.

This change affects the point at which the Age Pension is proportionalised. After six weeks, payment will be adjusted according to the length of the pensioner's Australian working life residence rather than the current 26 weeks.

To retain their basic means-tested rate while overseas, a person needs 35 years' working life residence in Australia. Working life residence is calculated based upon the period beginning when the person turns 16 and ending when the person reaches pension age. If a person's period of Australian working life residence is less than 35 years, their individual rate of pension after six weeks will be adjusted according to their years of working life residence.

The measure will reinforce and strengthen the residence-based nature of Australia's social security system. After a six-week absence, payment will be based on the length of time a person has resided in Australia during their working life. The measure does not affect the length of the portability period, which continues to be unlimited. However, the rate received after a six-week absence may change.

Key facts

- From the first 1 January, 1 April, 1 July or 1 October after this Bill receives Royal Assent, pensioners who have spent less than 35 years of their working life in Australia will have their pension reduced at six weeks overseas, rather than the current 26 weeks, based on their period of Australian working life residence.
- The social security payments affected by this measure are Age Pension, Disability Support Pension (if the continuing inability to work occurred overseas rather than in Australia), and some Wife Pension and Widow B Pension recipients.
- This measure treats all pensioners who have spent less than 35 years of their working life in Australia the same, regardless of whether they were born in Australia or overseas.
- Pensioners who have spent more than 35 years of their working life in Australia will remain unaffected by the change.
- This measure does not impact on the length of the portability period. The Age Pension, and a limited number of other pensions, will continue to be payable overseas indefinitely – only the amount they may receive after a six week absence may change.
- This measure will reinforce and strengthen the residence-based nature of Australia's social security system.

- Australia now has 30 international social security agreements, which allow Australian residents to maximise their income by helping them to claim payments from other countries where they have spent part of their working life.
- Australia is one of the few countries that pays a non-contributory pension abroad indefinitely. Canada and New Zealand generally pay their non-contributory pensions outside their country, based on 40 and 45 years residence respectively.
- As per the Explanatory memorandum for this measure, it is expected to generate net savings of \$168.4 million, and will affect around 190,000 recipients over the forward estimates.

More information

For more information about payments outside of Australia, visit the Department of Human Services website <https://www.humanservices.gov.au>

Stopping the payment of Pension Supplement after six week overseas

From 1 July 2017, the Basic Amount of the Pension Supplement will no longer be payable for absences from Australia greater than six weeks and for those departing Australia the supplement will cease immediately upon departure.

As part of the Pension Reform Package in September 2009, the Pension Supplement combined into a single payment the value of Telephone Allowance, Utilities Allowance, Pharmaceutical Allowance and the GST Supplement.

The Pension Supplement is a payment designed to assist income support recipients with the cost of living in Australia. The Basic Amount of the Pension Supplement is equivalent to the former GST Supplement and is currently \$22.70 per fortnight for singles and \$37.40 per fortnight combined for couples.

Currently, the Pension Supplement is reduced to the Basic Amount after six weeks temporary absence from Australia, or immediately for permanent departures.

The measure will commence from 1 July 2017 and will apply to both recipients already overseas and recipients departing Australia after this date.

Recipients of the Basic Amount of the Pension Supplement currently overseas permanently will no longer receive the Pension Supplement from the commencement date. Recipients who are currently overseas temporarily will be subject to the six week rule from date of departure.

This measure will reinforce and strengthen the residence-based nature of Australia's social security system. Income support recipients who are outside of Australia for more than six weeks, or who leave Australia permanently, are not likely to be impacted by the Australian GST and therefore it is no longer appropriate to continue to provide them with the Pension Supplement Basic Amount.

Key facts

- From 1 July 2017, the Basic Amount of the Pension Supplement will no longer be payable outside of Australia indefinitely and will stop after six weeks temporary absence from Australia or immediately if the recipient has permanently departed Australia.
- As part of the Pension Reform Package in September 2009, the Pension Supplement combined into a single payment the value of Telephone Allowance, Utilities Allowance, Pharmaceutical Allowance and the GST Supplement.
- The Pension Supplement is a payment designed to assist income support recipients with the cost of living in Australia.
- The Basic Amount of the Pension Supplement is equivalent to the former GST Supplement and is currently \$22.70 per fortnight for singles and \$37.40 per fortnight combined for couples.
- Currently, the Pension Supplement is reduced to the Basic Amount after six weeks temporary absence from Australia, or immediately for permanent departures.

- There is no economic reason to continue to compensate recipients for the impact of the GST while they are overseas, for anytime longer than a short term absence.
- Income support recipients who are outside of Australia for more than six weeks, or who leave Australia permanently, are not likely to be impacted by the Australian GST and therefore it is no longer appropriate to continue to provide them with the Pension Supplement Basic Amount.
- The Pension Supplement will be aligned with the portability arrangements of most other income support payments, which cease at six weeks.
- This change will affect around 175,000 recipients in the first year and an additional 80,000 recipients each year afterwards. It is expected to generate savings of \$123.6 million over the forward estimates.

More information

For more information about the Pension Supplement, visit the Department of Human Services website <https://www.humanservices.gov.au>