



Technical update

Revised Household Stimulus Package

17 February 2009

The Government has made a number of changes to its Household Stimulus Package to secure its passage through the Senate. The changes have resulted in reduced bonus payments for certain recipients and the introduction of a new measure to help unemployed people qualify for Newstart Allowance sooner.

Key changes to the Household Stimulus Package include:

- Reducing the Single-Income Family Bonus from \$950 to \$900,
- Reducing the Tax Bonus for Working Australians by \$50 for each taxable income band,
- Broadening eligibility for the Training and Learning Bonus, and
- Modifying the Liquid Assets Waiting Period to enable people to qualify for Social Security benefits sooner.

The following is an updated version of our previous article on this topic (dated 6 February 2009) including all of the legislated changes to the five bonus payments.

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Liquid Assets Waiting Period

Customers applying for certain social security benefits (including Newstart Allowance) are subject to a number of potential waiting periods. One of these is the Liquid Assets Waiting Period of up to 13 weeks for customers with liquid assets (including cash, term deposits and shares) exceeding a certain threshold.

The Government has now proposed to increase the minimum threshold for singles without dependents. This means that for every \$500 of liquid assets above the new threshold of \$5,000 (previously \$2,500), singles will have to wait one week, up to a maximum of 13 weeks, before being eligible for Newstart Allowance.

For example, a client, who is single, with \$6,200 in a term deposit will have to serve a Liquid Assets Waiting Period of two weeks (ie $[\$6,200 - \$5,000] / \$500 = 2.4$ or 2 given that part weeks are ignored). Previously, the client's waiting period would have been seven weeks.

Note: The Liquid Assets Waiting Period is served concurrently with the Income Maintenance Period.

At this stage, there is no indication that the liquid assets threshold for couples (or singles with dependents) will also increase. As such, the following table outlines the applicable waiting periods for both singles and couples:

Liquid assets (single, no dependents)	Liquid assets (couples or singles + dependents)	Waiting period (weeks)
\$5,500 - \$5,999	\$6,000 - \$6,999	1
\$6,000 - \$6,499	\$7,000 - \$7,999	2
\$6,500 - \$6,999	\$8,000 - \$8,999	3
\$7,000 - \$7,499	\$9,000 - \$9,999	4
\$7,500 - \$7,999	\$10,000 - \$10,999	5
\$8,000 - \$8,499	\$11,000 - \$11,999	6
\$8,500 - \$8,999	\$12,000 - \$12,999	7
\$9,000 - \$9,499	\$13,000 - \$13,999	8
\$9,500 - \$9,999	\$14,000 - \$14,999	9
\$10,000 - \$10,499	\$15,000 - \$15,999	10
\$10,500 - \$10,999	\$16,000 - \$16,999	11
\$11,000 - \$11,499	\$17,000 - \$17,999	12
\$11,500 +	\$18,000 +	13

The following bonus payments, which are targeted at low and middle-income earners, are tax-free and don't have to be included as income for social security purposes.

Tax Bonus for Working Australians

Australian residents who had a taxable income of \$100,000 or less in the 2007/08 financial year will potentially receive a bonus of up to \$900.

To qualify for the bonus, they must have had a net tax liability in their 2007/08 tax return, after allowing for any imputation credits or other tax offsets.

If this condition is met, the bonus will depend on their taxable income in that year, as per the following table:

Taxable income in 2007/08	Bonus
\$80,000 or less	\$900
\$80,001 to \$90,000	\$600
\$90,001 to \$100,000	\$250

Eligibility for the Tax Bonus for Working Australians doesn't depend on family taxable income. Therefore, if one member of a couple had a taxable income greater than \$100,000, their lower or middle-income spouse may still be eligible.

Additionally, despite the name of the bonus, it's not necessary to have received income from employment (or self-employment) in 2007/08.

Payments will be made automatically by the ATO from April 2009, through electronic transfer or cheque.

The payment method will depend on which of these options the client selected in their 2007/08 tax return. The bonus cannot be used to offset any future tax liability.

Clients who have yet to lodge their 2007/08 tax return will have to do this before 30 June 2009 to be eligible for the bonus.

Note: People aged less than 18 without excepted assessable income (eg employment income) will not be eligible for the bonus. It's also unlikely that many retirees will qualify, given that any super benefits received at age 60 or over are not included in their tax return. Also, the interaction of many offsets (including the Low Income Tax Offset and Senior Australians Tax Offset) mean that many retirees would pay no tax on their non-super investments.

Single-Income Family Bonus

Families that are eligible (or later deemed eligible) for Family Tax Benefit – Part B (FTB-B) on 3 February 2009, will receive a one-off bonus of \$900.

The payment doesn't depend on the number of children in the family group. Families with only one parent will be included, as will two parent families where the lower income earner earns only a small amount of income.

The bonus will also ensure single-income families are not disadvantaged compared to dual-income families who may be eligible for two Tax Bonuses for Working Australians, even though they may have the same level of household income.

Centrelink will automatically pay the bonus to families who receive fortnightly instalments of FTB-B in the fortnight commencing 11 March 2009.

Families who receive their FTB-B as an end of year lump sum will have their bonus added to their FTB payment after the ATO processes their 2008/09 tax return.

Clients who want to receive this bonus earlier could consider switching to fortnightly payments by notifying Centrelink.

In addition, clients whose circumstances change during the financial year (eg they are retrenched) may be retrospectively deemed eligible for FTB-B and the bonus.

Who is eligible for FTB-B?

Families (couples) are eligible for FTB-B where the primary income earner has an adjusted taxable income of \$150,000 pa or less and the lower income earner's income is:

- Less than \$22,995 pa, if their youngest child is under age 5, or
- Less than \$17,904 pa, if their youngest child is aged between 5 and 18.

Single parent families are eligible for FTB-B if they have an income of \$150,000 pa or less.

Back to School Bonus

Families that are eligible (or later deemed eligible) for Family Tax Benefit – Part A (FTB-A) on 3 February 2009, will receive a one-off bonus of \$950 per eligible school age child. To be considered eligible, the child must have been aged 4 to 18 on 3 February 2009.

Centrelink will automatically pay this bonus to families receiving fortnightly instalments of FTB-A in the fortnight commencing 11 March 2009.

Families who receive their FTB-A as a lump sum will be paid their bonus after the ATO processes their 2008/09 tax return.

As with the Single-Income Family Bonus, clients can elect to switch their payment method to fortnightly by notifying Centrelink. Clients will then receive their bonus once the Centrelink arrangements are finalised.

The Back to School Bonus is in addition to the new 50% Education Tax Refund. Therefore, families who spend their bonuses on eligible school expenses will be able to claim the 50% Education Tax Refund up to the relevant expense threshold.

Who is eligible for FTB-A?

For a family to be eligible for FTB-A and therefore, the Back to School Bonus and 50% Education Tax Refund, the maximum income levels are:

- \$100,801 a year for a family with one dependent child under age 18, and
- \$102,249 a year for a family with one dependent child aged 18 to 24.

The following table summarises the family income thresholds for one or more children.

Income limit at which FTB-A (incl. the supplement) is no longer paid				
No. of children 0-17 yrs	No. of children 18-24 yrs			
	0	1	2	3
0	\$0	\$102,249	\$113,978	\$126,607
1	\$100,801	\$112,530	\$125,159	\$137,788
2	\$111,082	\$123,711	\$136,340	\$148,969
3	\$122,263	\$134,892	\$147,521	\$160,150

As the following case study shows, it will be possible for clients to qualify for a number of different payments.

Case study:

Jack and Kate are married with two children: Tom (aged 5) and Max (aged 7 months). In the 2007/08 financial year, Jack had a taxable income of \$85,000 and Kate had a taxable income of \$60,000. Both had a net tax liability in that year.

In the current financial year (2008/09), Kate has been on maternity leave since July and Jack expects to earn the same amount of income as the previous year.

As the table below shows, both Jack and Kate will receive a Tax Bonus for Working Australians. Jack will receive a reduced amount (based on his taxable income of \$85,000 for 2007/08). Kate, on the other hand, will receive the full amount (as her taxable income in 2007/08 was less than \$80,000).

In addition, the family will receive the Single-Income Family Bonus, as they are eligible for FTB-B. This is because Jack's current taxable income is less than \$150,000 and Kate's current taxable income is \$0.

Finally, as the family is eligible for FTB-A, they will also qualify for the Back to School Bonus for Tom (as he was aged between 4 and 18 on 3 February 2009).

The couple will therefore receive a total bonus payment of \$3,350.

Bonus payments	Amount
Tax Bonus for Working Australians (Jack)	\$600
Tax Bonus for Working Australians (Kate)	\$900
Single-Income Family Bonus	\$900
Back to School Bonus (Tom)	<u>\$950</u>
Total payments	\$3,350

Note: The revised payments are \$150 less than under the original proposals.

Training and Learning Bonus

A Training and Learning Bonus will apply to eligible students and social security recipients who return to education and training.

The bonus will consist of two categories.

In the first category, students (and certain other income support recipients) who receive social security benefits will be eligible for a one-off bonus of \$950.

Applicable social security benefits include:

- Austudy
- Abstudy
- Youth Allowance, and
- Other student related payments.

Students will need to be doing approved courses (eg secondary education courses, undergraduate courses, associate diplomas and some other diplomas, TAFE courses and some postgraduate courses).

Unlike the Government's original proposal, it will no longer be a requirement that students be enrolled by 3 February 2009. Instead, the Government will set up an administrative scheme to ensure all eligible students who enrol and commence study in first semester 2009 will be eligible for the bonus.

Additionally, full time postgraduate students receiving Australian postgraduate awards will also now receive a bonus payment.

If a student is eligible for a Back to School Bonus, they are not eligible for a Training and Learning Bonus. Conversely, families entitled to FTB-A on 3 February 2009 may be eligible for a Training and Learning Bonus if they have an eligible full-time student child aged 21 to 24 who would not be eligible for a Back to School Bonus.

Centrelink will automatically pay the bonus in the fortnight commencing 24 March 2009.

In the second category, people who are eligible for social security benefits (eg Newstart Allowance or Parenting Payment) who return to education and training between 1 January 2009 and 30 June 2010 will receive a \$950 Education Entry Payment. To be eligible, recipients must have been receiving benefits for one month or longer.

The \$950 Education Entry Payment is in addition to the existing Education Entry Payment of \$208. Students will therefore receive a payment of \$1,158 at the time of their usual Education Entry Payment. If the eligible students have already been paid the initial \$208, they will receive the \$950 bonus from 24 March 2009.

Farmer's Hardship Bonus

A one-off bonus of \$950 will be automatically paid to farmers and small business owners who receive Exceptional Circumstances related income support payments.

Eligible people will be those who on 3 February 2009 were in receipt of:

- Exceptional Circumstances Relief Payment for Farmers,
- Interim Income Support for Farmers,
- Exceptional Circumstances Relief Payment for Small Business,
- Interim Income Support for Small Business,
- Transitional Income Support, and
- Farm Help Income Support.

The payment is \$950 for each recipient. A single bonus of \$950 will be paid to eligible households, irrespective of whether the eligible payment they receive is paid at a single or couple rate.

Centrelink will automatically make these payments in the fortnight commencing 24 March 2009.

Conclusion

The bonus payments will be a welcome relief to many families. Although the Government intends for the money to be spent to stimulate the economy, depending on the client's circumstances, they may be better off using the payments to reduce debt or make a personal after-tax contribution to super and potentially qualify for a Government co-contribution.

References

1. <http://www.familyassist.gov.au>
2. [Treasurer's Household Stimulus Package fact sheets](#)

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