

**SOCIAL SECURITY AND VETERANS' ENTITLEMENTS AMENDMENT
(COMMONWEALTH SENIORS HEALTH CARD) BILL 2009**

SECOND READING SPEECH

This bill introduces a further measure from the 2008 Budget, refining the adjusted taxable income test for the Commonwealth seniors health card to make it fairer and treat similar sources of income in a similar way.

The Commonwealth seniors health card is available to Australians over age pension age, (65 for men and 63 years and six months for women), who are not receiving an age pension, and who have adjusted taxable incomes of less than \$50,000 a year for singles and \$80,000 a year for couples combined. The card entitles the holder to discounts on prescription medicines through the Pharmaceutical Benefits Scheme, bulk-billing with participating doctors and reduced out-of-hospital medical expenses above the threshold through the Medicare Safety Net. In some cases, the Commonwealth seniors health card also gives access to local, state and territory government and private provider concessions, such as discounted transport, education and recreation.

At the Commonwealth level, cardholders are entitled to certain cash payments through the income support system. One of these is the seniors concession allowance, which was increased in March 2008 as part of the Government's delivery on its election commitments, and is now \$514 a year (paid quarterly). Telephone allowance is also payable to cardholders if they or their partner subscribe to a telephone service, including the higher rate that applies if they also subscribe to a home internet connection, now \$138.50 a year.

Currently, income from superannuation that is not assessable and not exempt under the *Income Tax Assessment Act 1997*, and income that is being salary sacrificed into a superannuation fund, is not included in a person's adjusted taxable income in determining qualification for the card.

Under this bill, the definition of a cardholder's adjusted taxable income will be changed to include income from a superannuation income stream with a taxed source (gross superannuation) and income being salary sacrificed to superannuation.

A person in this position has already benefited from accumulating their superannuation savings in a concessional tax environment, and also benefits from the ongoing tax-free treatment of their superannuation pension payments after age 60.

This change makes sure that all income received by seniors is treated in a similar way, and contributes towards applying the income test for cardholders consistently. The change also means the seniors health card is better targeted to those in need of government assistance.

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Income salary sacrificed into superannuation is already included in income definitions for age pensioners, so these changes will bring the definition of income for the Commonwealth seniors health card into line with existing rules for the age pension in this respect.

The Government understands that some cardholders may need to make a lump sum withdrawal from their superannuation fund to pay for unexpected medical expenses, or to enter an aged care facility. To facilitate these necessary expenses, cardholders who require these withdrawals will be able to request that their qualification for the Commonwealth seniors health card is assessed using an estimate of their current year income, that is, that they have their income assessed without that particular lump sum being regarded as income.

Legislation already exists to allow a cardholder to ask for their qualification for a Commonwealth seniors health card to be assessed using an estimate of their current year's income. Where a cardholder can show that the increase in their income is not ongoing and is a 'once only' event, the cardholder is able to request that their qualification for the Commonwealth seniors health card is assessed without regard to that increase in income. This legislation will, of course, remain in place to assist those people who have unexpected increases in their income.

The amendments in the bill apply to both the social security and veterans' entitlements-based seniors health card.