

# **Review of the Clean Energy Future Household Assistance Package**

**The Treasury and the Department of Families, Housing, Community Services and Indigenous Affairs**

**April 2013**

## **Introduction**

On 10 July 2011, the Australian Government announced its climate change plan, *Securing a Clean Energy Future*, which included the introduction of a carbon price to support a reduction in Australia's greenhouse gas emissions and encourage investment in low emission technologies.

The carbon price commenced on 1 July 2012 with a fixed price starting at \$23 a tonne in 2012-13 and increasing to \$24.15 in 2013-14 and \$25.40 in 2014-15. From 2015-16, the carbon price will be determined by the market through an emissions trading scheme.

To assist low and middle income households to adjust to the impact of the carbon price, the Household Assistance Package began in May 2012 with payments to pensioners, allowees and family payments recipients, followed by tax cuts from 1 July 2012.

The Government committed that the Deputy Prime Minister and the Minister for Families, Community Services and Indigenous Affairs would review the adequacy of the Household Assistance Package annually in the Budget context over the fixed price period. This is the first review.

## **Household Assistance Package**

As part of *Securing a Clean Energy Future*, the Government committed to:

- provide all low income households with assistance that at least offsets their expected average price impact from the carbon price;
- ensure middle income households are eligible for assistance that helps them to meet their expected average price impact; and
- make available additional assistance to Australians who have a relevant concession card and who experience additional energy costs because they rely on essential medical equipment or, medically required heating/cooling, at home to manage a disability or medical condition.

Key elements of the Household Assistance Package include the following.

- An increase in pensions, allowances and family tax benefits equal to a 1.7 per cent increase in the relevant annual maximum payment rate. This comprises:

- an increase of 0.7 per cent to cover the expected Consumer Price Index (CPI) increase in 2012-13 modelled by the Treasury (*Strong Growth, Low Pollution 2011*); and
- a further one per cent increase in payments, effectively providing a buffer to ensure that the level of compensation is appropriate.
- This increase in payments is being delivered through the Clean Energy Advance and the Clean Energy Supplement.
  - The Clean Energy Advance was paid to pensioners, allowees and family tax benefit recipients in May and June 2012 to assist with meeting costs between the time the carbon price commenced on 1 July 2012 and when ongoing assistance through the Clean Energy Supplement commences.
    - : As at 1 February 2013, more than 8.1 million Clean Energy Advance payments totalling more than \$1.5 billion had been made by the Department of Human Services and the Department of Veterans' Affairs.
  - The Clean Energy Supplement is payable to pensioners, allowees and family tax benefit recipients.
    - : Regular payments of the Clean Energy Supplement start between March 2013 and January 2014 depending on the recipient's payment type.
    - : When the Supplement commences, indexation arrangements for the relevant payment will be adjusted to remove the estimated impact of the carbon price on inflation, that is, 0.7 percentage points (although for the March 2013 indexation this has not affected pensions as pensions are also benchmarked to Male Total Average Weekly Earnings).
- An increase in the tax-free threshold from \$6,000 to \$18,200 in 2012-13, accompanied by changes to the Low Income Tax Offset, personal income tax rates and other consequential changes (for example, to Medicare Levy low income thresholds).
  - Tax cuts were targeted at low and middle income individuals and were designed to offset the impact of the third-year carbon price, as modelled by Treasury, for low income individuals who did not receive assistance through the transfer system.

The Package also includes an annual Low Income Supplement and Low Income Family Supplement of \$300 for low income households who do not receive sufficient assistance from payment increases and/or tax cuts; and the introduction of a Single Income Family Supplement of up to \$300.

An annual Essential Medical Equipment Payment of \$140 is available to eligible Australians who experience additional energy costs because they rely on essential medical equipment, or medically required heating/cooling, at home to manage a disability or medical condition.

The elements of the Package are described in more detail in [Attachment A](#).

## **Review scope and approach**

Broadly, the impact of the carbon price on households is a function of its impact on consumer prices and household consumption patterns. In practice, the carbon price is expected to increase prices for goods and services consumed by households that are emissions-intensive in their production or supply chains and, over time, move household consumption towards less carbon-intensive products. Household consumption patterns may also change for reasons unrelated to the carbon price.

The Government's commitment to conduct annual reviews of the adequacy of the Household Assistance Package therefore required reviews to examine the real value of assistance provided in the Package taking into account:

- movements in prices for the household consumption baskets used to calculate the assistance; and
- any new information about changes in household consumption patterns over time.

The commitment also required annual reviews to have regard to indexation arrangements for the household assistance transfer payments.

As this first Review is being conducted less than a year after the introduction of the carbon price, it focuses on whether the Package adequately covers the carbon price impact on households in 2012-13.

Reviews in the 2014-15 and 2015-16 Budget contexts are expected to focus on the real value of assistance over time.

## **Assessing the initial adequacy of the Household Assistance Package**

The Review focuses on whether the Package adequately meets the Government's commitments to low and middle income households.

The Government committed to providing middle income households with assistance to *help them meet* the average impact of the carbon price on their expenses. This commitment has been met through tax cuts for all taxpayers with taxable income below \$80,000 and assistance to eligible middle income families through the transfer system.

For low income households, the Government committed to providing assistance that *at least offsets* their expected average price impact from the carbon price. To do this, ideally, the assistance being provided to low income households in 2012-13 would be compared to the actual impact of the carbon price on their expenditure in this year. The Australian Bureau of Statistics produces information on broad movements in prices through the Consumer Price Index. This information, together with detailed information from independent regulators and market inflation expectations, can be used to inform an

assessment of the carbon price impact on consumer prices in 2012-13 as compared with the impact estimated by the Treasury.

The information includes:

- the September and December 2012 overall Consumer Price Index figures;
- where available, state and territory electricity and gas price determinations for 2012-13, noting that the impact of the carbon price on electricity and gas prices is estimated to account for nearly half of the carbon price impact on weekly household expenditure – see Table 1;

**Table 1: Treasury estimates of carbon price impact on household expenditure and consumer prices, 2012-13**

	Weekly household expenditure (\$)	Consumer prices overall (%)
<b>Electricity</b>	3.30	10
<b>Gas</b>	1.50	9
<b>Food</b>	0.80	<0.5
<b>Total</b>	9.90	0.7

- a 2012 Treasury paper on financial market inflation expectations; and
- the results of independent studies (undertaken before the carbon price commenced) that also estimated the impact of the carbon price on the cost of living, but which used household expenditure data not available when the Treasury modelling was released.

The Review takes the following approach to assess whether the Treasury modelling that informed the design of the Package is accurate.

- If the available evidence shows that Treasury modelling accurately estimated – or overestimated – the impact of the carbon price on low income households, then it can be concluded that the Package is adequate.
- If the evidence shows that the modelling underestimated the impact of the carbon price on low income households, then the Package may not be adequate.

The Review also includes an analysis of whether the increase in *total* income for selected low and middle income households between March 2012 and March 2013 is sufficient to cover the *total* increase in the cost of living over this period (which includes the increase in the cost of living arising from the commencement of the carbon price).

## **Movements in prices**

### **Consumer prices**

It is possible to draw some broad conclusions about Treasury estimates of the carbon price impact in 2012-13 from an analysis of the September and December 2012 CPI figures.

Table 2 gives the Treasury estimates as at July 2011 of the carbon price impact on overall consumer prices and household expenditure in 2012-13.

**Table 2: Treasury estimates of carbon price impact on consumer prices and household expenditure, 2012-13**

	<b>Consumer prices overall (%)</b>	<b>Weekly household expenditure (\$)</b>
<b>Treasury estimates</b>	0.7	9.90

In the 2012-13 Budget, it was forecast that the annual headline inflation rate would rise to 3.25 per cent in 2012-13, including the carbon price impact of 0.7 per cent. Subsequent to the Budget, in the 2012-13 Mid-year Economic and Fiscal Outlook (MYEFO), the annual headline inflation forecast was revised downwards to 3 per cent. In addition, the September and December 2012 Consumer Price Index figures have been released – see Table 3.

**Table 3: Consumer Price Index – September and December quarters – 2012**

	<b>September 2012 %</b>	<b>December 2012 %</b>
<b>CPI quarterly change</b>	1.4	0.2
<b>CP Index – annual change</b>	2.0	2.2

While the inflation outcome for 2012-13 will not be known until after the March and June quarters, the CPI outcomes for the first half of the financial year are broadly consistent with the MYEFO forecast for headline inflation (which includes the estimated carbon price impact). While several factors influenced the downwards revision to inflation in the MYEFO, this outlook does not suggest that the actual carbon price impact on consumer prices in 2012-13 is greater than the impact estimated by the Treasury.

### **Electricity prices**

Treasury estimated that the impact of the carbon price on electricity prices would be the largest individual component of the carbon price impact on weekly household expenditure – see Table 1 above.

All states and territories except Victoria and, since 1 February 2013, South Australia, require electricity retailers to offer standard retail contracts containing prices set annually by a regulatory authority or the relevant state or territory government.

In 2012-13, these determinations identified the component of the increase in the regulated price attributable to the commencement of the carbon price. However,

the determinations only provide a *partial* indication of the impact of the carbon price on electricity prices overall because;

- Victoria and South Australia (since 1 February 2013) do not regulate retail electricity prices; and
- although New South Wales, Queensland and the Australian Capital Territory regulate retail prices, they have also introduced full retail contestability, which allows retailers to compete for customers by offering 'market contracts', with prices set by the retailer. In this way, customers can shop around for the best deal and opt out of paying regulated electricity prices by signing a market contract:
  - 'market contracts' have a minimum set of terms and conditions, but can vary from contract to contract. In particular, the market contract may offer discounts on the standard (regulated) rates;
  - as of June 2012, only around half of residential and small business consumers paid regulated electricity prices under a standard contract in New South Wales; and
  - as of December 2011, only around 56 per cent of small customers paid regulated electricity prices under a standard contract in Queensland.

The available state and territory price determinations for 2012-13 are shown in Table 4.

**Table 4: Regulated residential retail electricity tariff increases, 2012-13**

State	Total regulated price increase (%)	Carbon price component (%)
<b>New South Wales</b>	18.1	8.9
<b>Western Australia</b>	12.5	9.1
<b>Tasmania</b>	10.6	5.6
<b>Australian Capital Territory</b>	17.7	14.2
<b>Northern Territory</b>	9.6	6.8
<b>South Australia*</b>	18.0	4.6
<b>Queensland**</b>	-	10.6

\*This price increase applied until South Australia deregulated its energy market from 1 February 2013.

\*\* On 23 April 2012, the Queensland Government announced a 'freeze' on the standard domestic electricity tariff for 2012-13, except for increases related to the carbon price.

The carbon price components of these determinations are broadly consistent with or lower than the Treasury estimate of the national average impact (10 per cent). Subject to the limitations discussed above, this suggests that the carbon price impact on electricity nationally is likely to be more modest than the Treasury estimate.

It is also noted that the higher ACT figure reflects, among other things, that retail electricity prices are significantly lower in the ACT than national average prices. Consequently, while the dollar impact of the carbon price on ACT electricity prices is broadly similar to the Treasury estimate, the impact in *percentage* terms is higher.

### Gas prices

Treasury estimated that the impact of the carbon price on gas prices would be the second largest individual component of the carbon price impact on weekly household expenditure in 2012-13 – see Table 1 above.

Only limited information is available on the carbon price impact on gas prices. Only New South Wales and Western Australia (and, until 1 February 2013, South Australia) require retailers to offer contracts containing regulated prices. In New South Wales and Western Australia, customers may opt out of paying regulated prices by signing a market contract.

The available state and territory price determinations for 2012-13 are shown in Table 5.

**Table 5: Regulated price for standing offer contracts in New South Wales, South Australia and Western Australia, 2012-13**

State	Total regulated price increase (%)	Carbon price component (%)
New South Wales	9-15	6-9
Western Australia	8.3	4.4
South Australia (residential)*	17.7	4.5

\*South Australia deregulated its retail energy market on 1 February 2013.

Again, the carbon price components of these determinations are broadly consistent with or less than the Treasury estimate of the impact of the carbon price on gas prices in 2012-13 (9 per cent).

While only limited information is available on gas prices, this information supports the conclusion that the actual carbon price impact on gas nationally is likely to be more modest than the Treasury estimate.

### Inflation expectations

Activity in the market for inflation swaps (a bilateral agreement under which one party pays realised cumulative inflation over the life of the swap in return for a fixed interest rate from the other party) can be used to infer market expectations for inflation. A recent study (*Measuring market inflation expectations*, Will Devlin and Deepika Patwardhan, Treasury Economic Roundup, August 2012) found that activity in the inflation swaps market around the time of the announcement of the carbon price in mid-2011 suggested that the market concurred with the Treasury estimate of the impact of the carbon price on overall consumer prices (0.7 per cent).

## Conclusion on price movements

Overall, the information available on the impact of the carbon price on consumer prices in 2012-13 does not suggest that this impact is greater than as estimated by the Treasury.

## Movements in household consumption patterns

Movements in household consumption patterns can influence the impact of the carbon price on households. For example, if households reduce their consumption of an item impacted by the carbon price (for example, electricity) because the price of that item rises (including for reasons other than the carbon price), then the carbon price impact they face would fall.

No Household Expenditure Survey data is currently available on household consumption patterns following the introduction of the carbon price on 1 July 2012.

However, changes in household consumption patterns prior to the introduction of the carbon price are relevant to assessing the accuracy of Treasury modelling of the carbon price impact on households.

Data on household consumption patterns is available from ABS Household Expenditure Surveys. Treasury modelling used data from the 2003-04 Survey. The next and most recent Survey is for 2009-10. This Survey was released in September 2011, after the Treasury modelling was released.

- Treasury modelling used data from the 2003-04 survey and assumed that the share of household expenditure on electricity and gas had grown since that time in line with movements in prices. The 2009-10 survey was released in September 2011, after the Treasury modelling was released, and showed that the share of household expenditure on electricity and gas grew more slowly between 2003-04 and 2009-10.

Two independent studies of the expected impact of the carbon price on households were undertaken after the 2009-10 Household Expenditure Survey data became available (but before the carbon price commenced):

- *The Carbon Price and the Cost of Living*, prepared by the CSIRO and AECOM for The Climate Institute (November 2011);
  - the Climate Institute modelling used a bespoke model based on an input-output modelling framework to estimate how the carbon price fed through to industries, and then 2009-10 Household Expenditure Survey data to estimate the impact on inflation and the household cost of living; and
- *Clean Energy Future Plan: Household Modelling*, National Centre for Social and Economic Modelling (NATSEM) (October 2011);
  - NATSEM used a similar methodology to the Treasury to estimate the impact of the carbon price on households. In particular, both used versions of the STINMOD micro-simulation model. However, as noted

above, NATSEM used the most recent household expenditure data from the 2009-10 ABS survey.

Table 7 sets out the key findings of the Climate Institute and NATSEM studies.

**Table 7: Key findings of independent studies of the impact of the carbon price on households in 2012-13**

	Increase in total weekly household expenses		Increase in individual prices			Level of household assistance \$ per week
	\$ per week	%	Electricity %	Gas %	Food %	
<b>Climate Institute</b>	9.10	0.6	10	5.3	0.5	-
<b>NATSEM</b>	8.50	-	-	-	-	10.90
<b>Treasury</b>	9.90	0.7	10	9	<0.5	10.10

The Climate Institute estimates of the impact of the carbon price on electricity, gas and food are broadly similar to Treasury estimates.

More broadly, the Climate Institute and NATSEM studies estimated a smaller overall carbon price impact on households than the Treasury modelling.

The findings of these studies suggest that the use by Treasury modelling of 2003-04 household expenditure data is likely to have led to it finding a greater carbon price impact on households than it would have if 2009-10 data had been used.

### **General implications of independent studies for adequacy of the Household Assistance Package**

The results of the independent studies outlined above support the view that the Household Assistance Package is adequate. The NATSEM report concluded that:

the *Clean Energy Future* plan is more generous than suggested by initial Treasury modelling. The carbon impact is lower while the assistance package for households is more generous.

Similarly, the Climate Institute report found that:

low and moderate income households receive financial assistance that generally outweighs the average price impact for these households by a significant margin.

A third study – *Modelling the Clean Energy Future Policy*, prepared by Deloitte Access Economics for the Victorian Department of Premier and Cabinet (VDPC)

in September 2011 – also examined the expected impact of the carbon price on households (using 2003-04 Household Expenditure Survey data).

The VPDC study did not provide estimates for 2012-13. Rather, it estimated that, in 2015, electricity prices would be 8.2 per cent higher and gas prices 5.5 per cent higher than without a carbon price. The results of this study are therefore not directly comparable to the Treasury modelling. However, the study notes that:

If estimates were made for 2012-13..., these would likely be greater, and closer to the Commonwealth Treasury estimates, than those impacts presented here.

Noting that the carbon price impacts on electricity and gas prices are estimated to constitute a significant part of the carbon price impact on households overall, the results of the VPDC study provide some additional support for the conclusion that the Household Assistance Package is adequate.

The Climate Institute study also estimated the impact of the carbon price on capital city households and households outside capital cities.

**Table 8: Impact of the carbon price on capital city and regional households in 2012-13, The Climate Institute**

Household location	Increase in total weekly household expenses	Increase in consumer prices overall
	\$	%
Capital Cities	9.40	0.6
Outside capital cities	8.70	0.7

These estimates are broadly consistent with or lower than the corresponding Treasury national estimates. This supports a conclusion that the Household Assistance Package is likely to be adequate for households in capital cities and in regional Australia.

### **Change in disposable income for selected low and middle income households**

The analysis above assesses, to the extent possible, the accuracy of Treasury estimates of key parameters underpinning the design of the Package.

A further means of assessing adequacy is to examine impacts on particular household types.

The Review examines whether the increase in *total* income for selected low and middle income households between March 2012 and March 2013 is sufficient to cover the *total* increase in the cost of living over this period.

- Total income comprises private income and transfer assistance provided through the Package, pensions, allowances, family tax benefits and other payments where relevant (for example, the Schoolkids Bonus and Income Support Bonus).
  - March 2012 total income was inflated to March 2013.
  - Increases in total income include increases in private income and increases in transfer payments via existing indexation arrangements, as well as increases from receiving assistance through the Package.
    - : Private income was inflated in line with average earnings growth, using growth between November 2011 and November 2012 as a proxy, as this was the latest data available.
- The total increase in the cost of living between March 2012 and March 2013 was estimated using growth in the CPI or the Pensioner and Beneficiary Living Cost Index as appropriate, between December 2011 and December 2012, as this was the latest data available.
  - The total increase in the cost of living includes the increased cost of living from the carbon price.

The detailed results of the analysis are set out in Table 9.

**Table 9: Net disposable income of selected household types following the introduction of the carbon price (fortnightly)**

<b>Household Description</b>	<b>Cost of living increases including carbon price impact between December 2011 and December 2012</b> \$	<b>Payment increases – Household Assistance Package payments, other assistance and wage growth over March 2012 and March 2013</b> \$	<b>Net gain</b> \$	<b>Disposable income as at March 2012</b> \$	<b>Disposable income as at March 2013</b> \$
Single maximum rate Age Pensioner	17.41	52.90	<b>35.49</b>	755.50	808.40
Couple maximum rate Age Pensioners	26.25	79.80	<b>53.55</b>	1139.00	1218.80
Single maximum rate DSP with EMEP	17.41	58.28	<b>40.87</b>	755.50	813.78
Single parent with 1 child aged under 5	23.07	70.10	<b>47.03</b>	1000.78	1070.88
Single parent with 2 children aged under 5	27.51	78.50	<b>50.99</b>	1193.28	1271.78
Single parent with 1 child aged 13-15	20.35	72.54	<b>52.19</b>	889.08	961.62
Single parent with 2 children aged 8-12 and 13-17	24.79	96.71	<b>71.92</b>	1081.58	1178.29
Couple family with no children (incomes \$70,000 and \$30,000)	69.30	152.51	<b>83.21</b>	3144.23	3296.74
Couple family with 2 children aged under 5 (incomes \$70,000 and nil)	53.89	110.67	<b>56.78</b>	2445.16	2555.83
Couple family with 3 children, 1 aged under 5 and 2 aged 5-12 (incomes \$70,000 and nil)	58.38	150.61	<b>92.23</b>	2648.99	2799.60
Couple family with 1 child aged under 5 (incomes \$70,000 and \$30,000)	69.63	137.60	<b>67.97</b>	3159.15	3296.74
Couple family with 2 children aged 5-12 (incomes \$70,000 and \$30,000)	72.37	137.08	<b>64.71</b>	3283.45	3420.53
Couple family with 2 children, 1 aged 5-12 and 1 aged 13-17 (incomes \$70,000 and \$30,000)	72.37	152.85	<b>80.48</b>	3283.45	3436.29
Single maximum rate Newstart	11.29	23.78	<b>12.49</b>	489.70	513.48

## **Findings from the analysis of selected households' disposable income following the introduction of the carbon price**

The results in Table 9 indicate that the increases in total income between March 2012 and March 2013 for the selected range of low and middle income families, including increases arising from the Household Assistance Package, were more than adequate to offset total increases in the cost of living, including any impacts from the carbon price.

For example:

- A single maximum rate age pensioner has had an increase in their total cost of living of \$17.41 a fortnight between December 2011 and December 2012. Between March 2012, and March 2013, the pensioner's total income has increased by \$52.90 a fortnight. In net terms the pensioner is better off by \$35.49 a fortnight.
- A single parent with one child under 5 has had an increase in their total cost of living of \$23.07 a fortnight between December 2011 and December 2012 and increase in total income of \$70.10 a fortnight between March 2012, and March 2013. The single parent is better off in March 2013 by \$47.03 a fortnight.

A set of cameos based on this analysis is at [Attachment B](#).

### **Other supplements and payments**

#### **Essential Medical Equipment Payment**

As noted earlier, the Government committed that additional assistance will be available to Australians who experience additional energy costs because they rely on essential medical equipment, or medically required heating / cooling, at home to manage a disability or medical condition.

This commitment has been met through the Essential Medical Equipment Payment.

#### **Other supplements**

As noted earlier, the Package includes an annual Low Income Supplement and Low Income Family Supplement of \$300 for low income households who do not receive sufficient assistance from payment increases and/or tax cuts; and the introduction of a Single Income Family Supplement of up to \$300.

Broadly, the level of these Supplements reflects the amount of tax cuts provided to low income individuals who did not receive transfer payments under the Package.

As discussed above, the level of these tax cuts was based on the Treasury modelling that informed the Package as a whole. The accuracy of this modelling has been assessed above.

## Conclusion

The design of the Household Assistance Package was informed by Treasury modelling of the carbon price impact on households. Broadly, the impact of the carbon price on households is a function of its impact on consumer prices and household consumption patterns. This Review has found that:

- the available information does not suggest that the carbon price impact on consumer prices in 2012-13 is greater than the impact estimated by the Treasury; and
- the use by Treasury modelling of 2003-04 Household Expenditure Survey data is likely to have led it to estimate a higher carbon price impact on households than if 2009-10 Survey data had been used (which is the most recent data available, but which was released after the Treasury modelling had been completed).

These findings indicate that the Package is adequate, if not more than adequate, to meet the Government's commitments to households. This conclusion is supported by:

- the results of independent studies that generated lower estimates of the carbon price impact on households in 2012-13 than Treasury modelling and which also concluded that the Package at least adequately compensated households; and
- an analysis which found that increases in total income between March 2012 and March 2013 for a selected range of low and middle income families, including increases from the Household Assistance Package, were more than adequate to offset the total increase in the cost of living over this period, including as arising from the carbon price.

The Review therefore concludes that the Household Assistance Package, which was designed to compensate for the impacts of the carbon price, is adequate, if not more than adequate, for 2012-13.

**CLEAN ENERGY FUTURE HOUSEHOLD ASSISTANCE PACKAGE**

The Household Assistance Package provides tax cuts and/or increases in pensions and allowances.

**Pensions and allowances**

All pensioners are receiving annual assistance through their pension, equivalent to a 1.7 per cent increase in the maximum rate of the pension. This includes people in receipt of the Age Pension, Service Pension, Carer Payment and Disability Support Pension. Assistance for pensioners is:

- around \$350 per year for singles, and
- around \$530 per year for couples combined.

Self funded retirees who hold a Commonwealth Seniors Health Card and elect to receive the Seniors Supplement are receiving around \$350 per year for singles and around \$530 per year for couples combined, through the Seniors Supplement.

Allowance recipients are receiving annual assistance through their payments equivalent to a 1.7 per cent increase in the maximum rate of payment.

Eligible families are receiving assistance through a 1.7 per cent payment increase in Family Tax Benefit of:

- up to \$110 for each child; and
- up to \$69 per family in receipt of Family Tax Benefit Part B.

Veterans in receipt of payments made under the *Veterans' Entitlement Act 1986* — including service pensioners, disability pensions and the war widow/ers pension — and the *Military Compensation and Rehabilitation Act 2004* — including permanent impairment payments and wholly dependent partner payments — are receiving assistance equivalent to a 1.7 per cent increase in their payment.

Initial assistance for pensioners, allowees and family tax benefit recipients has been delivered through a lump sum payment – the Clean Energy Advance – made to eligible recipients in May-June 2012. People who started receiving a government payment after these dates also received a Clean Energy Advance, adjusted to reflect their later payment start date during the advance period.

Ongoing assistance will be provided through a new Clean Energy Supplement paid with the recipient's regular payments.

The Supplement starts from the following dates:

20 March 2013 to:

- pensioners – singles will receive \$13.50 fortnightly or around \$350 annually. Each member of a couple will receive \$10.20 fortnightly or around \$265 annually. Part rate pensioners receive the same amount as maximum rate pensioners.

- recipients of Newstart, Sickness, Widow and Partner Allowances - singles will receive up to \$9.10 fortnightly or around \$236 annually. Each member of a couple will receive \$7.60 fortnightly or around \$197 annually.
- Parenting Payment Single recipients will receive \$11.60 per fortnight or around \$300 annually.
- Parenting Payment Partnered recipients will receive \$7.60 each per fortnight or around \$197 annually.

24 June 2013 to:

- Seniors Supplement recipients – around \$88 per quarter or around \$350 annually for singles and around \$66 per quarter or around \$265 for each member of a couple.

1 July 2013 to:

- families receiving the Family Tax Benefit A or B with the rates to be determined and released in June 2013.

From 1 January 2014 to:

- youth and students – recipients of Youth Allowance, Austudy, ABSTUDY for those aged under 22 and people receiving Disability Support Pension aged under 21 without dependent children. Clean Energy Supplement rates vary according to payment type.

A Low Income Supplement of \$300 is available to those who did not receive enough assistance to offset their average cost impact. Claims for the Low Income Supplement opened on 1 July 2012.

The coverage of the Low Income Supplement has been extended to ensure that certain low income families receive enough assistance to cover their average cost impact from the carbon price. The new Low Income (Family) Supplement of \$300 is for Family Tax Benefit recipients who have not received enough assistance from tax cuts or Clean Energy payments to offset their average cost impact. People have been able to access the payment since 1 January 2013.

The Single Income Family Supplement provides additional support of up to \$300 a year to single-income families with a dependent child/children and one primary earner with income between \$68,000 and \$150,000, recognising that these families would receive little or no assistance from tax changes compared to dual income families with similar income. The Supplement is payable from 1 July 2013.

### **Tax cuts**

The Package includes tax cuts that target assistance to low and middle-income individuals by increasing the statutory tax-free threshold from \$6,000 to \$18,200 on 1 July 2012, and by adjusting the first two marginal tax rates. This replaces all but \$445 of the low-income tax offset (LITO), and provides current taxpayers with annual incomes up to \$68,000 with a tax cut of at least \$300.

Relevant personal income tax rates and thresholds are shown below:

	2011-12		2012-13	
	Threshold (\$)	Marginal Rate	Threshold (\$)	Marginal Rate
1st Rate	6,001	15%	18,201	19%
2nd Rate	37,001	30%	37,001	32.5%
3rd Rate	80,001	37%	80,001	37%
4th Rate	180,001	45%	180,001	45%
LITO	Up to \$1,500	4% withdrawal rate on income over \$30,000	Up to \$445	1.5% withdrawal rate on income over \$37,000
Effective tax free threshold*	16,000		20,542	

\* Includes the effect of the tax free threshold and the low income tax offset (LITO).

### Essential Medical Equipment Payment

The Essential Medical Equipment Payment (\$140) is available to eligible Australians who experience additional energy costs because they use essential medical equipment, or medically required heating / cooling, at home to manage their disability or medical condition.

The payment is available to people with medical needs, or their carers, who;

- are covered by a Commonwealth Government concession card, or a Department of Veterans' Affairs' Gold or White Card; and
- use certain essential medical equipment, or have certain medical conditions that require the use of additional heating and / or cooling, at home; and
- contribute to the payment of the energy account.

Eligible equipment is as follows:

1. Home Dialysis Machine
2. Home Ventilator
3. Home Respirator
4. Home Parenteral or Enteral Feeding Device
5. Oxygen Concentrator
6. Heart Pump
7. Suction Pump
8. Infant Apnoea Monitor – when prescribed by a Medical Practitioner following apnoeic episodes
9. Nebuliser – when used daily
10. Positive Airways Pressure Device
11. Phototherapy Equipment
12. Airbed Vibrator
13. Electric Wheelchair
14. Insulin Pump

The specified medical conditions are as follow:

1. Spinal cord injury at or above the T7 level
2. Stroke
3. Brain injury
4. A neurodegenerative disorder
5. The muscular dystrophies
6. Full thickness burns covering more than 20 per cent of the body surface area
7. Rare disorders of sweating including congenital absence or mal-development of sweat glands
8. Chronic erythrodermas

**CLEAN ENERGY FUTURE HOUSEHOLD ASSISTANCE PACKAGE**

**Snapshot of how households have been compensated**

**Age pensioners**

Judy is 68. She is retired and receives the maximum rate of the single Age Pension. Her cost of living has increased by \$17.41 a fortnight over the past 12 months, which includes the impact of the carbon price. Since the carbon price took effect on 1 July 2012, Judy has received increases in her Age Pension, a lump-sum Clean Energy Advance, and the new Clean Energy Supplement. With these increases and new payments, at March 2013 Judy is \$35.49 a fortnight better off in net terms than she was in March 2012.

**Disability Support pensioners**

Michael is on the Disability Support Pension due to a car accident. He receives the maximum single rate of pension. Due to his injuries, Michael is required to use an electric wheelchair and was eligible to claim the Essential Medical Equipment Payment. Michael's cost of living including the carbon price impact has increased by around \$17.41 a fortnight in the last 12 months. Since the carbon price took effect on 1 July 2012, Michael has received pension increases, the lump-sum Clean Energy Advance, the Clean Energy Supplement and the Essential Medical Equipment Payment. With pension increases and household assistance payments, in March 2013 Michael is ahead \$40.87 in net terms a fortnight compared to March 2012.

**Single parents**

Sharon is a single mother on Parenting Payment Single with two children aged under 5. Sharon's cost of living including the carbon price impact has increased by \$27.51 a fortnight over the last 12 months. Sharon also receives Family Tax Benefit A and B. Since the carbon price took effect on 1 July 2012, she has received multiple Clean Energy Advance payments because she receives both income support and family payments. She has also benefited from the Clean Energy Supplement, the Income Support Bonus, and increases in her Parenting Payment and Family Tax Benefit. Compared to March 2012, in March 2013 Sharon is \$50.99 a fortnight better off in net terms after receiving payment increases and the assistance under Household Assistance Package.

### **Newstart Allowance recipient**

James is a jobseeker on the maximum single rate of Newstart. His cost of living has increased by \$11.29 in the past 12 months including the carbon price impact. Since the carbon price took effect on 1 July 2012, James has received allowance increases, the lump-sum Clean Energy Advance, the Clean Energy Supplement and the Income Support Bonus. With allowance increases and Household Assistance payments, in March 2013 James is around \$12.49 a fortnight better off in net terms than he was in March 2012.

### **Families**

Tony and Angela have two children under 5. Tony is a call centre manager and earns around \$70,000 a year. Angela is a stay at home mother. The household's cost of living including the carbon price impact has increased by \$53.89 a fortnight over the past 12 months. Tony and Angela receive Family Tax Benefit A and B. Since the carbon price took effect on 1 July 2012, they have received Clean Energy Advance payments, increases in their Family Tax Benefit, a wage increase and a small tax cut. They will be eligible to claim the Single Income Family Supplement when it becomes available in July 2013. Tony and Angela will be \$56.78 a fortnight better off in net terms following assistance provided by the Household Assistance Package and increases in their family payments. They will also receive the Schoolkids Bonus when their children reach school age.

### **Families**

Brett and Michelle have three children - Oliver is 3, Jack is 7 and Holly is 12. Brett is self-employed and earns around \$70,000 a year. Michelle is a stay at home mother. The household's cost of living rose by \$58.38 a fortnight over the past 12 months including the carbon price impact. Brett and Michelle receive Family Tax Benefit A and B. Since the carbon price took effect on 1 July 2012, they have received increases to their family payments, Clean Energy Advance payments, the Schoolkids Bonus for their two older children, a wage increase and a small tax cut. They will be eligible to claim the Single Income Family Supplement when it becomes available in July 2013. The household is \$92.23 a fortnight better off following assistance provided by the Household Assistance Package, the Schoolkids Bonus and increases to family payments.

### **Middle-income earners**

Andrew and Patricia work full time and have no children. Andrew works in construction and earns about \$70,000 a year. Patricia works in retail and earns \$30,000. Andrew and Patricia's cost of living rose by \$69.30 a fortnight over the past 12 months including the carbon price impact. With the tax cuts under the Household Assistance Package and wage increases, the household is \$83.21 a fortnight better off in net terms in March 2013, compared to March 2012.