



## **BRIEFING PAPER**

### **Climate Change Household Assistance Package: Implications for Carers**

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Title: Climate Change Household Assistance Package:  
Implications for Carers

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## **Climate Change Household Assistance Package**

### **Background**

The Government recently announced the details of the Climate Change Package. The package has numerous diverse elements covering: the introduction of a carbon price for around 500 of the biggest polluters from 1 July 2012; promoting innovation and investment in renewable energy; encouraging energy efficiency both within households and business; assisting the agricultural sector to improve sustainability and resilience; and the household assistance package to help with the anticipated cost of living impact of the carbon price.

### **The Household Assistance Package**

Carbon pricing is estimated to increase the cost of living by 0.7%, which represents an increase in average weekly household expenditure of \$9.90 or approximately \$515 p.a. These figures are based on estimated averages, actual individual household cost increases will be spread over a wide range. To mitigate against this, the Government has announced increases in income support payments and family payments of 1.7% of the maximum rate as well as personal income tax cuts.

The Government estimates that 90% of households will receive assistance through tax cuts, additional pension and benefit payments or a combination of both. Around 2/3rds of households will get full compensation or greater for the expected cost of living impact of carbon pricing.

### **Summary of Household Assistance Package Measures**

#### Clean Energy Supplement

The Clean Energy Supplement will initially be paid as a 'Clean Energy Advance' consisting of approximately 9 months of the applicable Clean Energy Supplement provided as a lump sum advance payment in May-June 2012.

The ongoing Clean Energy Supplement will start to be paid fortnightly for pensions and most allowances from March 2013; July 2013 for family payments and January 2014 for students on Youth Allowance. Self-funded retirees will receive their payments quarterly with their Seniors Supplement. The Clean Energy Supplement will be indexed, but the current payment indexation arrangements will be adjusted so that the cost of living effects of carbon pricing are not double-counted.

The Clean Energy Supplement (based on a 1.7% increase in the maximum rate) will be:

- up to \$338 p.a. for single pensioners and self-funded retirees, and up to \$260 for each eligible member of a pensioner couple or self-funded retiree couple.
- up to \$234 p.a. for single parents (as well as increased family payments)
- up to \$218 p.a. for single beneficiaries and \$185 for each eligible member of a beneficiary couple
- up to \$110 per child for a family that receives Family Tax Benefit Part A
- up to \$69 extra for a family that receives Family Tax Benefit Part B

#### Low Income Supplement

This is an annual amount of \$300 which will be available to low-income households who can show that they 'might not receive enough assistance through tax cuts and Government payments to offset their average expected cost impact under a carbon price'. The Department of Human Services (Centrelink) will administer claims.

#### Essential Medical Equipment Payment

This is an amount of \$140 per year to provide extra help for individuals with concession cards or their carers facing additional and unavoidable electricity costs from the use of medical equipment needed as a result of an individual's medical condition or disability. It is directed at people using home dialysis, ventilators or who require temperature regulation as a result of their condition. The Department of Human Services (Centrelink) will administer claims.

#### Tax cuts

From the 2012/2013 financial year the tax-free tax threshold will be raised from \$6,000 - \$18,200. This results in a tax cut of at least \$300 a year for around 60% of tax payers. All taxpayers with taxable income of up to \$80,000 will get some tax relief. There are further tax cuts planned for 2015.

#### **Carers**

There are approximately 2.6 million carers in Australia. Many carers with high care loads and lower to medium levels of income and assets receive pensions (e.g. Carer Payment, Age Pension, Disability Support Pension, and DVA Pensions), benefits (e.g. Newstart Allowance or Youth Allowance) or family payments. This group will get the Clean Energy Supplement.

As carers receiving Carer Payment nearly always live with at least one other person (who may also receive a supplement, or if they are a child attract a supplement through family payments), they will be compensated for the anticipated increase in costs through the Clean Energy Supplement. Carers who get other income support payments are also compensated but at a less generous rate than pensioners.

It is not clear whether Carer Allowance recipients will also be compensated or whether they are expected to rely on the general tax cuts or the Low Income Supplement. Advice has been sought from Minister Macklin's Office.

Self-funded retirees who hold a Commonwealth Seniors Health Card (i.e. have adjusted annual income of less than \$50,000 for singles and \$80,000 combined for couples), will also get the Clean Energy Supplement at the pension rate.

It appears that most low to middle income earners will be at least partially compensated through tax-cuts. Those with a taxable income of less than \$80,000 p.a. will get tax cuts. Some families with combined taxable incomes of up to \$150,000 may qualify for Family Tax Benefit (Part B) and receive a payment under the Clean Energy Supplement.

Carers who are currently tax payers will benefit from tax cuts to help offset the cost of living increase. Depending on their circumstances, carers may also be eligible for the Essential Medical Equipment Payment or the Low Income Supplement.

Generally, it appears that the majority of carer households (and virtually all carer households on low incomes), will get either the Clean Energy Supplement or tax cuts sufficient to cover most of their additional household costs under carbon pricing.

### **Other Assistance**

In terms of making more efficient use of resources, the Government has announced an expansion of the Living Greener household advice line, energy efficiency information grants, funding support for Australian communities and regions to move to a clean energy future and a clean technology investment program.

The Low Carbon Communities funding has also increased from \$80 million to \$330 million, and expanded with two new initiatives:

1. the Low Income Energy Efficiency Program to trial energy efficient support approaches to assist low-income households overcome energy efficiency barriers (up to \$100 million in grants to consortiums of state and local governments, and community organisations to run 15-20 trial projects)
2. the Household Energy and Financial Sustainability Scheme, to support low-income households to improve their energy and financial sustainability (\$30 million to help 100,000 low-income households with energy and financial sustainability assistance and advice, financial education and money management and access to the No Interest Loans Scheme to assist with the purchase of more energy efficient appliances).