# Budget Priorities Statement

## 2024-25

Submission to the Treasurer

# Who we are

ACOSS is the peak body of the community services and welfare sector, and the national voice for the needs of people affected by poverty and inequality.

Our vision is for a fair, inclusive and sustainable Australia, where all individuals and communities can participate in and benefit from social and economic life.

# What we do

ACOSS leads and supports initiatives within the community services and welfare sector, and acts as an independent non-party political voice.

By drawing on the direct experiences of people affected by poverty and inequality and the expertise of its diverse member base, ACOSS develops and promotes socially and economically responsible public policy and action by government, community and business.

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Locked Bag 4777
Strawberry Hills
NSW, 2012 Australia

Email: info@acoss.org.au

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# 1. Executive summary

## Next Budget must meet major national challenges

In its first 18 months in office, the Federal Government took positive action to tackle a suite of economic, social and environmental problems accruing for over a decade. For instance, in 2023, ACOSS welcomed the legislating of the Economic Inclusion Advisory Committee (EIAC) as an important mechanism to support more robust, rational, and evidence-based income support policy decisions ahead of every Federal Budget. We welcomed further industrial relations changes via the *Fair Work Legislation Amendment (Closing Loopholes) Bill 2023* as providing further protections for low paid workers struggling with insecure work. We welcomed a $300m investment to improve energy efficiency in social housing and incremental increases to income support and rent assistance as first steps towards progressing much needed additional support for people on low incomes. The completion of inquiries such as the Robodebt Royal Commission, the NDIS Review and the Workforce Australia Inquiry now offer blueprints for further reform of national service systems.

The May 2024 Federal Budget must set out proposals matching the size and scope of challenges now confronting Australia. People are experiencing a level of financial distress not seen since the recession of the early 1990s. People on low incomes, including those on income support and those who are unemployed, are feeling this distress more acutely than almost all other cohorts. About 3.3 million people, or 1 in 8, live below the poverty line, including 761,000 children.[1] An average of 95,862 people per month are using homelessness services for reasons relating to financial stress, housing crisis or accommodation issues.[2] Only 3% of community service providers can 'always' meet demand.[3] People on low incomes are the worst impacted by the devastating effects of continuous and compounding natural disasters.

Australia's economy is producing a perfect storm for financial hardship continuing in 2024. Higher living costs (especially for housing), weak growth in incomes (especially JobSeeker and related payments, as well as wages) and the ongoing impacts of climate change (especially storms, fires and over-heated homes) have combined to directly threaten community living standards. Higher unemployment will only make matters worse. Long standing divides between people with secure housing, significant wealth or high incomes and those who are one redundancy, or an eviction notice away from destitution have been exposed.

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1 Davidson, P; Bradbury, B; and Wong, M (2022), *Poverty in Australia 2022: A snapshot* Australian Council of Social Service (ACOSS) and UNSW Sydney. Available: https://bit.ly/PovertySnapshot

2 Homelessness Australia (2023), *Mid year economic update must confront growing housing and homelessness crisis* Media release, 7 December 2023. Available: http://tinyurl.com/4zwsw7yk

3 Cortis, N. and Blaxland, M (2022), *Helping people in need during a cost-of-living crisis: findings from the Australian Community Sector Survey*, ACOSS, Sydney. Available: http://tinyurl.com/4ts9ja2t

We strongly urge the government to ensure that people experiencing poverty, disadvantage and hardship are a top priority across major portfolios in the Federal Budget.

The government has an unmissable opportunity to:

- relieve financial stress for those on the lowest incomes,
- secure full employment, addressing the real drivers of inflation directly,
- build the capacity of the care and support services sector, and
- advance effective climate action which also improves living standards for those in poverty.

This pre-Budget submission details recommendations to meet these ends. Our major recommendations are set out at the end of this section.

## A fiscal strategy for uncertain times

This Budget is being prepared in a year of great economic uncertainty. Australia only avoided a recession in the latter half of 2023 through an unusually large increase in temporary migration. Inflation is still too high at 4.9% and high inflation may persist longer than expected, or the Reserve Bank's excessive interest rate hikes may push unemployment well above the 4.5% forecast for 2024-25. That level of unemployment should be unacceptable to a government committed to full employment as it means at least another 100,000 people out of paid work.

The Budget should be prepared with a view to reducing inflation and unemployment simultaneously, and the government should stand ready to boost jobs and incomes in the event of a deeper economic downturn.

Understandably, the government is under pressure to support the majority of people grappling with higher living costs as their wages and other incomes fail to keep up. Yet large scale, poorly targeted supports such as the $21 billion Stage 3 tax cuts will do more harm than good by spurring inflation and delaying much-needed reductions in interest rates.

Tensions between curbing inflation, strengthening employment and incomes, and helping people struggling financially are best resolved by:

- **Curbing inflation directly, rather than through the blunt instrument of high interest rates**. This requires regulatory action (working with the states and territories to restrict rent increases as the government did last year with gas prices), reductions in out-of-pocket costs for essential government-funded services (as the government did last year for early childhood education and care) and market signalling (asking the Australian Competition and Consumer Commission to publicly monitor mark-ups in monopolistic sectors),
- **Providing well targeted income supports for people in greatest need**, especially a substantial increase in JobSeeker and related payments. Such payments would also act as an economic stabiliser, as the greater the increase in unemployment the more support it provides to jobs and incomes and vice versa; and

- **Removing the Stage 3 tax cuts**, at the very least the $9 billion in adjustments to the upper end of the tax scale which go to people who have no need for more government support.

Under these conditions, it is vital that tax and expenditure changes are properly designed to ease financial pressure on people without stoking inflation. The long-standing unmet needs of the community – for relief from poverty, affordable housing, action on climate change, and essential services such as emergency relief, financial counselling and family and domestic violence - should not be neglected any longer for the sake of meeting arbitrary fiscal targets.

Further, the government will need to **strengthen its revenue base** so that it can continue to meet community needs in future. This can be done in ways that simultaneously strengthen equity, economic development and the public's acceptance of increased taxation in certain areas by:

- linking tax changes to improvements in essential services and safety nets, for example reforms to the tax treatment of superannuation to properly fund aged care and removing opportunities for people to avoid the Medicare Levy,
- removing economically or environmentally harmful tax shelters such as Capital Gains Tax 'discounts', negative gearing, and fuel excise rebates, and
- closing loopholes in the taxation of personal and business income, such as tax avoidance through private trusts and the under-taxation of offshore gas mines.

## Place the wellbeing framework at centre of Budget strategy

ACOSS continues to support the Federal Government's commitment to a wellbeing framework as part of the budget process. The wellbeing framework should be a mechanism for driving policy and progress, not just for measuring it. As such, the government must incorporate the framework at the centre of budget strategy and decision making.

The wellbeing framework should be an effective tool for reducing poverty across communities and improving equity in budget policy making, including through distributional modelling of impacts of major policy measures. This requires ensuring that wellbeing goals and indicators are mapped to major Commonwealth Government programs. The wellbeing framework should contain measures both of overall wellbeing and the distribution of wellbeing. Similarly, we still firmly believe Australia's wellbeing framework requires a headline poverty measure and target, an initiative that is overdue.

## Major recommendations for the May 2024 Budget

Our major recommendations are set out below. Please see each subsequent chapter for a full list of all recommendations contained in this submission.

### Build a social security system that meets need

- Lift JobSeeker, Youth Allowance, Parenting Payment Single and related payments to parity with pension payments (at least $78 a day) and index payments to wages as well as prices.

- Establish supplementary payments that are adequate to cover additional costs faced by some people, including a disability and single parenthood supplement.
- Increase and index Remote Area Allowance so that it better reflects living costs in remote communities.

### Employment opportunities for all, with no one left behind

- Commit to full employment and full employment targets incorporating unemployment, under-employment, and a ratio of job vacancies to people unemployed.
- Introduce a flexible Jobs and Training Offer for people unemployed long term, comprising a menu of subsidised temporary employment, substantial further education or training, and/or health and social supports to improve their employment prospects.
- A new unemployment payment compliance system informed by a human rights framework and natural justice principles should be introduced as a matter of urgency to replace the automated payment suspension system.

### Fair, Fast and Inclusive action on climate change

- Invest in energy efficiency, electrification and solar upgrades for low-income housing, to cut emissions, reduce energy bills, improve health, and create thousands of local jobs.
- Remove the costs of the Small-Scale Renewable Energy Scheme (SRES) from energy bills and put on government budgets a target to reduce bills by 4-6%.
- Establish a First Nations Communities Clean Energy Fund to invest in clean and reliable energy for remote communities.

### Building thriving, climate-resilient communities

- Empower communities to build their resilience and manage recovery investing in local community resilience hubs, local council community resilience committees, and vulnerability data.
- Increase in financial, housing, food, and other essential supports to better meet the needs of people impact by disasters.
- Strengthen the capability of community sector organisations to respond and build resilience to disasters.

### Investing in quality community services to help people in need

- Provide an immediate funding boost to essential services to help more people in immediate distress and crisis.
- Establish a Services Quality Commission to oversee service quality improvements and ensure they are genuinely innovative and person-centred.
- Properly fund peak bodies and advocacy organisations to inform public policy development and social service design undertaken by government.

### Make housing affordable for people with low incomes

- Empower and resource the development of a First Nations-led housing and homelessness plan.

- Substantially boost social housing investment through a 10-year funding pipeline calibrated to meet unmet social housing need.
- Increase homelessness service funding by $450 million per annum, with indexation to wage and price movements and benchmarking to community need.

**A fairer tax system that supports services, safety nets and economic development**

- Do not proceed with the 2024-25 Stage 3 income tax cuts.
- Restrict deductions for residential investment properties to periods during which they are actually rented on a long-term lease.
- Broaden the income definition for the Medicare Levy to prevent people sheltering their income from the levy.

**Decent retirement incomes and services**

- Replace tax concessions for superannuation contributions with a fairer and simpler annual rebate.
- Introduce a 15% levy on superannuation fund earnings after retirement to guarantee free universal access to quality aged care services.

## A note on costings

Where possible, the budget impact of a proposed recommendation has been estimated. Where the budget impact is 'Not Available', either there are insufficient data available to estimate the costs or the costs will be variable depending on need in any given year, for example in case of natural disasters.

Fiscal costs are expressed as negative values and savings, or revenue increases as positive values. Negative figures are expenditure increases; positive figures in italics are savings measures. Estimates are rounded up or down to nearest whole number, to the nearest $10 million where the impact is over $100 million, and the nearest $100 million where impact is over $1 billion.

# 2. First Nations communities

ACOSS reaffirms its strong commitment to First Nations communities in their ongoing fight for sovereignty and self-determination. We urge governments to respond to the calls from First Nations peoples for action to Close the Gap in outcomes for communities and to deliver on Voice, Treaty and Truth.

As the national peak for the community sector, we commit to:

- Solidarity and action with First Nations communities in their ongoing campaign for sovereignty and self-determination, including Voice, Treaty, and Truth-telling.
- Ensuring our own decision-making processes respect First Nations voices, leadership and right to self-determination.
- Developing partnership principles that ensure we are not competing with Aboriginal community-controlled organisations who are best placed to develop policy solutions and deliver services for their communities.

First Nations peoples have always had a voice and the solutions for their communities. Now more than ever we must listen to them and back them in.

We highlight the following recommendations – featured elsewhere in this submission – that relate to policies, programs and services with particular impact on First Nations People:

- Provide an immediate funding boost essential services that help people experiencing distress and crisis, including but not limited to homelessness, food relief, financial counselling, family, domestic and sexual violence and community legal services (see *Chapter 7. Investing in quality community services to help more people in distress*).
- Increase remote area allowance (see *Chapter 3. Towards a Social Security System that meets people's needs*).
- Abolish mandatory income management and invest savings in community-led programs that support communities (see *Chapter 3. Towards a Social Security System that meets people's needs*).
- Urgently replace the current harmful automated payment suspensions system with a model that follows natural justice principles (see *Chapter 4. Employment opportunities for all, with no one left behind*).
- Establish a First Nations Remote Communities Clean Energy Program to replace diesel with solar and batteries. The program should be developed and implemented in partnership with First Nations communities, be community-owned and lead to community jobs (see *Chapter 5. Fair, fast, inclusive action on climate change).*
- Establish a program to invest in energy performance retrofits (energy efficiency, electrification and rooftop solar) for low-income housing including public, community, low-income owner-occupied housing and private rental dwellings. The program should prioritise retrofits to First Nations housing (see *Chapter 5. Fair, fast, inclusive action on climate change*).

- Empower and resource the development of a First Nations-led housing and homelessness plan (see *Chapter 8. Making housing affordable for people with low incomes*).
- Support and empower local communities to build their resilience and lead disaster recovery efforts, including providing funding to support First Nations peoples and communities to participate in whole-of-community responses to build climate resilience and to better prepare for, respond to and recover from disasters, that builds on traditional and local knowledge (see *Chapter 6. Building thriving, climate-resilient communities*).
- Properly fund peak bodies and advocacy organisations to inform public policy development and social service design undertaken by government (see *Chapter 7. Investing in quality community services to help more people in distress*).

# 3. Towards a social security system that meets people's needs

The report of the Robodebt Royal Commission, handed down in July, calls on the Federal Government to affect major changes to the design and delivery of income support payments in Australia.[4] The Commission found that Australia must fundamentally shift its approach to social security to improve the culture around social security receipt and remove stigma from the system.

The best way to improve the culture of the system and reduce stigma tied to receiving income support is to improve the system so it works for people who need it. Most of us will either receive income support or live in a household that receives income support at some stage of our lives. We should have confidence that when we need support, that support will be sufficient, and we will be able to get it without encountering major barriers.

This submission makes several recommendations to improve the social security system so that it meets need. The most pressing recommendation continues to be lifting rates of income support payments like JobSeeker and Youth Allowance to parity with pensions (at least $78 a day) so that people can cover basic costs. ACOSS's latest research shows that more than two-thirds of people receiving these payments are regularly skipping meals, with 94% of people who rent privately living in housing stress.[5] JobSeeker and related income support payments are nowhere near sufficient to cover basic living costs, particularly in a cost-of-living crisis. In addition to lifting base rates of income support, people with specific additional costs including single parents, people with disability, and people living in remote Australia, should receive adequate supplementary payments that recognise the additional costs they face.

It is just as important to have a system that respects people who use it and treats them with dignity. This includes ensuring that Services Australia is appropriately resourced to meet demand, and that policy settings do not hinder access to much-needed income support or demonise people receiving income support. Our recommendations to reform or remove waiting periods, abolish mandatory income management, and boost Services Australia's resources seek to improve people's experience of the income support system.

**Major recommendations**

- Lift JobSeeker, Youth Allowance and related income support to parity with pensions (including pension supplement), at least $78 a day on current rates, and index payments to wages as well as prices.
- Establish supplementary payments that are adequate to cover additional costs faced by some people, including a disability and single parenthood supplement.
- Increase and index Remote Area Allowance (RAA) so that it better reflects living costs in remote communities.

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4 Holmes, C (2023), *Report of the Royal Commission into the Robodebt Scheme* Commonwealth of Australia, Canberra. Available: http://tinyurl.com/w2nkzmd6

5 ACOSS (2023), *"It's not enough": why more is needed to lift people out of poverty* ACOSS, Sydney. Available: http://tinyurl.com/mtsemeax

## Lift base rates of JobSeeker, Youth Allowance and related working-age payments

Australia's income support system should provide enough to cover the basics. Currently, our income support system is not working because social security payments such as JobSeeker remain grossly inadequate, while the cost of living, especially housing and energy prices, have risen dramatically. The Federal Government must build on the welcome $20 a week increase delivered in the 2023 Budget, and substantially lift base rates of JobSeeker Payment, Youth Allowance, Austudy, Abstudy, Special Benefit, Parenting Payment and Crisis Payment in the 2024 Budget.

These payments should be brought up to the same level as the pension plus pension supplement (currently $548 per week for a single person). This would require an increase of $169 per week to the single maximum rate of JobSeeker Payment and $228 per week for the single, maximum rate of Youth Allowance.[6] These payments should be increased twice per year in line with wages growth or inflation (whichever delivers the highest increase).

**Recommendation 1:**

Lift JobSeeker, Youth Allowance and related income support to parity with pensions (including pension supplement), at least $78 a day on current rates, and index payments to wages as well as prices.

**Budget impact in 2024-25: -$10 billion**

## Reform impairment tables to better support people with disability

The government has made some welcome improvements to impairment tables used to assess eligibility for the Disability Support Pension to better reflect people's experience of disability. However, some people with multiple disabilities and chronic health conditions continue to fail to meet eligibility criteria for the payment because they do not score 20 points in one table. ACOSS calls for reform to the impairment tables so that people with disability and/or chronic ill health are eligible for the Disability Support Pension if they score at least 20 points across tables and meet other eligibility criteria. For more detail, see our submission to the inquiry on the purpose, intent and adequacy of the Disability Support Pension.

**Recommendation 2:**

Reform Disability Support Pension eligibility criteria so that people who score 20 points across impairment tables may be eligible for the payment.

**Budget impact in 2024-25: Not available (noting that the cost would be negligible if all income support payments were lifted to the same level as the pension)**

6 As at 1 January 2024.

## Ensure the additional costs faced by people with specific needs are met through supplementary payments

Improve the adequacy of payment supplements to meet additional living costs, including by lifting the maximum threshold for Commonwealth Rent Assistance (CRA) by 60% (resulting in a 110% increase in the payment)[7], establishing a $65 a week Disability and Illness Supplement and a Single Parent Supplement benchmarked to the additional costs of single parenthood (to replace Family Tax Benefit (FTB) Part B, see below).

**Recommendation 3:**

Improve adequacy of supplements to cover extra costs.

**Budget impact in 2024-25: Not available**

## Reform family payments to reduce child poverty

The current family payments system is unduly complex and should be reformed to provide greater assistance to very low-income families, particularly single parents, and support contemporary family structures and gender roles. Specifically, FTB Part A per child payments should be benchmarked to the real costs of children at different ages (using a budget standards or equivalent methodology) and indexed to wage and price movements, whichever is highest. FTB Part B payments should be replaced with a Single Parent Supplement to meet the additional costs of raising children alone and reduce poverty in single parent households. The Part B payment for single-income couples should be removed, as out of step with contemporary gender roles and family types, with very low-income couple households benefitting from a boost to Part A payments and, if eligible, to allowance payments and increased rent assistance.

**Recommendation 4:**

- The Federal Government should index FTB payments to wages and prices, whichever is the higher.

**Budget impact in 2024-25: -$3 million**

The EIAC should undertake further work and make recommendations for reform of family payments, including:

- recommend benchmarks for FTB Part A payments linked to the actual costs of raising children at different ages for consideration by the government; and
- model changes to FTB Part B to reflect contemporary gender roles and boost support to single parent families.

**Budget impact in 2024-25: Not applicable**

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7 ACOSS has calculated this increase by benchmarking the CRA maximum rent threshold to average, lowest quartile rents paid in outer Sydney, Brisbane and Melbourne across three dwelling sizes (one-bed unit, two-bed unit, three-bed house) as at September 2023.

## Increase and reform Remote Area Allowance

RAA is a small supplement for people living in remote parts of Australia to recognise the additional costs associated with residing in those areas. The payment is not indexed and is just $9.10 a week for a single person. The last time the payment was increased was in 2000, when it rose 35 cents a week.[8] A 2020 analysis of remote store pricing by the National Indigenous Australians Agency found that prices in remote community stores were on average some 39% higher than those in major supermarkets elsewhere.[9] Considering the excessive costs of food and other essentials in remote areas and the very high rates of poverty and deprivation among remote First Nations communities, the RAA is in urgent need of an increase, as well as ongoing indexation.

**Recommendation 5:**

Increase remote area allowance.

In the first instance, increase the payment in line with its loss in value over time through inflation and apply ongoing indexation, at least to CPI (Consumer Price Index). A review should also be conducted to benchmark the payment more appropriately to remote community living costs to improve adequacy.

**Budget impact in 2024-25: -$30 million**

## End mandatory income management

ACOSS applauds the Federal Government's abolition of mandatory cashless debit in 2022. We urge the Government to do the same for mandatory income management. Around 25,000 people are subjected to mandatory income management, primarily because they receive an income support payment for an extended period. Income management is expensive, ineffective, and discriminates against First Nations People who comprise the majority of those subjected to the policy. In ACOSS's view, it is too long to wait till 2026 to move away from mandatory income management (the timeline outlined in the 2023-24 Mid-Year Economic and Fiscal Outlook). The government should abandon this policy and redirect the savings into community-led programs that deliver positive outcomes.

**Recommendation 6:**

Abolish mandatory income management and invest savings in community-led programs that support communities.

**Budget impact in 2024-25: $0 million in 2024-25 (savings would be redirected into beneficial, community-led programs).**

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8 Department of Social Services (2022), '5.2.6.30 RAA - May 1984 to present date' *Social Security Policy Guide*. Available: [http://tinyurl.com/3xnxh4nv](http://tinyurl.com/3xnxh4nv)

9 National Indigenous Australians Agency (2020), *Food prices and accessibility in remote communities: simple basket of goods' snapshot* NIAA, Canberra.

## Reform unfair waiting periods

People should be able to receive income support when they need it. However, our income support system denies people support for various lengths of time by applying arbitrary waiting periods.

The Liquid Assets Waiting Period (LAWP) denies people unemployment payments for up to 13 weeks if they have cash assets of $5,000 or more. The result is that people eat into modest savings to put food on the table while they wait for income support. Considering 68% of people receiving JobSeeker have done so for 12 months or more, denying people a critical cash buffer leads to deprivation and destitution that may have been avoided if they did not have to serve the LAWP.

A much fairer approach would be to replace the LAWP with a comprehensive means test so that people are not forced to whittle down modest savings to access our social safety net.

ACOSS also calls for reform of the Newly Arrived Residents Waiting Period (NARWP) so that people are not forced to wait for up to four years to receive income support. The NARWP applies to people who have attained permanent residency, and denies payment of JobSeeker Payment, Parenting Payment and other key supports for up to four years.

Many people subjected to the NARWP have already lived and worked in Australia for years on temporary visas before applying for permanent residency. Consequently, people who have contributed to our economy and communities are denied support if they suddenly lose their job or have a child for whom FTB is payable.

Finally, the one-week Ordinary Waiting Period should be abolished. As with the LAWP, people eligible for income support should be able to receive it when their eligibility is confirmed and not be forced to wait one week before their payment starts.

**Recommendation 7:**

Abolish the LAWP and replace it with a comprehensive means test.

**Budget impact in 2024-25: -$60 million**

**Recommendation 8:**

Reduce waiting periods for newly arrived migrants, and abolish the waiting period for Family Tax Benefit, Paid Parental Leave, Special Benefit, Carer Allowance.

**Budget impact in 2024-25: -$640 million**

**Recommendation 9:**

Improve access to income support by removing Ordinary Waiting Period.

**Budget impact in 2024-25: -$160 million**

## Improve financial assistance for asylum seekers and temporary migrants

Migrants building their lives in Australia should be supported to cover the basics. At a minimum, ACOSS calls for the restoration of funding of the Status Resolution Support Service to support people seeking asylum, which was cut under the previous government. People who qualified for assistance under this scheme generally do not have work rights and are therefore often left without support. ACOSS also calls for the level of financial assistance provided under this program to be lifted from 89% to 100% of the JobSeeker Payment.

ACOSS calls on the Federal Government to work with key experts to ensure that people in Australia with no other means have access to financial assistance.

**Recommendation 10:**

Restore funding previously cut from the Status Resolution Support Service, and lift financial assistance payments to allowance rates.

**Budget impact in 2024-25: Not available**

**Recommendation 11:**

Ensure temporary migrants with no other means of assistance have access to crisis support and financial assistance.

Undertake a policy dialogue and development process with affected stakeholders, representative groups and relevant experts to develop an appropriate program of financial and other crisis assistance for temporary migrants who have no other means of support.

**Budget impact in 2024-25: Not applicable**

## Improve the operation of our income support system

ACOSS proposes a range of measures to improve equity across payment types, enhance service delivery and remove unfair conditions.

Firstly, we recommend that the income test for Special Benefit be aligned with that of JobSeeker Payment. Special Benefit is the payment of last resort for people who do not qualify for other income support. It is received by only around 8,000 people. It is paid at the same rate as JobSeeker, however it has a dollar-for-dollar income test that includes in-kind goods and services. Consequently, some people who are eligible for Special Benefit hardly receive any financial support because of this archaic income test.

Aligning the income test with that of JobSeeker would improve equity in our income support system and reduce the deep poverty experienced by many people receiving Special Benefit.

Secondly, ACOSS recommends that the statute of limitations for debt recovery be returned. In 2017, the six-year statute of limitations was abolished, allowing the Federal Government to seek alleged overpayments without a time limit. ACOSS understands Services Australia has alleged debts on its books from as far back as the 1970s. It would be near impossible for people to contest such an old debt because they would not have records from that time. It is standard practice to have a statute of limitations with respect to debts, and ACOSS calls for there to be a statute of limitations with respect to Centrelink debts, set at when the debt occurred (and not when it was discovered by Services Australia).

Finally, ACOSS recommends that Services Australia be adequately funded to meet demand. ACOSS welcomed the announcement of 3,000 extra permanent staff to improve service delivery as part of the 2023-24 Mid-Year Economic and Fiscal Outlook.

Services Australia needs substantial investment to meet demand including to field calls, process claims, and review alleged debts. Unlawful income apportionment also presents another capacity challenges for Services Australia, and ACOSS recommends these alleged debts be waived. Services Australia must also engage more social workers to support people experiencing domestic violence, trauma, poor mental health, and other issues commonly experienced by people needing income support.

**Recommendation 12:**

Align the Special Benefit means test to the JobSeeker means test.

**Budget impact in 2024-25: -$20 million in 2024-25**

**Recommendation 13:**

Reinstate a statute of limitations on debt recovery.

**Budget impact in 2024-25: -$50 million in 2024-25**

**Recommendation 14:**

Boost Centrelink resources including social workers employed by Services Australia and waive unlawful income apportionment debts.

**Budget impact in 2024-25: -$50 million in 2024-25**

# 4. Employment opportunities for all, with no one left behind

The Government's commitment to genuine full employment – where people searching for employment or more paid hours can get them within a reasonable time – is very welcome. As well as lifting people out of unemployment and reducing poverty, sustained full employment would increase wages, improve the quality and security of employment, lift productivity and reduce income and gender inequality. The Government should set targets for full employment so that this ambition is achieved over time. In the short-term, to avert the risk of major job losses or a recession over the next 12 months, the Reserve Bank should reduce its cash rate target and the government should put in place a plan to generate jobs quickly, as outlined in *1. Executive summary: A fiscal strategy for uncertain times*.

Almost 600,000 people have been stuck on unemployment payments for over a year – many of them people with a disability or older workers struggling to get a foothold in the labour market. This is a sign that the employment services system is failing and that many people should receive other payments such as Disability Support Pension. The government should commit to the fundamental, carefully designed reforms recommended by the House of Representatives Select Committee on Workforce Australia that would shift it from a system that punishes people towards one that opens up real employment opportunities.[10]

Our priorities for urgent action include removing automated payment suspensions and replacing them with a system based on human rights principles that restores decision-making power affecting payments to public officials; investing in a Jobs and Training Offer for people unemployed long term; an independent statutory quality commission for employment services; trialling local networks to connect the services people need to overcome barriers to employment; and standing advisory bodies in which people directly affected are properly represented.

### Major recommendations

- Commit to full employment and full employment targets incorporating unemployment, under-employment and a ratio of job vacancies to people unemployed.
- Introduce a flexible Jobs and Training Offer for people unemployed long term, comprising a menu of subsidised temporary employment, substantial further education or training, and/or health and social supports to improve their employment prospects.
- A new unemployment payment compliance system informed by a human rights framework and natural justice principles should be introduced as a matter of urgency to replace the automated payment suspension system.

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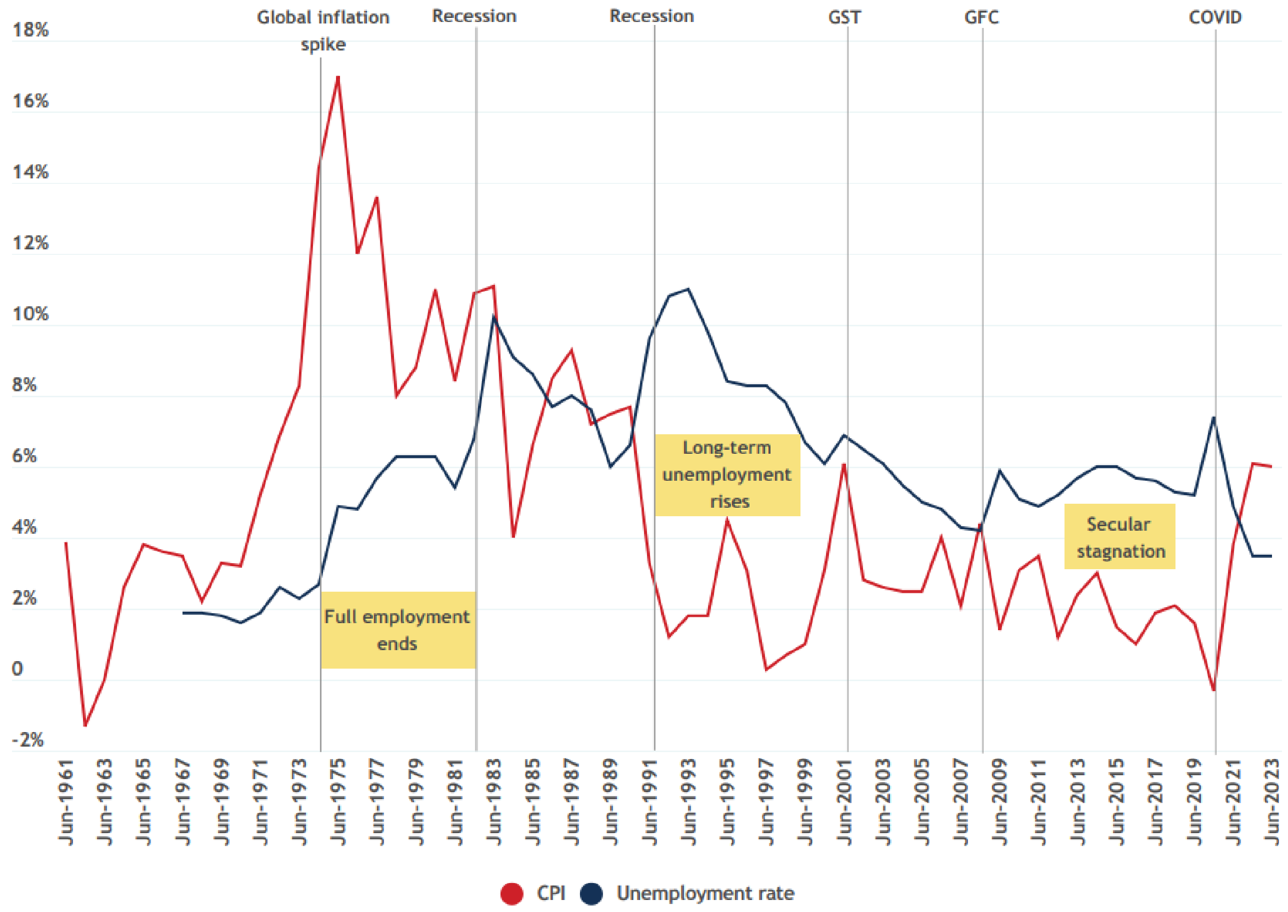
10 Our preliminary response to the Report's detailed recommendations is available at: http://tinyurl.com/s22rutny

## A commitment to full employment

In our Jobs and Skills Summit position paper and submission to the RBA Review we called on the Government to adopt a *full employment target* and for this to be included, along with a modified inflation target, in a new agreement between the government and the Reserve Bank. While there is no 'perfect' measure, we could be reasonably confident that we have reached full employment when unemployment falls to 2-3% of the labour force, under-employment declines to 4-5%, and there is an average of one job vacancy for each person unemployed.

These indicators are currently heading in the wrong direction due to aggressive interest rate increases imposed to curb inflation. As we argue in the Fiscal Policy chapter, governments must take stronger action to curb inflation directly rather than relying on high interest rates. This would make room for early reductions in interest rates during 2024 and other action to restore employment growth.

**Figure 1: Since the mid-1970s, high unemployment has been used to curb inflation**




SOURCE: Australian Bureau of Statistics (various years), *Labour Force Australia*; *Consumer Price Index, Australia*

**Recommendation 15:**

Adopt a full employment target.

The Government should set full employment targets (incorporating unemployment, under-employment and a ratio of job vacancies to people unemployed) and commit to restoring employment to that level over time.

## A Jobs and Training 'Offer' to reduce long-term unemployment

Too many people are stuck in prolonged unemployment. In September 2023 two-thirds of all recipients of unemployment payments - 566,000 out of 826,000 people - had relied on income support for over a year. Many belong to groups who often struggle to secure paid employment: 41% had a disability, 42% were 45 years or older, 12% were principal carers of young children and 15% identified as First Nations. Most had high school qualifications or less.

One of the reasons for entrenched unemployment is that the employment services system is underpowered to help people with these and other barriers to employment. We propose that the government make an annual *Jobs and Training Offer* to people unemployed long term offering a range of options based on individual needs and local labour market conditions. A community-driven Jobs and Training Offer could, for example, include jobs in a range of temporary or ongoing roles in climate resilience, support for communities during disasters and recovery, retrofitting low-income housing, building social housing, and meeting the growing demand for care services.

The offer should be backed by expanded national employment programs, including the wage subsidy and paid work experience schemes recommended by the Select Committee, which should replace punitive or ineffective programs including Work for the Dole and Employability Skills Training.

**Recommendation 16:**

Introduce a Jobs and Training Offer for people unemployed long term.

1. A flexible Jobs and Training Offer should be made in each year of unemployment beyond the first 12 months for people enrolled in employment services.
2. The offer, worked out between people and their employment consultant to take account of individual needs and local labour market conditions, would comprise subsidised paid work experience, and/or vocational and foundational education and training and/or other assistance to connect them directly to a suitable job or health and social supports to improve their employment prospects.
3. To implement the offer, the following programs should be introduced, expanded or consolidated:
    - Wage subsidies and other properly paid work experience placements, replacing the Work for the Dole and Employability Skills Training programs which would be abolished;
    - A national social procurement framework preferencing employment of people unemployed long term;
    - Free vocational training and further education under 'fee-free TAFE' and the Skills for Education and Employment schemes; and

- Annual credits to the Employment Fund.

**Budget impact in 2024-25: -$500 million (-$1,000 million in 2025-26)**

## An independent statutory Quality Commission for employment services

Unlike other community services, quality standards for employment services are not supervised by an independent quality assurance body. Instead, the Employment Department performs the dual role of purchaser and quality assurance, including licensing of providers. Given the under-funding of frontline employment services and over-emphasis on contract administration and compliance, this has not delivered a quality service for people. In particular, there is no robust set of professional standards for employment consultants and most do not have appropriate qualifications to perform this skilled work. The Select Committee recommends that an independent statutory commission be established. This should be in place as soon as possible to work with providers and service users to set benchmarks for quality service, provide advice to government on how a reformed system can deliver this, and begin a process of cultural change in the sector.

**Recommendation 17:**

Legislate an independent quality commission for employment services.

1. The government should legislate to establish an independent quality commission for employment services as soon as practicable to develop quality standards in consultation with service users and providers, provide advice to government on how a quality employment service can be delivered in a reformed system including funding benchmarks, and to begin work with stakeholders to professionalise the role of employment consultants.
2. Over time, the commission should also take responsibility for licensing of providers, handling complaints from service users (people who are unemployed and employers) and promoting best practice in employment services based on continuous feedback from service users.

**Budget impact in 2024-25: -$10 million (-$20 million in 2024-25)**

## Trial new mechanisms for local coordination of employment and related services

The Select Committee has identified a significant weakness in the way employment services are structured and governed – they are run from the top down with too little scope for local initiative and coordination among services and stakeholders. It recommended that the public sector role in employment services should shift from national arms-length commissioning of competing providers towards local assessment of the needs of people who are unemployed and employers, and to act as a referral and coordination point for the range of supports required by people with barriers to employment.

Further, a minority of people with entrenched social and health barriers to employment such as mental illness, chronic homelessness, or living in communities with little or no access to employment need help beyond job search assistance, work experience or training. Ideally, local employment services would work closely with health, housing and/or social support services and employers to plot a path to employment for them.

**Recommendation 18:**

Conduct local employment development and coordination trials to assess the best service model to connect people in different regions with local employers, training and support services.

1. New models of local needs assessment, referral, service coordination and labour market planning should be trialled in number of regions, including the Select Committee's proposal for a public sector agency to perform those functions.
2. These models should inspire and support close collaboration between local employment services, employers and unions, TAFE and community colleges, State, Territory and local governments, and community organisations including through formal advisory bodies.
3. In addition, a separate 'case management' program should be trialled in a number of regions, and for a range of groups facing entrenched social and labour market disadvantage, to coordinate the efforts of local employment, health, housing and/or social support services to achieve sustainable employment and other life-enhancing goals for those affected.
4. Both trials should be rigorously evaluated to assess their employment and social impacts, their scalability, and the effectiveness of different strategies to achieve the above goals.

**Budget impact in 2024-25: -$20 million (-$20 million in 2025-26)**

## Urgent action to reduce payment suspensions and replace the automated regime with a fair compliance system based on natural justice and human rights principles

ACOSS is deeply concerned by the widespread use of automated income support payment suspensions for breaches of activity requirements, many of which are minor infractions such as missing a provider appointment. Over the three months to September 2023, 280,000 people were threatened with payment suspensions – around half those with activity requirements in Workforce Australia at the time. Payment suspensions undermine people's income security and the constant threat of them undermines their mental health.

We seek a pause to suspensions and related financial penalties for people who allegedly breach unemployment payment activity requirements until a fair, workable alternative to the present harmful and unjust system is in place.

Consistent with the recommendations of the Select Committee, we propose that decisions adversely impacting income support payments should be made by appropriate personnel at Services Australia, that suspensions should not be used as the first resort, providers should have more discretion not to apply them, and that proper administrative law processes including human rights protections should be adopted to ensure that the suspension is the least restrictive measure necessary, taking into account any personal vulnerabilities and the impact of a suspension on the individual, their family financial circumstances and the seriousness of the breach.

**Recommendation 19:**

Urgently replace the current harmful automated payment suspensions system with a model that follows natural justice principles.

1. A new unemployment payment compliance system informed by a human rights framework and natural justice principles should be introduced as a matter of urgency to replace the automated payment suspension system.
2. Consistent with recommendations of the Workforce Australia Select Committee it should have the following elements:
    - reduced reliance on the Points Based Activation System and inflexible provider appointment schedules;
    - greater frontline discretion to reduce requirements in response to individual circumstances and not to recommend suspensions or penalties;
    - warnings and a longer 'resolution period' to re-engage before suspensions or other penalties are imposed;
    - decisions affecting income support payments (including suspensions) can only be made by public officials in Services Australia, after giving people affected the opportunity to outline their circumstances and assessing their capacity to comply and the implications for them of any penalty.
3. Payment suspensions and related financial penalties should be paused until a fair compliance system along these lines is in place for breaches of activity requirements.

**Budget impact in 2024-25: -$60 million (-$40 million in 2025-26)**

# 5. Fair, fast and inclusive action on climate change

Climate change threatens people's health and wellbeing, their quality of life, employment, livelihoods, homes and life itself. The impacts are being felt now and are accelerating. People experiencing financial and social disadvantage are impacted first, worst and longest. We need a fast transition to a clean economy and to do our fair share as a wealthy country to limit global warming to 1.5ºC.

We also need to ensure the transition is fair, equitable and inclusive and that no one is left behind. Unfortunately, many existing emissions reductions policies are poorly targeted and inequitable, benefitting people with wealth, choice and control. People on low incomes spend on average four times more of their income on energy bills compared to people on high incomes. They pay disproportionately more towards the energy transition and are missing out on its benefits, including more energy efficient and electric homes, rooftop solar, household batteries, electric vehicles and potential new jobs.

Energy price rises, combined with the ongoing cost of living crisis are pushing people and communities to breaking point. Too many people are depriving themselves of energy, taking fewer showers, cooking less and avoiding heating or cooling their homes to pay energy bills. Others are going without food, medicine, and other essentials but are still finding themselves in energy debt with no way to pay debt down. According to the Australian Energy Regulator, energy equity, particularly affordability, remains a significant concern in energy markets.[11]

Policies should prioritise people and communities with the least resources and affected workers and communities hardest hit by the transition to a zero-carbon economy.

Energy market costs and incentives to drive the transition should be fair and equitable, and not distributed across energy bills. One-off subsidies to reduce energy bills should be avoided. Instead, government incentives should be targeted to people and communities experiencing financial disadvantage, creating permanent and systemic benefits, and meeting the Government's climate change, equity and wellbeing goals.

If we get the policy settings right, we will increase community support for faster emissions reductions, improve the lives of people and communities experiencing disadvantage, and reduce poverty and inequality.

**Major recommendations**

- Invest in energy efficiency, electrification and solar upgrades for low-income housing, to cut emissions, reduce energy bills, improve health, and create thousands of local jobs.

11 Australian Energy Regulator (2023), *State of the Energy Market 2023.* Available: https://www.aer.gov.au/publications/reports/performance/state-energy-market-2023

- Remove the costs of the Small-SRES from energy bills and put on government budgets a target to reduce energy bills by 4-6%.
- Establish a First Nations Communities Clean Energy Fund to invest in clean and reliable energy for remote communities.

## Healthy, affordable, low-emissions low-income housing

Research shows that a program to electrify, improve energy efficiency and add solar for low-income housing would deliver significant ongoing energy bill savings,[2] physical and mental health benefits, reduce poverty and inequality, reduce emissions, generate thousands of jobs nationwide, and add more than $4.9 billion to our economy.[3] It would also build economies of scale and the market capacity to reduce the costs of all housing retrofits. We welcomed the Federal Government's $300 million investment, to be matched by states and territories, to retrofit 60,000 social housing as a good start. However, we need to scale up investment now across all low-income housing to meet emissions reductions targets, build climate resilience and reduce disadvantage.

**Recommendation 20:**

Establish a program to invest in energy performance retrofits (energy efficiency, electrification and rooftop solar) for low-income housing including public, community, low-income owner-occupied housing and private rental dwellings. The program should prioritise retrofits to First Nations housing and include the following:

1. Establish a Special Purpose Funding Vehicle (SPFV) called the Australian Efficiency and Resilience Retrofit Fund (AERRF)[4] to provide rolling funds to support energy performance retrofits across all low-income housing in the first instance and be expanded out to support other housing. The Federal Government should provide an initial injection of $2 billion, and seek additional funding from states and territories, and other sources. Funds should be tied to state and territory governments implementing minimum energy performance rental standards. The AERRF would support the following targeted programs.
2. Increase and extend the current funding commitment of $300 million for social housing to fund a seven-year co-investment of up to $12,500 per household in energy efficiency upgrades, electrification, and rooftop solar for public housing, community housing and First Nations community-controlled housing. The program should prioritise First Nations' housing dwellings.
3. Work with state and territory governments and local councils to establish an Environmental Upgrade Finance (EUF) Program in every local council to support energy performance retrofits for owner-occupiers (low-income households would receive an additional subsidy) and private rental properties.
4. While an EUF is being established, the Federal Government should:
   a) Establish a program delivered via one-stop-shops, to provide free energy audits, no-interest loans, subsidies, and coordination with qualified trades, to improve the energy performance of 1.1 million low-income owner-occupied dwellings for people on the lowest 20% of incomes.[12]

12 See for example the ACT Sustainable Household Scheme http://tinyurl.com/2s44ujhc

b) Provide funding and finance to incentivise states and territories to implement mandatory energy performance rental standards. This could include:
   - Establishing a program delivered via one-stop-shops, to provide free energy audits, low-interest loans, and conditional subsidies (e.g. a cap on rent increases above CPI) to landlords (targeting low-income rentals first).[5]
   - Amending tax laws so that capital works deductions for new or replacement appliances for rental properties are only available for accredited energy efficient and electric appliances.

**Budget impact in 2024-25: -$500 million (-$1.5 billion in 2025-26)**

## Establish a First Nations Remote Communities Clean Energy Program

Remote First Nations communities often rely on expensive carbon-intensive diesel and pre-paid meters and live in homes with poor energy performance. The energy available in these communities is often polluting, expensive and unreliable. Investing in First Nations-managed renewable energy and battery storage to replace diesel would not only reduce carbon emissions, but also energy bills. It would create local jobs and improve health and wellbeing, contributing to several Closing the Gap metrics. The program should be implemented in conjunction with retrofitting First Nations housing (via energy efficiency measures, electrification and small-scale renewables), as per Recommendation 20, which will reduce the amount of energy needing to be generated.

**Recommendation 21:**

Establish a First Nations Remote Communities Clean Energy Program to replace diesel with solar and batteries. The program should be developed and implemented in partnership with First Nations communities, be community-owned and lead to community jobs.[13]

**Budget impact in 2024-25: -$500 million (-$510 million in 2025-26)**

## Shift subsidies off energy bills

The Small-SRES, in place until 2030, subsidises the costs of installing small-scale renewable energy sources (such as rooftop solar and hot water heat pumps) to households which can afford and access them. The cost is currently recouped through business and household electricity bills, with GST being charged on top. People on low incomes contribute disproportionately more to the costs of the SRES, while wealthier households receive greater direct benefits.[14] A recent Australian Consumer and Consumer Commission (ACCC) report finds that the cost of environmental subsidies on

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13 See, for example, the Ngardara project http://tinyurl.com/yehf63y5

14 Best. R, Chareunsy. A, and Li. H, (2021), "Equity and effectiveness of Australian small-scale solar schemes", *Ecological Economics*, Volume 180. http://tinyurl.com/57nz56fw

electricity bills is increasing (up from 10% in 2021 to 11% in 2022),[15] with the SRES now the major component and growing.[16] The ACCC has previously recommended that the scheme be abolished.[17]

**Recommendation 22:**

The Federal Government should fully fund the SRES, rather than transferring costs to consumers.

**Budget impact in 2024-25: -$1.5 billion[18]**

## Accelerate access to affordable electric vehicles for people on low incomes

People experiencing disadvantage face significant transport inequality. They are less likely to live close to public transport and community hubs and are often time-poor and reliant on private transport. The current fuel crisis is exacerbating this inequality. For these reasons, people on low incomes could greatly benefit from access to low-emission and electric vehicles, which have significantly lower running costs. While the Government's commitment to introduce fuel efficiency standards will benefit people on low incomes in the long term, complementary measures will also be needed to ensure people on low incomes can access the benefits now, and not be left behind. Existing electric vehicle incentives are regressive and should be replaced with measures to quickly increase the supply of second-hand electric vehicles (EVs).

**Recommendation 23:**

Accelerate access to affordable EVs for people on low incomes.

1. Replace the Fringe Benefits Tax (FBT) incentive with more equitable mechanisms to support access to EVs and low-emissions cars:

   a) Accelerate the creation of a second-hand EV market by:

      - Providing financial incentives to the community services sector to purchase EVs.
      - Allocating at least 50% of federal government second-hand EVs for subsidised purchase by people on lower incomes.

15 ACCC (2022), *Inquiry into the National Electricity Market - November 2022 Report*. ACCC, Canberra. Available: http://tinyurl.com/uj75rbjw

16 ACCC (2021), *Inquiry into the National Electricity Market - November 2021 Report.* ACCC, Canberra. Available: http://tinyurl.com/bdh5w3hw

17 Australian Consumer and Competition Commission (2018), *Restoring electricity affordability and Australia's competitive advantage* Australian Government, Canberra. Recommendation 24. Available: http://tinyurl.com/29udfa7e

18 Calculations based on small-scale technology certificate (STC) forecast modelling produced for the Clean Energy Regulator, published in Starkey, S and Ablaza, J (2021), *SRES and Small-scale PV Projections* Jacobs, Melbourne. Available: http://tinyurl.com/5drju9r6

b) Provide targeted financial support to people on low incomes though access to no-interest loans and targeted means-tested subsidies on new and second-hand cars. This could be funded via an SPFV, as suggested in Recommendation 20.

**Budget impact in 2024-25: Not available**

## Provide emergency energy debt relief

The Australian Energy Regulator mid-2023 reporting found the number of residential electricity customers participating in hardship programs in the first three months of 2023 soared by 19% to 89,201 since the same quarter last year. Average hardship debt also increased by $137, to $1,871. Direct assistance by government is needed before debt spirals out of control and becomes more unmanageable.

**Recommendation 24:**

The Federal Government provide debt relief payments of up to $2,000 per household, for households in energy hardship programs. The Government should also work with retailers to provide additional relief to those customers with debts greater than $2,000, and help customers reduce their bills going forward.

**Budget impact in 2024-25: -$350 million**

## Other relevant recommendations:

- Phase out fossil fuel subsidies and increase royalties on fossil fuels (see *Chapter 9. A fairer tax system that supports services, safety nets and economic development*)

# 6. Building thriving, climate-resilient communities

Australia has entered an era of 'concurrent, consecutive and compounding' disasters and severe weather that occur throughout the year.[19] During 2021-22 alone there were 36 significant events requiring states, territories and the Australian government to enact measures before, during and after emergencies.[20]

These disasters are having a significant economic, health and social impacts on millions of people. Analysis by Deloitte Access Economics finds that the social costs of disasters are equal, and sometimes higher, than the physical costs.[21] Their report, *The economic costs of the social impact of national disasters,* finds that the social costs of a disaster may persist over a person's lifetime and have profound and long-term effects on communities.

People experiencing financial disadvantage are impacted first, worst and longest, because they do not have the means to cope, adapt and recover. There are disproportionate impacts on particular cohorts, including First Nations peoples, people living with disabilities, as well as culturally and linguistically diverse groups.

The science is clear that climate-induced disasters and extreme weather is only set to worsen and grow more constant in the immediate future.

Policies are needed to build resilience of community sector organisations and people experiencing poverty and disadvantage to the effects of climate change. Measures are needed to support and empower people and communities to build their resilience and lead recovery efforts on their terms. Genuine community partnership, including with First Nations people, communities and organisations, is essential to improve the nation's preparedness, responsiveness and recovery efforts. Without appropriate policies to support resilience, response and recovery, it is likely we will entrench and drive greater poverty and inequality in Australia.

### Major recommendations

- Empower communities to build their resilience and manage recovery investing in local community resilience hubs, local council community resilience committees, and vulnerability data.
- Increase in financial, housing, food, and other essential supports to better meet the needs of people impact by disasters.
- Strengthen the capability of community sector organisations to respond and build resilience to disasters.

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19 Australian Institute for Disaster Resilience (2022), *Major Incidents Report 2021-22* Australian Institute for Disaster Resilience, Melbourne p 4. Available: http://tinyurl.com/mr2trffb

20 *Ibid,* p 13

21 Deloitte Access Economics (2016), *The economic cost of the social impact of natural disasters* Available: http://tinyurl.com/4e8dkc8r

## Empower communities to build their resilience to disasters and lead recovery efforts

The needs and strengths of communities must be at the heart of extreme weather preparedness, response, and recovery. All government initiatives must support and empower communities to build their resilience and recovery efforts on their terms. Genuine community partnership, including with First Nations People, communities, and organisations, is essential to improve the nation's preparedness, responsiveness and recovery efforts regarding extreme weather events.

**Recommendation 25:**

Support and empower local communities to build their resilience and lead disaster recovery efforts, including:

1. Creating and funding local community resilience hubs which are community-led, engage in building community resilience and assist the community in planning, response and recovery.

**Budget impact in 2024-25: -$590 million per annum.**[22]

2. Funding local councils to form local community resilience committees to support the development and implementation of resilience plans, and to promote collaboration and joint planning between government, community organisations and local businesses.

**Budget impact in 2024-25: -$80 million.**[23]

3. Supporting the development of an online tool that includes a social vulnerability index (such as the Australian Natural Disaster Resilience Index) and mapping feature to help identify where communities may need additional support to build resilience, prepare, respond and recover from disasters.

**Budget impact in 2024-25: -$2 million.**

4. Providing funding to support First Nations peoples and communities to participate in whole-of-community responses to build climate resilience and to better prepare for, respond to and recover from disasters, that builds on traditional and local knowledge.

**Budget impact in 2024-25: - $25 million.**

5. Resourcing community service organisations to build the resilience of their clients.

**Budget impact in 2024-25: -$350 million**[24]

**TOTAL BUDGET IMPACT IN 2024-25: -$1.1 billion**

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22 ACOSS has estimated costings based on an initial investment of, on average, $2.2 million per annum outlay per community hub, to staff, accommodate and resource the hub. There are approximately 537 local councils across the country, bringing the total estimated cost to $1,181 million ($1.2 billion). The Federal Government would contribute half the costs, matched by the states.

23 ACOSS has estimated costings based on there being 537 local councils, with the Federal Government contributing a minimum $150,000 to each council.

24 ACOSS has estimated costings using a figure of 14,000 community service organisations under DSS service provision. ACOSS has allowed for up to 25% of community sector organisations to access the fund per year, at an average cost of up to $100,000 per organisation to deliver Red Cross RediPlan for clients and other relevant plans.

## Better meet the needs of people affected by disasters

Feedback from community sector organisations on the ground during extreme weather events, such as bushfires, floods, and storms, suggests that the amount, timeliness and accessibility of support has not adequately met the needs of affected communities. It is important that we have adequate support measures and processes in place to reduce trauma and facilitate a speedy recovery from disasters.

**Recommendation 26:**

Better meet the needs of people affected by disasters by:

1. Increasing the Australian Government Disaster Recovery Payment from $1,000 to $3,000, and from $400 per child to $1,000 per child. These payments have not been increased since 2006 and the cost of living has increased substantially in that time. The $20,000 asset limit should be removed.
2. Increasing the amount and duration of Disaster Recovery Allowance to $78 a day, indexed to wages. The allowance is paid at the same rate as JobSeeker, just $54 a day for a single person. This is clearly inadequate for anyone, let alone someone who has lost everything in a disaster.
3. Supporting access to affordable housing by:
   a) providing rent and relocation assistance for the period of the recovery.
   b) assisting with providing and identifying short-term accommodation.
   c) developing a national temporary housing program.
4. Expanding mobile recovery centres and outreach clinics.
5. Providing additional funding to meet increased demand for social support services post disaster, including:
   - food relief
   - legal and social support services
   - adequate mental health support over the short, medium and long term
   - specialist domestic and family violence services, particularly in the recovery period after a disaster
   - other additional support tailored and responsive to community needs, particularly in regional and rural areas.

**Budget impact in 2024-25: Not available**[25]

## Strengthen the community sector's capacity in response, recovery, and resilience

Responding to disasters is now a core responsibility for community services. Organisations provide goods, equipment, clothing, shelter, counselling and advisory services for people navigating trauma. Demand for these services remains high and not

[25] Costs are challenging to quantify, as they will be dependent on frequency of extreme weather events and numbers of people impacted.

just in the initial aftermath of an event but for months and years to come. The sector's core services, which enable it to respond to emergencies and disasters, are badly underfunded. Organisations are also directly affected by disasters, with workers and volunteers themselves being survivors (or disaster-impacted) and local offices suffering damage. As such, providers face widespread staff burnout and exhaustion. Deloitte Access Economics estimated that the 2019 Queensland floods cost at least $2.3 billion in health, social and community impacts, which included hardship applications, calls to recovery hotlines, mental health supports, and outreach services.[26] Current funding arrangements via the Disaster Recovery Funding and Disaster Ready Fund do not meet the needs of the community sector. We believe community sector funding streams are a missing piece in the Government's emergency and disaster readiness strategy and would ensure those responding on the ground are enabled to do so more efficiently, effectively and cohesively.

**Recommendation 27:**

Strengthen capability of community sector organisations to respond and build resilience to disasters.

1. Strengthen capability of community sector to be better prepared and resilient to disasters, by creating a permanent enabling fund - Community Sector Disaster Resilience Fund - to complement or be integrated within the Disaster Ready Fund, so community services have core funding to improve preparedness and improve response and recovery due to disasters. This should include funds to participate in planning, response and recovery at appropriate levels, provide training for staff, volunteers, and local communities, undertake risk assessments and service continuity plans, and undertake adaptation and preparedness benchmarking.

**Budget impact in 2024-25: -$260 million**[27]

2. Provide funds to social sector peaks to strengthen the community sector disaster management tool, establish a community of practice and provide training to community sector organisations to implement the disaster management tool (to conduct sector specific risk assessments and develop disaster management and service continuity plans).

**Budget impact in 2024-25: -$4 million**

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26 Deloitte Access Economics (2019), *The social and economic cost of the North and Far North Queensland Monsoon Trough*, p 26-27. http://tinyurl.com/3vh3fupy

27 ACOSS has estimated costings utilising an estimation of 14,000 community service organisations under DSS service provision. ACOSS has assumed up to 25% of these organisations a year would aim to access the funds to support costs of participating in local area planning, update and provide disaster training for staff and volunteers, update risk assessments and continuity planning, and benchmarking at a cost of $75,000.

3. Strengthen capability of community sector to respond to disasters and better support recovery, by creating a permanent flexible contingency fund - Community Sector Disaster Contingency Fund – complementary to or integrated within the Disaster Recovery Funding Arrangements, so community services in disaster areas can quickly replace equipment, support workforce constraints, and meet increased demand during disaster response and recovery efforts.

**Budget Impact in 2024-25: -$350 million**[28]

**TOTAL BUDGET IMPACT: -$620 million**

28 ACOSS has estimated costings utilising an estimation of 14,000 community service organisations under DSS service provision. ACOSS has assumed up to 20% a year may be affected by extreme weather events and estimate an average of up to $100,000 per organisation would be required to manage impacts from disaster, manage surge capacity, and compensation for additional service provision.

# 7. Investing in quality community services to help more people in distress

The community sector makes a major economic, social and employment contribution to Australia. A constellation of community service organisations (CSOs) provides a wide range of essential services to people experiencing poverty, disadvantage and hardship. The community sector advises government in developing public policy, designing services and calling out catastrophic failures like Robodebt. Over 15% of all workers are in this sector.[29] It is the second largest contributor to gross value added in the economy after mining.[30] It is central to the Federal Government's agenda on employment, improving wages and job security, reducing the gender pay gap, tackling entrenched disadvantage and leaving no one behind.

More and more people in the community are desperate for assistance. It is unsurprising that almost two-thirds of CSOs report increased levels of poverty and increased complexity of need across the country. Only 3% of organisations report they can always meet community demand.[31]

The community and care sector remains chronically under-funded and under-valued. Grants do not cover the full cost of running CSOs. Contracts are mostly too short to sufficiently plan programs and retain staff. Conditions have deteriorated so much in the past two years that community sector workers are themselves becoming homeless and seeking emergency, financial and food relief.

The government's supplementary support for CSOs, and its changes to indexation must be first steps in a deeper response. Unless the government wants to see more men, women and children living in cars and tents (including the sector's own workers), sacrificing meals and medicines, and sinking further into deep mental and emotional anguish, it must use the Federal 2024 Budget as a catalyst for meaningful, enduring services investment that grapples with the scale of the challenges before it.

**Major recommendations**

- Provide an immediate funding boost to essential services to help more people in immediate distress and crisis.
- Establish a Services Quality Commission to oversee service quality improvements and ensure they are genuinely innovative and person-centred.
- Properly fund peak bodies and advocacy organisations to inform public policy development and social service design undertaken by government.

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29 Australian Government, Jobs and Skills Australia (2023), 'Health Care and Social Assistance' webpage. Accessed December 2023. Available: http://tinyurl.com/4j3acrx7

30 Department of Prime Minister & Cabinet (2023), 'Economic impact of care and support,' *Draft National Strategy for the Care and Support Economy,* Australian Government, Canberra. Available: http://tinyurl.com/u7d75xsx

31 Cortis, N. and Blaxland, M (2022), op. cit.

## Provide an immediate funding boost to crisis support services that help people in distress

The Federal Government should take immediate action to boost the capacity of the community sector, so that the sector can help more people currently experiencing crisis and distress. Some providers are moving more services to online, or offering support in groups rather than individually, to keep up with demand. Others are seeing wait lists increase or close entirely, referring people to other equally overstretched, or turning people away altogether. Government must fund community organisations to both operate at full effectiveness, and ably meet people's demand for help without burning out the workforce. This includes the following immediate investments:

**Food relief:** at least $50 million per year to help relief services better meet community need. This comprises $10 million for additional capacity, $20 million from each round of the Disaster Ready Fund, $20 million for emergency food relief following a crisis or natural disaster.

**Financial counselling:** Additional funding for financial counselling services of at least $10 million (taking the Commonwealth contribution to at least $60 million per year), to fill the funding gap in the industry-led funding model recently announced.

**Family, domestic and sexual violence:** at least $1 billion per year to end this type of violence in our communities through prevention, response and healing and recovery services, under the National Partnership Agreement for Women's Safety.[32]

**National Family Violence and Prevention Legal Services:** an injection of at least $80 million per year to meet a current gap in addressing Domestic and Family and Sexual Violence in or Aboriginal and Torres Strait Islander Communities.

**Community legal services:** Additional funding for community legal centres of $131 million for 2024-25 and all years of the next National Legal Assistance Partnership 2025-2030 and more equitable and adequate funding for ATSILS. $250 million in emergency support for ATSILS work in regional, rural and remote locations.[33]

**Recommendation 28:**

Provide an immediate funding boost essential services that help people experiencing distress and crisis, including but not limited to food relief, financial counselling, family, domestic and sexual violence and community legal services.

**Budget impact in 2024-25:-$1.58 billion**

**See also**: *Chapter 8. Making housing affordable for people on low incomes*, for recommendations on homelessness services.

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32 Full Stop Australia (2023), *Budget commitment shows progress, but more needed to ensure women's safety* Media release, 11 May 2023. Available: http://tinyurl.com/4b88sdbs; Full Stop Australia (2022), *Federal Budget must commit $1 billion per year to fill urgent gaps in frontline sexual, domestic and family violence services* Media release, 25 October 2022. Available: http://tinyurl.com/356deap7

33 NATSILS et al (2023), *Emergency funding needed to prevent imminent service freezes: Aboriginal and Torres Strait Island Legal Services* Joint media release, 17 April 2023. Available: http://tinyurl.com/2p8xerdd

## Cover the full costs of service delivery in Commonwealth grants

In the 2022 Australian Community Sector Survey only 9% of sector leaders responded that funding covers the full cost of service delivery.[34] Overwhelmingly, senior leaders reported that grants do not account for basic organisational overheads, such as IT, contract administration, regulatory compliance, client and worker safety, and investments in workforce pay, conditions and skills. The latest research finds that not-for-profits true indirect costs range from 26% to 47% of total costs. Additionally, there is significant inequity in the way that indexation on Commonwealth grants is determined and applied to CSOs funded by different departments. Even with changes to indexation arrangements in the May 2023 Federal Budget, a large array of providers still miss out on any indexation. Indexation is critical to ensure that the value of a grant does not deteriorate over time, and to allow organisations to respond to increasing annual costs. More information on improving indexation methodologies is available here.

**Recommendation 29:**

Cover the full costs of service delivery and deliver proper and transparent indexation to all service providers.

**Budget impact in 2024-25: not available**

## Map community need to inform future service funding reform

People's need for community services in the past three years has increased significantly and grown more complex. Many community services are unable to meet community demand for care, support and crisis services. People experiencing poverty and inequality have endured the pandemic, continuous and devastating disasters, as well as incredibly distressing economic hardship. For community services to fully meet community need, government must develop a more sophisticated understanding of how the need for community services continues to change, and how to best meet these evolving needs. More information on the level of need in the community sector is available here.

**Recommendation 30:**

Invest in national service needs mapping for community services to inform future services planning and investment.

**Budget impact in 2024-25: -$10 million**

## Properly fund community peak bodies and advocacy groups

Over the previous decade, core funding was cut to a range of peaks and advocacy organisations, including those representing marginalized and disadvantaged groups. Other community peak bodies receive insufficient funding to enable them to do engagement, policy development and advocacy at a national level.

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34 Cortis, N. and Blaxland, M. (2023), *At the precipice: Australia's community sector through the cost-of-living crisis, findings from the Australian Community Sector Survey*, ACOSS, Sydney. Available: http://tinyurl.com/y6354um7

Often, total Federal Government funding for the entire operations of a national peak body or advocate is equivalent to the salaries of just 2 to 3 Executive Level 1 public servants.[35]

ACOSS, the national peak for the community services sector, has had no real increase in the value of its core grant since 2011 (currently $935,999 p.a.) and virtually no indexation until the last two years. Despite the breadth and depth of ACOSS's policy expertise and engagement across government, ACOSS only receives government funding from the Department of Social Services, with no ongoing funding for work on economic and tax policy, climate and energy policy, employment policy or climate and disaster resilience and recovery. ACOSS is seeking core funding of $5,904,400 per annum (indexed) to properly fund its work across key policy domains for a 5-year period.

Community peak bodies ensure that the perspectives of affected groups are heard by policy makers. To support the ongoing participation of peak bodies in public policy processes, the Federal Government should invest properly in these vital organisations.

**Recommendation 31:**

Properly fund community sector peak bodies, including ACOSS, to effectively engage with people affected and with the Federal Government.

**Budget impact in 2024-25: -$40 million**

## Establish a Services Quality Commission for all Commonwealth-funded social services

People deserve higher standards of community care and better service systems. Taxpayers deserve to know that government investment in services is money well spent and achieves positive, lasting outcomes for people. Recent independent inquiries into aged care, disability services and employment services have revealed yet again the broken nature of Australia's social service markets, especially the risk posed by for-profit providers.[36] What is needed now is a quality assurance body focused on improvement in daily service delivery to people in need. Such a body should set and enforce quality standards across different service systems, share and support best practice and improve the overall responsiveness of systems to the people accessing and using services. It would also ensure that service systems place the voice of the service user at the centre of design, delivery and evaluation. It could identify and benchmark providers achieving positive and lasting outcomes for particularly people particularly in need, and in doing so, facilitate better innovation between providers within service systems.[37]

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35 Australian Public Service Commission, *Australian Public Service Remuneration Report 2022*, 18 August 2023.

36 See ACOSS submission to the draft National Strategy for the Care and Support Economy, 2023; see also ACOSS submission to House Select Committee on Workforce Australia, March 2023.

37 See also Recommendation 22 in Workforce Australia Inquiry Report.

**Recommendation 32:**

Establish a Services Quality Commission for all Commonwealth-funded social services to improve daily service standards, support best practice and improve the service system's overall responsiveness to people accessing and using services.

**Budget impact in 2024-25: -$20 million**

# 8. Make housing affordable for people with low incomes

On the latest figures, current unmet housing need is assessed as 640,000 social and affordable housing dwellings, with projected need of 1 million dwellings over the next 20 years.[38] In the decade 2011-2021, social housing stock grew by just 4.6% compared to a 15% increase in the population. The declining proportion of social housing as a component on total housing stock is also well-documented with public, community and Indigenous-controlled housing declining from over 6% of households in the 1990s, to 4%. In the same period, the annual number of lettings generated has declined from 52,000 to 29,000. Accounting for population growth, this represents a more than 60% reduction.[39]

Current homelessness service funding falls well short of demand for services, with unacceptably high turn away rates and inadequate funding to meet the real cost of wages, and despite the proven benefits of culturally appropriate housing around the country, including for the large First Nations populations in urban centres, there is no dedicated Commonwealth funding for First Nations housing supply outside remote areas, with services increasingly mainstreamed.

The Federal Government is currently developing a new national housing plan which should provide a framework for reform and investment for the next decade. It is vital that First Nations organisations and communities are empowered and resourced to develop a specific First Nations housing and homelessness strategy and oversee its implementation.

More broadly, for the new national housing plan to be transformative in impact, it must:

- Be ambitious, set clear targets and respond to the scale of the challenge.
- Be underpinned by a package of substantial funding to boost supply and enhance service capacity and sustainability.
- Span the housing continuum, address all major policy levers and provide a framework for effective inter-governmental collaboration.
- Prioritise those with greatest housing need.
- Be supported by aligned tax and social security policy settings.
- Include supply and demand side assistance for low-income renters.
- Further strengthen rental tenancy protections.
- Shift from crisis to homelessness prevention.
- Support the development of climate-resilient and energy efficient homes.

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38 See van den Nouwelant, R., Troy, L. and Soundararaj, B. (2023), *Quantifying Australia's unmet housing need: a national snapshot Community Housing Industry Association* Available: http://tinyurl.com/2fmd7ptr

39 Pawson, H. and Lilley, D. (2022), *Managing Access to Social Housing in Australia: Unpacking policy frameworks and service provision outcomes*, CFRC Working Paper; Sydney: UNSW City Futures Research Centre. Available: http://tinyurl.com/yeyn3rdv

- Be informed by input from people directly affected by housing stress, insecurity and homelessness.[40]

In this Federal Budget, the Government should make significant investments to deliver a transformative, 10-year national plan, as outlined below.

**Major recommendations**

- Empower and resource the development of a First Nations led housing and homelessness plan.
- Substantially boost social housing investment through a 10-year funding pipeline calibrated to meet unmet social housing need.
- Increase homelessness service funding by $450 million per annum, with indexation to wage and price movements and benchmarking to community need.[41]

## Empower and resource a First Nations led national housing and homelessness plan

The National Aboriginal and Torres Strait Islander Housing Association should be empowered and resourced to lead the development and implementation of a First Nations national housing and homelessness plan, which includes funding and capacity to:

- Improve the viability of Indigenous Community Housing Organisations around the country and support their capacity to take advantage of new financing options; and
- Substantially increase the stock of social housing dwellings in remote communities to meet the shortfall and maintain existing dwellings (by at least 5000 dwellings).

**Recommendation 33:**

Empower and resource a First Nations led national Housing and Homelessness Plan.

**Budget impact in 2024-25: -$1 billion (recurrent)**

## Boost social housing investment to meet housing need

The Federal Government should commit to a 10-year social housing growth investment to support the 10-year national housing plan and meet social housing need through a pipeline of new universal design, energy efficient dwellings, leveraging the Housing Australia Future Fund (HAFF) and Accord.

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40 For ACOSS' submission to the national plan, see: ACOSS (2023), *Developing the National Housing and Homelessness Plan*, ACOSS, Sydney. Available: http://tinyurl.com/yc6hr7tw

41 See, for example, ACOSS (2021), *Valuing Australia's community sector: Better contracting for Capacity, Sustainability and Impact* ACOSS, Sydney. Available: http://tinyurl.com/2s3frb4v

**Recommendation 34:**

Substantially boost social housing investment to meet unmet social housing need.

**Budget impact in 2024-25: Not available**[42]

### Increase support to homelessness services

Homelessness service funding should be boosted to enable services to meet community need, with indexation both to price and wage movements. This includes $450 million per year to address current unmet need and projected demand growth, and $70 million to extend the Equal Remuneration Order which expires on 30 June 2024.[43] Include a separate, initial, annual $500 million investment in a Prevention Transformation Fund to create a separate pool of funding for prevention and early intervention programs in line with Productivity Commission recommendations.[44]

**Recommendation 35:**

Increase homelessness funding, index appropriately and benchmark to community need.

**Budget impact in 2024-25: - $1 billion**

**See also:** Proposals for reform of housing taxation (Chapter 9. A fairer tax system that supports services, safety nets and economic development) and Commonwealth Rent Assistance (Chapter 3. Towards a social security system that meets people's needs).

42 While the total cost of construction of 50,000 dwellings per year to meet a 1 million additional dwellings/20 years target would be approximately $20 billion p.a. the Federal Government contribution would depend on the funding and finance model and the contributions of state and territory governments.

43 See Homelessness Australia (2023), *National Housing and Homelessness Plan Submission*. Available: http://tinyurl.com/44xtxeaj

44 ibid

# 9. A fairer tax system that supports services, safety nets and economic development

Taxation reforms should be a priority in this Budget for three reasons: to curb inflation, tackle inequities that sharply reduce the contributions made by people with the most resources (who are faring relatively well in difficult economic conditions), and to strengthen the revenue base to meet pressing community needs.

The $21 billion a year Stage 3 tax cuts undermine all these goals. It is unacceptable for the government to press ahead with tax cuts, three-quarters of which benefit the highest 20% by income, when people with much lower incomes struggle to meet the most basic day-to-day living costs.[45] By transferring 0.8% of Gross Domestic Product (GDP) to taxpayers, they will needlessly add to inflation.

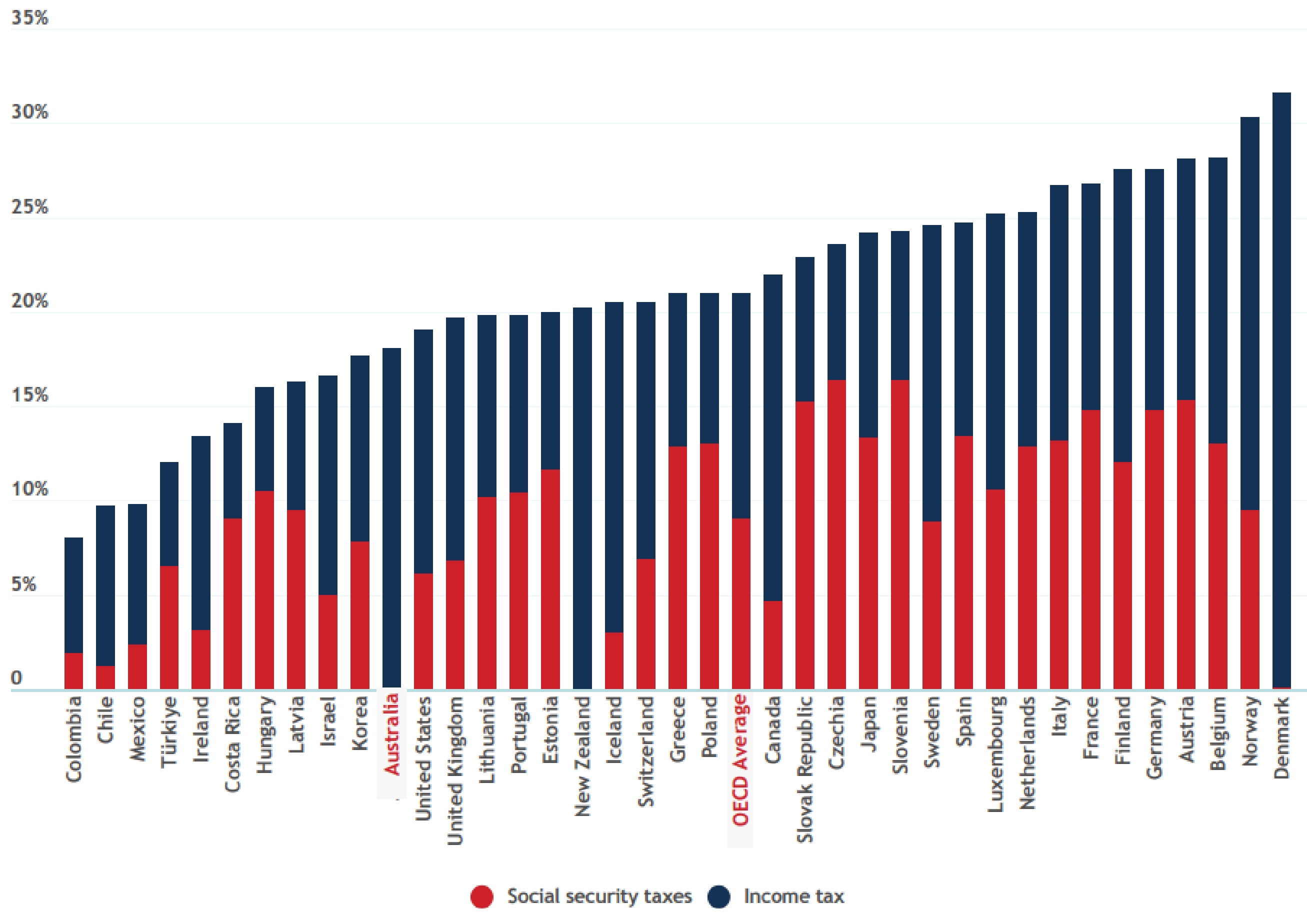
Tax incentives for speculation in property investment are contributing to inflation in housing costs. In addition to reduced Capital Gains Tax 'discounts' and curbs on negative gearing, we recommend immediate action to encourage landlords to lift the supply of homes for rent by removing deductions for any part of the year a dwelling is not leased on a long-term basis (as distinct from short-term holiday lettings).

Personal income tax is our main progressive tax, yet Australia raises less revenue from that source (18% of GDP) than the OECD average (21%) and the overall tax rate for an average fulltime worker is lower here than the United States (23% of income compared to 25%) – a low tax country (see Figure 2).[46] Tax shelters and loopholes including private trusts and companies, fringe benefits and concessions for capital gains are widely used by people with high incomes to reduce their effective tax rates below those of the average worker. Further, profitable businesses can also avoid billions of dollars in tax due to gaps in the tax base, such as fuel tax credits and the absence of royalties on offshore gas mines.

45 Parliamentary Budget Office (2023), *Distributional analysis of State 3 tax cuts.* Parliamentary Budget Office, Canberra. Available: http://tinyurl.com/33mjrjr8

46 OECD (2023), *Revenue statistics 2023.* Available: http://tinyurl.com/3ttnjzeh; OECD (2022), *Taxing wages*. Available: http://tinyurl.com/mryzpp8k.

**Figure 2: Income tax and social security taxes as % of GDP**




Australia is the ninth-lowest taxing among 40 OECD nations. Bold action is needed to shore up the revenue base to close gaps in essential services, income supports and action on climate change, as proposed in the community sector statement on budget policy.[47] Under current policy settings, expenditure on most Commonwealth programs is projected to decline over the next decade as a share of GDP despite unmet needs for essential services such as dental and mental health, care services and an income support safety net that demonstrably fails to shield people on the lowest incomes from poverty.[48] This is the legacy of decades of neglect of investment in those programs.

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47 ACOSS (2021), *A Guarantee to the Nation – Community organisations' call to the Parties*. ACOSS, Canberra. Available: http://tinyurl.com/2sfpuv7h

48 Parliamentary Budget Office (2023), *Beyond the Budget 2023-24: Fiscal outlook and sustainability.* Parliamentary Budget office, Canberra. Available: http://tinyurl.com/3h65wbt5

**Major recommendations:**

- Do not proceed with the 2024-25 income tax cuts.
- Restrict deductions for residential investment properties to periods during which they are actually rented on a long-term lease.
- Broaden the income definition for the Medicare Levy to stop people from sheltering their income from the levy.

## Do not proceed with the Stage 3 tax cuts

With the Budget in structural deficit, growing public expenditure needs and high inflation, this is not the time for tax cuts especially the $21 billion a year Stage 3 tax cuts. Over three-quarters (80%) of these tax cuts go to the top 20% of taxpayers on around $103,000 or more, and only one-third go to women. At the least, changes to rates and thresholds that only benefit people with high incomes should not proceed: removal of the 37% tax rate for incomes between $120,000 and $180,000 and the increase in the threshold for the 45% rate from $180,000 to $200,000. This would save approximately $9 billion in 2024-25, half the cost of the tax cuts. That would leave in place a tax cut of up to $37 per week for individuals on incomes up to $120,000.

**Recommendation 36:**

Remove the Stage 3 tax cuts.

The tax cuts legislated to commence in 2024-25 should not proceed.

**Budget impact in 2024-25: *$21.7 billion ($22.9 billion in 2025-26)***

## Strengthen the Medicare Levy

The income definition for the Medicare Levy is taxable income, which opens opportunities for taxpayers to avoid paying it by taking advantage of negative gearing arrangements, salary sacrifice, or the use of private trusts. The broader income definition for the high-income Medicare Levy Surcharge ('MLS income') restricts these tax avoidance opportunities. To strengthen revenue for health services, this broader definition should extend to the Medicare Levy itself.

**Recommendation 37:**

Prevent avoidance of the Medicare Levy using tax shelters.

1. From 1 July 2025, the income definition for the Medicare Levy should be broadened from 'taxable income' to 'Medicare Levy Surcharge income' to prevent people from avoiding the levy using tax shelters such as private trusts, negative gearing or salary sacrifice arrangements.
2. Revenue raised from this change should be earmarked for public expenditure on essential health and disability services.

**Budget impact in 2024-25: $0 (*$1.3 billion in 2025-26*)**

People with high incomes should make a fair contribution to the costs of public health care services through the tax system, regardless of whether they hold private hospital insurance. The Medicare Levy Surcharge should be abolished and replaced by a higher Medicare Levy rate for people with high incomes.[49] The exemption for individuals and families with low incomes should be retained, but the higher rate should apply to high individual incomes rather than family incomes and only to that portion of their income above the new high-income threshold. This would remove the need for most people to declare their partner's income in tax returns.

**Recommendation 38:**

Restructure and simplify the Medicare Levy.

From 1 July 2025, the Medicare Levy Surcharge should be abolished and the Medicare Levy should have a three tier rate scale as follows:

- 0% for individuals and families with incomes below existing Medicare Levy low-income thresholds
- 2% of all individual income up to $120,000 and
- 4% for each additional dollar of individual income above $120,000.

**Budget impact in 2024-25: Not available**

## Tax investment income more fairly and consistently

As we argue in *Chapter 8. Make housing affordable for people with low incomes*, we are in the midst of a long-running housing affordability crisis which deeply impacts people on the lowest incomes who rent their homes. A major cause is a tax system which privileges speculative investment in housing and other assets that increase in value over more productive investments. As ACOSS warned at the time, the reduction in Capital Gains Tax (CGT) on short-term gains in 2000, together with negative gearing arrangements, turbo-charged a housing price boom that lifted home prices well above growth in average earnings.[50]

Capital gains from investment in housing, shares and other assets are taxed at half an individual's marginal tax rate, and these increases in personal wealth are only taxed when the assets are sold. The 50% CGT discount overwhelmingly benefits the top 10% of taxpayers, who receive two-thirds of all capital gains.[51] We propose that this concession be halved, so that three-quarters of capital gains are taxed. Rather than grandfathering this change (which would lock in existing investments), we propose that from July 2025 the tax rate on capital gains be progressively lifted from 50% of the marginal tax rate to 75% over a three-year period. Existing investors should have the funds to pay the higher rate of CGT as it only levied once an asset is sold.

In addition, avoidance of CGT would be curbed by our recommendation to tighten the

[49] This would be implemented in conjunction with Recommendation 45 so that the income definitions for the Levy and Surcharge are consistent.

50 Kohler A (2023), 'The great divide.' *Quarterly Essay*, Issue 92. Available: http://tinyurl.com/564kfrtj

51 Australian Taxation Office (2023), *Taxation Statistics 2020-21.* Available: http://tinyurl.com/5a73jb5y

tax treatment of superannuation fund earnings post-retirement (see *Chapter 10. Decent retirement incomes and services*). Ideally, the delay in taxing capital gains would be eliminated by taxing them annually as they accrue. This is impractical as it would require annual valuations and many long-term investors would not have the cashflow to pay annually. Instead, the government should ensure that the tax treatment of investment expenses (including interest payments on borrowings to purchase an asset) is consistent with the (delayed) taxation of capital gains.

From January 2025, investors should no longer be able to 'negatively gear' - claim deductions on those expenses until the investment yields a positive return (often through sale of the asset years later).[52] This restriction should apply universally to passive investments in assets yielding capital gains, but not to 'active businesses'. Small property investors should not be excluded – indeed tenants are often better served by landlords who have more resources to keep the dwelling in good condition. Investors could still claim deductions, but they would be properly matched with investment income. Assets acquired before January 2025 would be grandfathered so that deductions can still be claimed by the present owner under the current rules.[53]

**Recommendation 39:**

Reduce the CGT discount for individuals and trusts.

From 1 July 2025, the exemption of 50% of personal capital gains from CGT should be reduced from 50% to 25%, phased in over five years (reduced by 5% per year).

**Budget impact in 2024-25: *$600 million ($1.2 billion in 2025-26)***

**Recommendation 40:**

Restrict deductions for personal investment expenses (negative gearing) so they can only be offset against income from the same class of investments.

1. Income tax deductions for expenses (such as interest payments on debt) relating to passive investments in assets yielding capital gains (such as housing, shares and collectables) should be limited to income received from those asset classes, including capital gains realised on subsequent sale.
2. This should apply to all new investments of this type entered into after 1 January 2025. Subject to appropriate anti-avoidance rules, existing investments would not be affected.

**Budget impact in 2024-25: $0 (*$700 million in 2025-26*)**

Too many rental properties lie vacant for much of the year, and a growing share is rented to tourists (for example, through AirBnB) as this often yields higher returns than long-term leases.

Landlords can claim income tax deductions for expenses (e.g. interest payments on

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52 A more detailed explanation of this reform, including our responses to claims that it would mainly affect people on low or modest incomes, is in ACOSS (2016), *Fuel on the fire: Negative gearing, capital gains tax & housing affordability*, ACOSS, Sydney. Available: http://tinyurl.com/4u9yedh5

53 Unlike the above change to CGT, grandfathering is appropriate here because otherwise some existing investors would lack the cashflow to pay the extra tax.

housing loans) for the portion of each year that a rental property is 'genuinely available for rent'. This is notoriously difficult to enforce when the dwelling is used as a holiday home by the owner. The law was recently tightened to deny deductions for vacant land on which the owner planned to build a dwelling for rent. The same logic should apply to dwellings that are purportedly 'available for rent' but not currently leased. This would both ease the rental housing crisis and simplify and improve compliance with the income tax law. Further, as a temporary measure to ease the crisis (especially in coastal tourist regions), deductions should be denied for any portion of a year in which an entire dwelling is rented on a short-term lease as tourist accommodation.

**Recommendation 41:**

Ease the rental housing shortage and improve compliance with tax law by restricting deductions for investment properties while they are not on long-term leases.

1. From 1 July 2024, restrict deductions for rental property investment expenses to portions of the year when the property is rented on a long-term lease (not only 'genuinely available for rent').
2. From 1 July 2024 to 1 July 2025, deny deductions for rental property investment expenses for portions of the year in which an entire dwelling is rented out for short-term tourist stays rather than long-term tenancies or short-term accommodation for local workers**.**

**Budget impact in 2024-25: Not available.**

## Curb personal tax avoidance through private trusts and companies

Private (closely-held) trusts, especially discretionary trusts, are used to avoid income tax by splitting income with a family member, delaying or avoiding payment of CGT, and by passing on the benefits of investment tax breaks from the trust to its beneficiaries (unlike the tax treatment of companies). Although the policy intention is that any income that is not taxed in the hands of beneficiaries is instead taxed in the hands of the trust, this is not consistently applied.

Private trusts and companies are also used to (illegally) evade tax and launder money by shifting funds through complex chains of entities or to 'tax havens' such as Panama, Bermuda, or Switzerland.

One solution is to tax private trusts as companies as recommended in 2000 by the Review of Business Taxation (Ralph Review). [54] This would also improve consistency in the tax treatment of trusts and companies, especially the treatment of tax-preferred income (tax concessions), which would no longer 'pass through' to the beneficiaries of private trusts. On the other hand, it would enable high-income-earners to exploit the gap between the company tax rate and higher personal tax rates by retaining income in the trust, so that weakness in the tax treatment of private companies should also be overcome as proposed below.

[54] Review of Business Taxation (1999), *A tax system redesigned: More certain, equitable and durable* Treasury, Canberra.

An alternative way to curb tax avoidance through discretionary trusts is to apply CGT to untaxed or concessionally taxed income (for example, where taxable income is reduced by building works deductions) of private discretionary trusts when it is distributed to beneficiaries. Currently, these distributions do not attract CGT, including where capital gains are realised through asset revaluations within the trust. This would bring the tax treatment of discretionary trusts into alignment with that of fixed trusts, and curb avoidance of CGT.

The proposed changes would apply to private express trusts (both fixed and discretionary trusts), with exemptions like those recommended in the Ralph Review including complying superannuation funds and disability trusts.

A related policy challenge is the widespread use of private companies and trusts to evade tax and launder money through secrecy jurisdictions or 'tax havens', as revealed by revelations from 'Operation Wickenby' (Switzerland), 'Panama Papers' (Panama), 'Paradise Papers' (Bermuda), and 'Pandora Papers' (Cayman Islands and Samoa). In 2014, Australia promoted the G20 initiative to curb these practices by improving the transparency of beneficial ownership of companies and trusts. Yet independent progress reviews have found Australia has not complied with its commitments to improve transparency in beneficial ownership of companies and trusts.[55]

Information on private trusts should be published by the Australian Taxation Office (ATO) on a public register similar to the register for companies. The privacy of beneficiaries of family trusts registered as such could be protected by exempting those trusts (but not related entities that are not themselves family trusts) from requirements to publicly list their beneficiaries.[56]

Private companies are also widely used to avoid tax, often in conjunction with discretionary trusts. These arrangements take advantage of the gap between the top marginal rate of personal income tax and the company tax rate. The use of 'cashbox companies' to avoid personal income tax by retaining income in a private company should be curbed by taxing retained earnings (minus a reinvestment allowance for active businesses) in private companies at the top marginal personal tax rate plus Medicare Levy. This tax treatment would also apply to private trusts taxed as companies under the reform proposed above. Where the owner of the private company would ordinarily face a lower personal tax rate, they could distribute company income to themselves as dividends or wages so that they are taxed at their personal tax rate.

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55 Group of 20 (2014), *High-level principles on beneficial ownership transparency* G20, Brisbane. Available: http://tinyurl.com/snhyexzw *OECD (2017): 'Global forum on transparency and exchange of information for tax purposes: Australia 2017 (second round): Peer review report on the exchange of information on request'*, OECD Publishing, Paris, at: https://doi.org/10.1787/9789264280069-en; Financial Action Task Force (2018), A*nti-money laundering and counter-terrorist financing measures - Australia, 3rd Enhanced Follow-up Report & Technical Compliance Re-Rating* Paris. Available: http://tinyurl.com/hx753n2v

56 In a family trust election, the transfer of income or losses beyond beneficiaries who belong to the family that owns the trust is discouraged by a penalty tax. Private companies exempted from disclosure requirements by previous grandfathering arrangements should be included.

**Recommendation 42:**

Curb the use of private trusts to avoid personal income tax and conceal income.

1. From 1 July 2025, closely-held express trusts (both discretionary and fixed) should be taxed as companies. This would not apply to certain categories of trusts including collective investment vehicles, complying superannuation funds, disability trusts, and trusts established pursuant to court orders.
2. Alternately, CGT should apply to untaxed and preferentially-taxed distributions to the beneficiaries of closely-held discretionary trusts, including distributions arising from asset revaluations.
3. By July 2025, a public register should be established by the ATO to hold the following information in regard to trusts that are required to lodge tax returns: the names and tax file numbers of the trustee, controller, any beneficiaries that are not natural persons (for example other trusts or companies), annual financial statements, and (where the trust is not a family trust) all other beneficiaries together with a declaration from the trustee identifying all beneficial owners.

**Budget impact in 2024-25: $0 (*$1.5 billion in 2025-26*)**

**Recommendation 43:**

Curb the use of private companies to avoid personal income tax:

From 1 July 2024, income retained in private companies, apart from a reinvestment allowance for companies engaged in active business (comprising a fixed proportion of the assets of the company), should be taxed at the top marginal rate of personal income tax plus Medicare Levy.

**Budget impact in 2024-25: $0 (*$1.5 billion in 2025-26*)**

## A royalty on offshore gas resources

Australia is not getting the economic benefit we deserve from exploitation of our gas resources. Although we are largest gas-exporter in the world, our governments collect taxes and royalties from petroleum and gas mining at much lower effective rates than comparable countries such as Denmark, the Netherlands and Norway.[57]

We get the least value from offshore gas resources since no state government royalties apply. Instead, the Commonwealth levies a Petroleum Resource Rent Tax (PRRT) on above-normal profits from petroleum and gas mining, but despite recent reforms that tax is still

57 Boue C (2017), *Upstream petroleum taxation in Australia in comparative perspective.* submission to Senate Inquiry into corporate tax avoidance. Oxford Energy Institute. Taxes and royalties for hydrocarbons contribute over$40 billion a year to public revenue in Qatar and one quarter of public revenue in Norway (Burke P 2023, *On the way out: Government revenues from fossil fuels in Australia*, TTPI Working Paper 16/2022 December 2022).

dysfunctional, raising very little revenue in the short to medium term.[58]

We propose that, in addition to the PRRT the government should introduce a 10% royalty on existing and future offshore LNG projects which are not subject to State government royalties. This would better align their tax treatment with that of onshore oil and gas projects (including the North West Shelf Project) which are already subject to royalties of 10% or more. It would also bring forward revenues from offshore gas production and improve revenue certainty, noting that royalties are offset against future PRRT liabilities.

**Recommendation 44:**

A fair return for exploitation of offshore gas reserves:

- From 1 July 2024, introduce a 10% Commonwealth royalty on offshore gas resources.

**Budget impact in 2024-25: *$4 billion ($3 billion in 2025-26)***

## Remove fossil fuel subsidies

The fuel tax offset for off-road use refunds the excise paid by businesses for fuel not used to transport goods or people on Australian roads. Its rationale is that the fuel excise is a user charge to fund public roads. However, fuel tax credits create negative externalities and contributes to climate change. We argue that fuel tax credits for off-road use increases carbon emissions and dampens incentives for business to improve energy efficiency and switch fuels. Fuel taxation is a mechanism for generating general government revenue and reducing our reliance on environmentally harmful fossil fuels.

**Recommendation 45:**

Abolish fuel tax credits for off-road use.

From 1 July 2024, fuel tax credits for off-road non-agricultural uses should be abolished and tax credits for agricultural use should be reviewed.

**Budget impact in 2024-25: *$7 billion ($6 billion in 2025-26)***

## Remove tax concessions for motor vehicles subject to FBT

Public subsidies provided through the tax system, or 'tax expenditures' are a poorly regulated 'shadow budget' that disproportionately benefits people with high incomes. We welcome the Government's commitment to increase the visibility and transparency of the annual Tax Expenditure Statement, especially through detailed distributional analysis (by income and gender) of major tax concessions.

As a first step in curbing revenue wastage moving waste from tax expenditures, we recommend that the formula for calculating the value of motor vehicle fringe benefits for

58 Chalmers J (2023) *Changes to the PRRT*. Media release, 7 May 2023. Available: http://tinyurl.com/ymwvxfp8. These changes are only expected to raise an additional $2.4 billion over 4 years. Foley & Toscano (2023), 'They're getting the gas for free: government dodges tougher tax reform.' *Sydney Morning Herald* 8 May 2023. Available: http://tinyurl.com/yc233pcp

FBT purposes be tightened to remove concessional tax treatment for 'company cars'. This was announced, but not implemented, in the 2013 Economic Statement. ACOSS did not support the Government's decision to remove FBT from salary-sacrificed EVs as this is an inequitable and inefficient way to encourage their purchase. However, if the FBT formula for calculating the value of motor vehicle fringe benefits was tightened there would be more incentive to purchase EVs.

**Recommendation 46:**

Remove FBT concessions for motor vehicles subject to Fringe Benefits Tax.

From 1 July 2025, tighten the statutory formula for calculating motor vehicle fringe benefits to remove the tax benefit from salary packaging of cars, apart from electronic vehicles and those provided by charitable organisations.

**Budget impact in 2024-25: $0 (*$400 million in 2025-26*)**

# 10. Decent retirement incomes and services

Security in retirement depends on pensions that prevent poverty, fair superannuation that cushions the loss of income from employment, affordable housing, and universal access to quality health and aged care services.

Tax concessions for superannuation cost $48 billion in 2023, almost as much as Age Pensions ($55 billion).[59] The tax treatment of superannuation is parsimonious for people on low incomes and most women, and too generous for people with high incomes, mainly men. This entrenches inequality in retirement and deprives governments of the revenue they need to fund decent health and aged care for an ageing population. Tax concessions for contributions should be replaced with an annual rebate that is simpler and fairer.

To guarantee free quality aged care for all, a 15% levy should apply to superannuation fund investment incomes after retirement.

**Major recommendations**

- Replace tax concessions for superannuation contributions with a fairer and simpler annual rebate.
- Introduce a 15% levy on superannuation fund earnings after retirement to guarantee free universal access to quality aged care services.

## Make superannuation fairer for women and people with low incomes

People on low and modest incomes presently receive little or no support from tax concessions for superannuation contributions that cost the Budget $23 billion annually. A worker earning $20,000 annually (more likely to be a woman) receives no tax support for employer contributions while another worker on $200,000 annually (more likely to be a man) saves 32 cents in tax per dollar contributed. This is due to the way their marginal tax rates interact with the unfair flat 15% tax on employer contributions. Further, individuals (again mainly women) earnings less than around $30,000 annually generally receive no tax benefit from super contributions, since their incomes are too low to pay income tax and the Low Income Superannuation Tax Offset merely offsets the 15% tax deducted from their employer contributions.

The flat 15% superannuation contributions tax should be replaced with a refundable rebate (for example, 20% of contributions from all sources) that provides the same or greater support for each dollar of contributions for people with low incomes as that provided to middle- and high-income-earners. To make super worthwhile for people with very low incomes and small contributions, a higher refundable rebate (for example equal to 100% of contributions) could be paid for the first $500 a year contributed, regardless of income.

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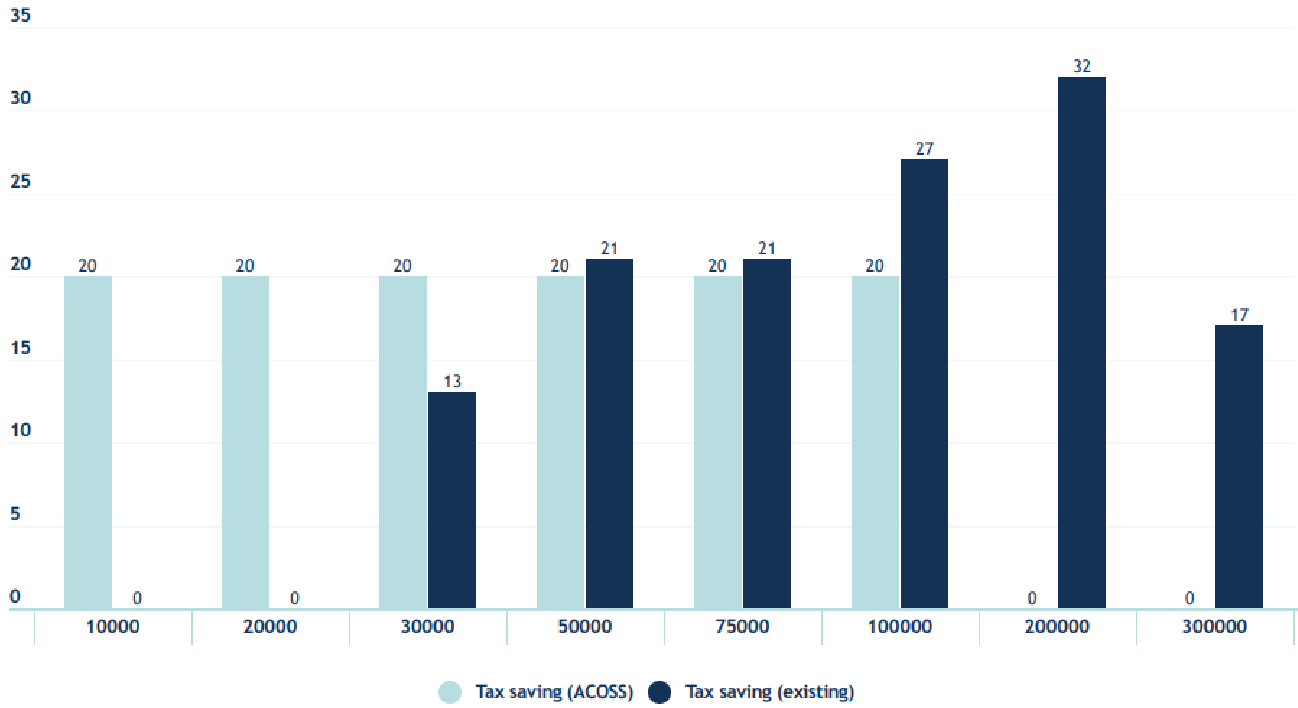
59 Chalmers J & Gallagher K (2022), *Mid Year Economic and Fiscal Outlook, 2022-23* Australian Government, Canberra.

The rebate should be fully funded by taxing contributions at each person's marginal tax rate (in the hands of the fund) and lowering the annual cap on concessional contributions from $25,000 to $15,000 (thus reducing tax breaks for people with high incomes). There should be no concessions for 'catch-up contributions' above the annual cap. The impact of this reform on the marginal tax rate applied to contributions just above the Superannuation Guarantee is illustrated in Figure 3.

**Figure 3: Tax saved, in cents per dollar contributed above the Super Guarantee, at different income levels (existing system compared with ACOSS rebate)**




Note: Marginal tax rate of additional employer contributions above the Superannuation Guarantee. The existing 15% tax is offset by a rebate for those below the tax-free threshold, so that the tax concession in those cases is effectively zero.

The proposed rebate is more generous for compulsory contributions for middle-income-earners than the present 15% tax rate, so most middle-income-earners would be financially better off.

**Recommendation 47:**

Fair and simple tax concessions for superannuation contributions:

1. From 1 July 2025, all tax concessions for superannuation contributions (including the 15% employer contributions tax rate, deductions for contributions, and rebates for contributions by low-income earners and for spouses) should be replaced in a revenue-neutral way by an annual two-tier refundable rebate paid into the fund, capped at a contribution level sufficient to support (along with the Age Pension) an acceptable retirement income for a typical worker.

2. Subject to revenue-neutrality, the rebate for concessional contributions should be structured as follows:
    - 100 cents per dollar contributed from any source up to $500 per year (not income-tested, indexed to movements in average fulltime earnings), to support retirement saving by low paid part-time workers and replace the Low Income Superannuation Tax Offset;
    - Plus 20 cents per additional dollar contributed from any source up to $15,000 (indexed to movements in average fulltime earnings), with no higher cap for 'catch-up' contributions;
    - For this purpose, contributions would be calculated as net contributions, that is all contributions made to a person's superannuation accounts in a given year minus any benefits paid, in order to curb tax avoidance through re-contribution strategies.
3. The annual non-concessional contributions cap should be reduced to three times the concessional cap ($45,000), and people should no longer be able to make up to three years' contributions within the cap in a single year.
4. The exception to the general prohibition on direct borrowing by super funds for limited recourse borrowing by self-managed funds should be removed.

**Budget impact in 2024-25: $0**

## A levy on superannuation fund income post-retirement to fund a commitment to free, quality aged care

As the Aged Care Royal Commission recommended, aged care services at home or in aged care homes should be available to all free of change. Along with health care generally, substantial user charges for aged care raise the risk that people avoid seeking the care they need (especially at home) and that a 'two tier' system of care services will emerge with good quality services restricted to those who can pay more. [60]

It will not be possible for future governments to properly fund universal, quality aged care and health services for an ageing population without relying on large user charges while only 16% of older people pays income tax.[61] Concerns about the cost of care in later life have led many people to avoid drawing down their retirement savings, reducing their enjoyment of retirement while they are still healthy. The outcome is larger bequests instead of better living standards in retirement.[62]

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60 ACOSS (2023), *Submission to the Aged Care Task Force*. ACOSS, Sydney. Available: http://tinyurl.com/bp9366k7 Accommodation and other ancillary services could still attract charges, but the care component of aged care services should be free, as is the case for public hospital treatment and care.

61 Daley, J; Coates, B; Young, W (2016), *Age of entitlement: age-based tax breaks* Grattan Institute. Available: http://tinyurl.com/2rf855jy The fiscal cost of tax concessions for superannuation, especially for fund income, is projected to rise from 2.1% of GDP in 2020 to 2.6% in 2060 (Treasury (2020), *Retirement Income Review, Final Report, July 2020* Australian Government, Canberra. Available: http://tinyurl.com/5bxk67rk)

62 Treasury (2020), op cit.

Proposals to quarantine a portion of individual superannuation assets to pay for future aged care services are not an equitable solution to these problems, due to the mismatch between individual needs for care (greater for people with low lifetime incomes) and individual superannuation assets (greater for people with high lifetime incomes who have less need for care in old age). As with health care generally, the best solution to the aged care funding challenge is *collective funding through the tax system*.

The tax treatment of superannuation after retirement is extraordinarily generous, especially for people with substantial wealth. It is not widely understood that in addition to the exemption from income tax of superannuation benefits (lump sums and pensions), the *investment income* of a superannuation fund is no longer taxed once it pays a pension to a fund member. In contrast, during the so-called 'accumulation phase' interest, dividends and capital gains accruing to super funds are taxed at 15% (10% for capital gains). This tax exemption gives rise to manifold tax avoidance opportunities, especially the avoidance of tax on capital gains accrued through working life by transferring or retaining assets in a self-managed superannuation fund. Further, the 17% tax on superannuation assets transferred to a deceased estate can be avoided by shifting savings from pension to accumulation accounts.

As the Henry Report recommended in 2009, the artificial distinction between 'accumulation' and 'pension' phases of superannuation should be removed and the same tax rate should apply to super fund earnings before and after retirement.[63] To contribute to the cost of a guarantee of universal, quality aged care, a 15% aged care levy should apply to the investment income of superannuation funds after retirement. Once fully phased in, this would raise around $8 billion a year. This new revenue stream would mirror growth in the cost of aged care services as the population ages.

**Recommendation 48:**

Introduce a 15% levy on superannuation fund investment income post-retirement to fund an aged care service guarantee:

1. The government should commit to an *aged care service guarantee* by which good quality aged care services, whether at home or in aged care homes, are available to all free of change while accommodation and other ancillary services would still attract appropriately regulated charges.
2. This should be financed by a 15% levy on the investment income of superannuation accounts in 'pension phase' (effectively removing differences in the tax treatment of 'accumulation' and 'pension' accounts), progressively introduced over a three-year period from 1 July 2025 (with a 5% increase each year).
3. The levy should be offset by a 15% rebate (minus any imputation credits) for people over preservation age whose income (including Age Pension, earnings, superannuation and other investment income) falls below their tax-free threshold. The rebate would be calculated each year by the ATO and transferred to a superannuation fund chosen by the taxpayer.

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63 Henry K et al. (2009), *Australia's future tax system review final report* The Treasury, Canberra. Available: http://tinyurl.com/58nnd3um

4. Opportunities to avoid or reduce tax on capital gains accrued during working life by holding assets in a self-managed super fund should be curtailed.
5. Transfers from superannuation accounts to the estates of deceased fund members should be taxed at the statutory rate of 17% without exception apart from transfers to spouses and dependent children.

**Budget impact in 2024-25: $0 (*$2.5 billion in 2025-26*).**