

THE OECD TAX-BENEFIT DATABASE

Description of policy rules for
Australia 2023



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Description of policy rules for 2023

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This version: February 2024

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Preface

This report provides a detailed description of the tax and benefit rules in Australia as they apply to working-age individuals and their dependent children. It also includes output from the [OECD Tax-Benefit model \(TaxBEN\)](#), which puts all these complex legal rules into a unified methodological framework that enables international comparisons of how tax liabilities and benefit entitlements affect the net disposable income of families in different labour market circumstances, .e.g. in employment versus unemployment.

The **main body** of the report describes the rules that are relevant for the family and labour market characteristics that are within the scope of the **TaxBEN** model (see below for the methodology and user guide). The **annex** provides information on other cash benefits and taxes on employment income that are relevant for other groups of the working-age population, but are outside the scope of the **TaxBEN** model.

TaxBEN is essentially a large cross-country calculator of tax liabilities and benefit entitlements for a broad set of *hypothetical* families (“vignettes”), e.g. a married couple of 40-years-old adults with two children aged 4 and 6 (click [here](#) for a quick overview of the **TaxBEN** model). **TaxBEN** incorporates rules on the main taxes on employment income, social contributions paid by employees and employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family and childcare benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits, maternity and parental leaves benefits are included in the model for a sub-set of countries and years. The main policy instruments that are currently not included in the **TaxBEN** model are taxes on wealth (e.g. taxes on immovable and unmovable properties), indirect taxes (e.g. VAT), early-retirement benefits, short-time work compensation schemes, sickness benefits, and in-kind benefits (e.g. subsidised transport and free health care).

Useful online resources for the OECD tax-benefit model (TaxBEN)



[TaxBEN web calculator](#)



[Methodology and user guide](#)



[OECD tax-benefit data portal](#)



[Network of national experts](#)


Guidelines for updating this report (for national experts)



[General guidelines](#)

Detailed [guidelines for updating Section 5](#) “Net costs for Early Childhood Education and Care”

Reading notes and further details on the content of this report

- **Reference date** for the policy rules described in this report: **January 1, 2023**.
- The symbol  in the text provides a link to the glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- **TaxBEN** variables are indicated in the text using the format **[variable name]**.
- Text in **blue font colour** identifies **COVID**-related measures that are in force during the reference date of this report.

The OECD tax-benefit model for Australia: Policy rules in 2023

1. Reference wages

Average wage **[AW]**: The OECD tax-benefit model uses Secretariat estimates of the average full-time wage (available [here](#)).¹

The minimum wage **[MIN]** as of 1 January 2023 is AUD 21.38 per hour. The annual earnings of a full-time minimum wage worker are assumed to be AUD 42,246.88 (=AUD 21.38*38*52). Australia's minimum wage and award wages are set independently by the Fair Work Commission through the Annual Wage Review process. Changes to the minimum wage and award wages typically begin on the first full pay period on or after 1 July.²

2. Unemployment benefits


2.1. Unemployment insurance

OECD note: This section provides information on Unemployment Insurance (UI) benefits. Unemployment Insurance amounts are typically calculated as a function of the previous earnings whereas benefit eligibility requires a previous employment record and/or previous social contribution payments. This distinguishes them from Unemployment Assistance benefits (UA – Section 2.2), which are usually means-tested programmes that either provide a second-tier safety net for those who have exhausted their rights to UI, or serve as a principal form of income support for job seekers who were not entitled to UI in the first place.

Based on this definition, Australia does not have an Unemployment Insurance programme. However, an Unemployment Assistance benefit is available to support the income and facilitate effective job search of people who lost their job (Section 2.2).

2.2. Unemployment assistance (JobSeeker Payment (JSP) and Youth Allowance (YA) (Other)

Variable names:³ **[UA_p;UA_s]**

It is non-contributory, means-tested and taxable. 

Australia's unemployment payments are JobSeeker Payment (JSP) and Youth Allowance (YA) (Other). Other income support payments for people of workforce age include the following measures, which are not modelled as they are outside the TaxBEN scope (see Annex):

¹ Average Wages are estimated by the Centre for Tax Policy and Administration at the OECD. For more information on methodology see the latest Taxing Wages publication. If Secretariat estimates are not available for the current year, the model uses wage projections obtained by applying forecasted wage growth to the latest available wage estimate. Wage growth projections are based on [OECD Economic Outlook](#).


² More detail can be found on [Annual wage reviews | Fair Work Commission \(fwc.gov.au\)](#)

³ The variable names ending with “_p” refer to the first adult (so-called “principal” adult) whereas those ending with “_s” are related to the spouse.

- Special Benefit;
- payments for full-time students, including YA (Student), Austudy and payments under the ABSTUDY scheme; and
- payments for people with disability, and carers, including Disability Support Pension (DSP) and Carer Payment (CP);

2.2.1. Eligibility conditions

Age: YA (Other) is generally paid to unemployed people aged 16 to 21 years and JSP is paid to unemployed people aged 22 or over and under Age Pension age (currently 66 years and 6 months for both men and women as at 1 January 2023, rising to 67 by 1 July 2023).

Behavioural requirements and related eligibility conditions:  TaxBEN assumes that the following compulsory conditions are satisfied when simulating unemployment benefits.⁴ To receive payment, an unemployed person (JSP or YA (Other) recipient) must satisfy mutual obligation requirements by complying with the terms of their employment pathway plan and:

1. be actively seeking suitable work or undertaking an activity⁵ to improve their employment prospect;
2. be available for and willing to accept suitable work, including part-time and casual employment.

A person claiming JSP or YA (Other) who becomes voluntarily unemployed without a reasonable excuse may be eligible to receive payment after serving a four-week non-payment period, starting from the date they became unemployed. Involuntary unemployment is not defined, but includes circumstances in which a person's unemployment is due to factors outside of their control, if they have a reasonable excuse for voluntarily leaving paid work or if the work is unsuitable for the person.

2.2.2. Benefit amount

Calculation base: Flat rate.

Benefit amount: Rates of payment are dependent on age, partnered status, presence of dependent children and, for YA (Other) recipients, whether they live with and/or are dependent on their parents. Rates of payment are subject to means testing (see Section 2.2.4).

OECD note: the TaxBEN model does not simulate the “at home” rates for youth allowance recipients living at the parental home.

⁴ Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports. See e.g. [Immervoll and Knotz \(2018\)](#).

⁵ Early School Leavers, that is, young people under 22 receiving YA (Other) without a Year 12 certificate or equivalent qualification, will generally meet their mutual obligation requirements by participating in full-time training or education, a combination of part-time education or training and part-time work for 25 hours per week, or other suitable activities for 25 hours per week and appropriate job search, until they obtain a Year 12 certificate or equivalent qualification.

In certain circumstances, recipients may be exempted from meeting any or full activity test requirements (e.g. where they are temporarily incapacitated by injury or illness, personal crisis or caring duties).

Recipients of JSP and YA (Other) are also eligible to receive the Energy Supplement as part of their payment. The Energy Supplement is added to the basic payment rate and income tested as part of the payment. Supplementary payments, such as Commonwealth Rent Assistance (CRA) (Section 3.2) and Pharmaceutical Allowance (see Section 4.2.2), may also be payable depending on the person's circumstances.⁶ Payments are made on a fortnightly basis.

For more information, please see 'A guide to Australian Government payments', at <https://www.servicesaustralia.gov.au/organisations/about-us/corporate-publications-and-resources/guide-australian-government-payments>

Basic rates (YA (Other), JSP, and Energy Supplement) (in AUD) at 1 January 2023

Youth Allowance (YA) (Other)	fortnightly	Energy Supplement (fortnightly)	Total (fortnightly)
Single, under 18, at home*	332.90	3.90	336.80
Single, 18 and over, at home*	389.40	4.60	394.00
Single, away from home	562.80	7.00	569.80
Single, with dependent child(ren)	720.40	9.20	729.60
Single, principal carer of a dependent child (granted an exemption from activity test for foster caring/home schooling/distance education/large family)	915.40	12.00	927.40
Partnered, no dependent child(ren) (each)	562.80	7.00	569.80
Partnered, with children (each)	612.60	7.70	620.30

* Commonwealth Rent Assistance is unavailable where a young person receives an 'at home' rate of payment.

Note: Payments are made fortnightly.

Source: [A guide to Australian Government payments](https://www.servicesaustralia.gov.au/organisations/about-us/corporate-publications-and-resources/guide-australian-government-payments).

JobSeeker Payment (JSP)	fortnightly	Energy Supplement (fortnightly)	Total (fortnightly)
Single, 22 and over, no children	668.40	8.80	677.20
Single, 22 and over, with dependent child(ren)	718.60	9.50	728.10^
Single, 60 and over, after 9 months on payment	718.60	9.50	728.10^
Partnered, 22 or over (each)	608.70	7.90	616.60
Single, principal carer of a dependent child (granted an exemption from activity test for foster caring/home schooling/distance education/large family)	915.40	12.00	927.40^

* Commonwealth Rent Assistance is unavailable where a young person receives an 'at home' rate of payment.

Note: Payments are made fortnightly.

^These typical rates also include Pharmaceutical Allowance.

Note: Payments are made fortnightly.

Source: [A guide to Australian Government payments](https://www.servicesaustralia.gov.au/organisations/about-us/corporate-publications-and-resources/guide-australian-government-payments).

2.2.3. Benefit duration

While there are generally no restrictions on the duration of unemployment payments, and recipients can re-apply for benefits after periods of ineligibility, recipients may be

⁶ JSP and YA (Other) recipients may receive the Pharmaceutical Allowance if they are temporarily incapacitated, or have a partial capacity to work, or if they are single principal carers. JSP recipients may also receive the Pharmaceutical Allowance if they are over 60 years of age and have received income support continuously for at least 9 months. The TaxBEN model only simulates Pharmaceutical Allowance for JSP recipients who are single principal carers, and classifies Pharmaceutical Allowance as a family benefit (not an unemployment benefit or social assistance), see Section 4.2.2.

required to serve a waiting period, or periods, prior to payments commencing if they do not meet various hardship or waiver criteria⁷ (not simulated in the TaxBEN model).

2.2.4. Means test

Benefit receipt and rates of payment are determined by the operation of income and assets tests.

Asset test (Youth Allowance, Jobseeker Payment, Parenting Payment)

Assets affect eligibility for Youth Allowance, JobSeeker Payment and Parenting Payment. If total combined assets exceed the relevant asset value limits, no benefit is payable.

The asset value limits vary depending on whether the payment recipient is single or partnered and whether the person is a homeowner or non-homeowner. For partnered recipients, the asset test applies to the combined assets of the claimant and their partner. As at 1 January 2023, the value limits are as follows:

- Single: homeowner AUD 280,000, non-homeowner AUD 504,500.
- Partnered: homeowner AUD 419,000, non-homeowner AUD 643,500.

The asset test is not modelled in TaxBEN.

Services Australia administers and delivers social security assistance. Officers within Services Australia assess assets as part of payment claims and as part of ongoing assessments of assets values.⁸

Assets are assessed at their net market value as estimated by the payment recipient.⁹ The value of residential real estate is adjusted each year, while other property values are generally adjusted every 2 years. Market linked managed investments and listed securities are generally revalued twice a year.

Most property, belongings and investments are assessed as part of the assets test, including:

- Residences or properties apart from a person's principal home (for example, vacant blocks, investment properties and holiday homes). People who own property apart from their principal home have an asset they are able to sell, borrow against or rent out to obtain income for their self-support. It does not make a difference if the second (or subsequent) house is rented or not.
- Cultivated and uncultivated lands. If the land is used to derive a profit, that profit is counted as income under the income test. If the land is not used to generate income, the value of the land is still counted in the assets test.
- Vehicles, including cars, caravans and boats. There are no exemptions for a primary vehicle. The asset value is determined by the person's estimate of the market value of their vehicle.

⁷ For more information, see the following links for [Jobseeker Payment](#) and [Youth Allowance](#).

⁸ The Social Security Act 1991 and the Social Security (Administration) Act 1999 are the legislative basis for the operation of the social security system, including the means test. Policy guidelines are also contained within the [Guide to Social Policy Law](#).

⁹ Valuations by professionally qualified valuers are also available.

- Household appliances and personal belongings. The market value of the household contents/personal belongings is estimated by the individual. Generally, the value of items such as household contents or a car would be well below the assets limits.
- Financial assets including transaction accounts, savings accounts, term deposits, managed investments, bullion investments, shares and most superannuation (for those over pension age – the asset value of superannuation is excluded for those under age pension age). Financial assets are valued at their current net market value with revaluations made biannually (on 20 March and 20 September) using the latest prices available.
 - Financial assets are also subject to the deeming rules. Deeming assumes that financial investments are earning a certain rate of income, regardless of the amount of income they are actually earning. If income support recipients earn more than these rates, the extra income is not assessed.
- Assets relating to businesses, both in Australia and overseas; assets in trusts and companies.

The following items are not included in the assets test:

- The principal home (or main residence) and two hectares of adjacent land.¹⁰
- Superannuation assets for those under age pension age.
- Compensation and insurance payments relating to damage to buildings/personal effects.
- Certain funeral expenses and investments.
- Hardship provisions exist which can result in certain assets being disregarded as unrealisable in circumstances of severe financial hardship, for example where a property cannot be sold as a claimant/recipient's near relative has lived there long-term.

Income test

Income for the purposes of income support income tests is 'ordinary income'. This concept differs to that used for taxation and family assistance purposes. 'Ordinary income' includes:

- Earnings.
- Other income not considered in the TaxBEN model (including deemed income from financial investments and various other sources of income such as income from real estate, businesses, farms, trusts and overseas pension to name a few).

Ordinary income is assessed at a gross level. Personal income tax is NOT deducted from the income received for the purposes of the income test.

Ordinary income excludes child maintenance income and other social security payments. Ordinary income (except employment income) is generally assessed in the first fortnight it is earned, derived or received. Earnings are assessed in the fortnight in which they are received.

¹⁰ Older Australians with a continuing, productive and long-term attachment to their land may have the value of additional land beyond two hectares exempt from the assets test.

The personal income test for JSP recipients (excluding principal carers who are single) has an income disregard or ‘free area’ of AUD 150.00 per fortnight. Each dollar of income above AUD 150.00 and up to AUD 256.00 reduces the rate of payment by 50 cents. Thereafter the withdrawal rate for payments is 60 cents in the dollar.

The personal income test for YA (Other) has an income disregard or ‘free area’ of AUD 150.00 per fortnight. Each dollar of income above AUD 150.00 and up to AUD 250.00 reduces the rate of payment by 50 cents. Thereafter the withdrawal rate for payments is 60 cents in the dollar.

Recipients of JSP who are single and the principal carer for a dependent child have an income free area of AUD 150.00 per fortnight. Income above this amount reduces payment at the rate of 40 cents for each dollar.

A recipient’s partner can also earn an amount before their income affects the recipient’s income support payment. Partner income above the partner income ‘free area’ of AUD 1,196.00 per fortnight reduces the rate of the recipient’s payment by 60 cents in the dollar.¹¹

If the partner is receiving a pension payment (not modelled in TaxBEN), the couple’s income is combined and 50 per cent assessed under the relevant income test for each member of the couple.

YA (Other) for dependent young people is subject to the personal income test and parental means testing arrangements that include parental income and family asset tests (not considered in TaxBEN).

2.2.5. *Tax treatment*

JSP and YA (Other) (excluding Energy Supplement) are taxable payments. However, a tax rebate (or tax offset) operates so that a person in receipt of an income support payment for the entire income tax year does not pay tax on that payment (see Section 8.1.5).

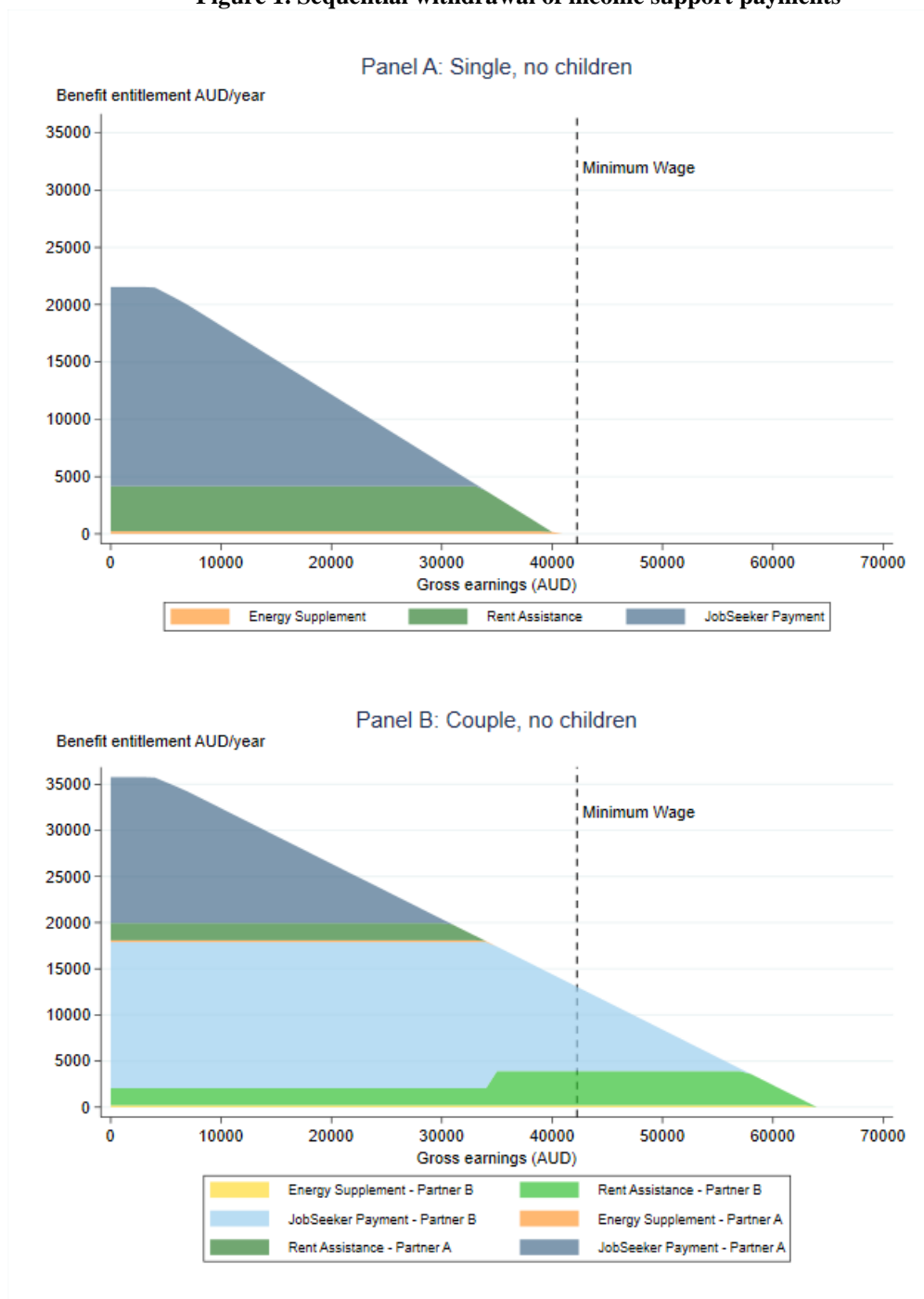
2.2.6. *Interactions with other components of the tax-benefit system*

If parents or other carers of dependent children are receiving JSP or YA, they are exempt from the Family Tax Benefit Part A (FTBA) income test (see Section 4), and the Family Tax Benefit Part B (FTBB) primary-earner income limit, but not the FTBB secondary-earner income test. As a result, JSP and YA recipients automatically receive the maximum Family Tax Benefit Part A.

For recipients of supplementary benefits, means testing withdraws the components of the total Income Support Payment (ISP) sequentially. The general case is withdrawal of the primary payment first (JSP/YA or PP), followed by Rent Assistance (Section 3.2), and then Energy Supplement (Figure 1).

¹¹ There are two methods used to calculate the partner income free area, based on whether the recipient’s partner receives income support or not:

- If a recipient’s partner gets a social security benefit, the partner income free area is the amount of income, rounded up to the nearest dollar, beyond which that benefit would cease to be payable to the partner under the personal income test.
- If a recipient’s partner does not receive any social security benefits, the partner income free area is the amount of income, rounded up to the nearest dollar, that would preclude JSP or YA payment under the relevant personal income test *if the partner was qualified for the payment*. See <https://guides.dss.gov.au/guide-social-security-law/1/1/p/80> for details.

Figure 1. Sequential withdrawal of income support payments

Note: All figures are in AUD per year. Calculations for the couple without children assume that both partners are out of work claiming JSP.

Source: Calculations using OECD tax-benefit model, 2023.

2.2.7. Combining benefit receipt and employment/starting a new job

A person in full-time paid work is not eligible to receive unemployment payments.

2.2.8. Indexation

Australia's unemployment payments are automatically indexed according to provisions in social security legislation. Base rates of these payments are indexed to increases in the Consumer Price Index (CPI).

Payment rates of the Youth Allowance (Other) Payment are indexed once a year on 1 January in line with CPI movements over a 12-month period. Payment rates of the JobSeeker Payment are indexed twice a year on 20 March and 20 September in line with CPI movements over a 6-month period.

The assets free areas for unemployment payments are indexed once a year on 1 July in line with CPI movements over a 12-month period. The income test free areas and thresholds for JobSeeker Payment and Youth Allowance (Other) are not indexed.

3. Social assistance and housing benefits

3.1. Social Assistance

The benefits described in Sections 2.2 (JSP/YA (Other)) and 4.2 (PP) are flat-rate means-tested benefits that do not depend on prior work history or social security contributions, and provide comprehensive coverage for low income working age Australians. Consequently, modelling results for social assistance payments reflect the benefits described in Section 2.2 and 4.2, and do not include 'Special Benefit', which is therefore not modelled (see Annex).

OECD note: the fact that Australia does not have an unemployment insurance programme and provides income assistance to job seekers and other out of work individuals through a single benefit programme (JSP/YA (Other)) has effects on how TaxBEN categorises this benefit. The categorization of the JSP/YA (Other) as "social assistance" (variable "SA" in TaxBEN) or "unemployment assistance" (variable "UB" in TaxBEN, which includes Unemployment Insurance and Unemployment Assistance programmes) depends on whether model users allow the family to claim unemployment benefits or not. If they do, TaxBEN categorises JSP/YA (Other) as UB, independently of whether model users allow the family to claim also SA benefit. However, if model users allow the family to claim social assistance benefit but not unemployment benefit, TaxBEN categorises JSP/YA (Other) as SA.

3.2. Housing supplement (Commonwealth Rent Assistance (CRA))

Variable name: **[HB]**

This is a non-contributory benefit, means-tested and not taxable.

Housing assistance exists in two main forms: Commonwealth Rent Assistance (CRA), and social housing provided by state and territory governments and not for profit organisations with financial assistance from the Australian Government (not modelled).

CRA is a supplementary payment intended as rental cost assistance for social security payment recipients.

3.2.1. Eligibility conditions

CRA is a non-taxable income supplement that is paid as a part of, or component of, a primary benefit. Primary benefits can be: JSP / YA (Section 2.2), PP (Section 4.2), Family Tax Benefit Part A (Section 4.1), Veteran's service pension, or income support supplements for eligible Australian individuals and families liable to pay private rent

for their principal home or are living in community housing. A person must be eligible for a primary benefit payment to claim CRA.

3.2.2. *Benefit amount*

CRA is paid at the rate of 75 cents for every dollar of rent paid above the specified minimum rent threshold until the maximum rate is reached. The maximum rates and minimum rent thresholds vary according to a person's family situation, i.e. single or couple and the number of children they have and, for singles without children, whether accommodation is shared with other adults.

Commonwealth Rent Assistance
Rates at 1 January 2023 (in AUD)

Family situation	Maximum payment per fortnight	No payment if fortnightly rent is less than	Maximum payment if fortnightly rent is more than
Single, no children	151.60	135.40	337.54
Single, no children, sharer	101.07	135.40	270.16
Couple, no children*	142.80	219.20	409.60
Single, 1 or 2 children	178.36	177.80	415.62
Couple, 1 or 2 children	178.36	262.78	500.60
Single, 3 or more children	201.32	177.80	446.23
Couple, 3 or more children	201.32	262.78	531.21

Source: A guide to Australian Government payments.

*Other rates of payment are available for couples separated due to illness or temporarily separated.

3.2.3. *Benefit duration*

No limit.

3.2.4. *Means test*

CRA does not have a separate income or assets test. However, the rate of CRA payable may be affected by the income or assets test applicable to the primary payment.

For those without children, withdrawal of CRA occurs after entitlement to the primary payment has been exhausted. For families with children, CRA is generally paid and means tested under Family Tax Benefit Part A (FTBA, see Section 4 for details). This means that withdrawal of CRA occurs alongside withdrawal of other components of FTBA as a proportion of the overall FTBA withdrawal rate. Section 4 describes the withdrawal mechanism in more detail.

OECD note: For couples, if a recipient's income precludes them from payment in a particular fortnight, this recipient is still considered on payment with a 'zero rate' for up to six consecutive fortnights. After this period, if the circumstances have not changed, they become ineligible for income support, and therefore CRA. During this six-fortnight period, the recipient's partner continues to receive half of the CRA. However, over the long term and at these higher income levels, the recipient would not have been eligible for CRA in the first place and their partner would have received 100% of CRA. This is the case modelled in the OECD TaxBEN model. Effectively, if the recipient is means-tested to zero, the calculations treat their partner as if they had initially received 100% of the couple's total CRA.

3.2.5. *Tax treatment*

CRA is not taxable.

3.2.6. *Interaction with other components of the tax-benefit system*

CRA is withdrawn as part of the means tests for other benefits as described above.

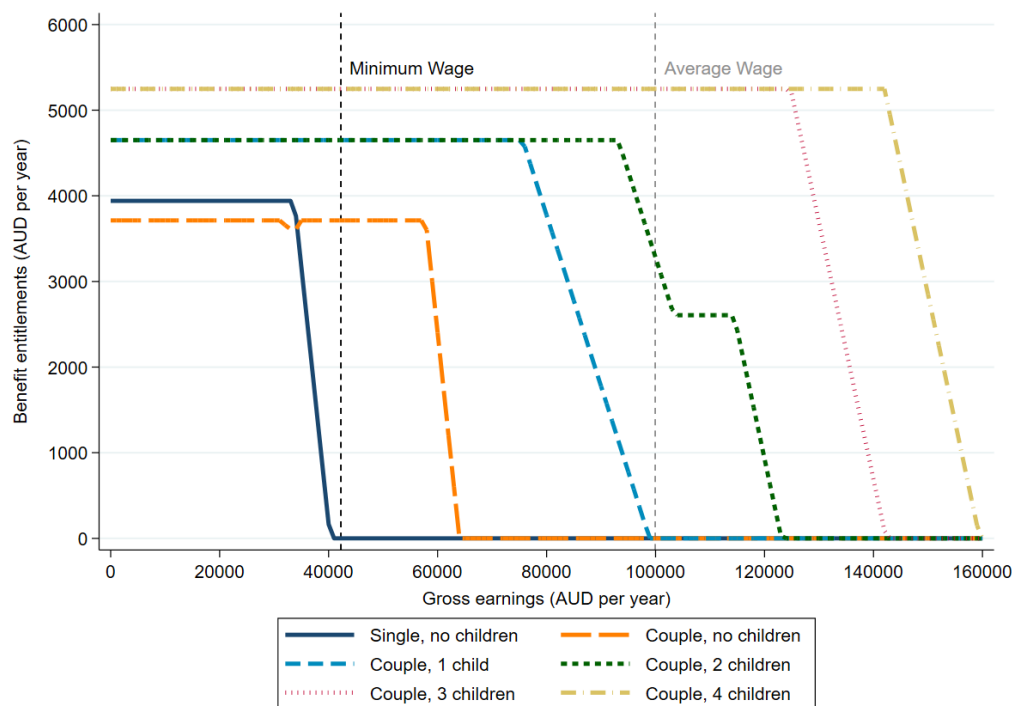
3.2.7. Combining benefit receipt and employment/starting a new job

A person in full-time work is eligible to receive CRA, subject to the operation of the relevant payment's income tests.

3.2.8. Indexation

CRA thresholds and maximum rates are adjusted each year in March and September, in line with Consumer Price Index (CPI) increases.

Figure 2. Difference in overall entitlements received by renting and non-renting families



Note: All figures in AUD per year. For couples, one person earns all the income while the other is unemployed claiming JSP. The amount of rent paid is equal to 20% of the average wage.

Source: Calculations using OECD tax-benefit model, 2023.

4. Family benefits

Variable name: **[FB]**

Family Tax Benefit (FTB) is a payment that helps eligible families with the cost of raising children. It is made up of two parts:

- FTB Part A – is paid per-child and the amount paid is based on the family's circumstances and income test. It can include additional supplements for newborn children and families with multiple births (triplets or more).
- FTB Part B – is paid per-family and gives extra help to single parents and some couple families with one main income.

Families may be eligible for one or both of these benefits depending on their circumstances.

FTB is paid either fortnightly based on an estimate of 'Adjusted Taxable Income' (ATI) or as a lump sum after the end of the financial year, when final adjusted taxable income is known. An end-of-year supplement is available for FTB Part A and FTB Part B when payments are reconciled following the lodgement of tax returns¹². FTB recipients may also be eligible for the Energy Supplement, subject to eligibility conditions. FTB is described in Section 4.1.

The **Single Income Family Supplement (SIFS)** provides assistance of up to AUD 300 a year for families with a primary earner earning between AUD 68,000 and AUD 150,000. As of 1 July 2017, SIFS ceased for new recipients, however those who were already receiving it can continue to do so as long as there is no break in their eligibility. As the TaxBEN model simulates the case of a new claimant, this benefit is no longer included in the model.

Parenting Payment (PP) is available to the principal carer of a dependent child aged under six for partnered recipients (PP-Partnered), or aged under eight for single recipients (PP-Single). Only one parent or guardian can receive the payment. PP is described in Section 4.2.

4.1. Family Tax Benefit

Variable names: **[FTB_A;FTB_B]**

This is a non-contributory benefit, means-tested and not taxable.

4.1.1. Eligibility conditions

To receive FTB Part A, a family must have a qualifying child aged up to 19 years (up to the end of the calendar year in which they turn 19). A child is not a qualifying child for FTB purposes if they receive an income support payment in their own right or they are aged 16-19 and not in full-time secondary study. To be eligible for the FTB Part A end-of-year supplement, the family's adjusted taxable income must be AUD 80,000 or less.

To receive FTB Part B, a family must have a qualifying 'FTB child' aged under 13 years. For single parents or grandparents to receive FTB Part B, they must have a qualifying 'FTB child' aged under 16 or a dependent full-time secondary student up to the age of 18 (up to the end of the calendar year in which they turn 18). The primary income earner's adjusted taxable income must also be AUD 104,432 or less.

As of 20 March 2017, Energy Supplement ceased for new recipients, however those who were already receiving it on 19 September 2016 can continue to do so as long as there is no break in their eligibility. As TaxBEN simulates the case of a new claimant, Energy Supplements are not included in the model.

4.1.2. Benefit amount

The maximum rate of FTB Part A comprises a rate paid for each dependent child and the Energy Supplement Part A (subject to eligibility conditions). For private renters, FTB Part A also includes Commonwealth Rent Assistance (CRA), calculated as outlined in Section 3.2. Other components may be available subject to eligibility¹³ (not

¹² Payments may also be reconciled using an income declaration if a family does not need to lodge a tax return.

¹³ Newborn Supplement provides an increase in FTB Part A for up to 13 weeks for families that claim it for a birth, adoption or child aged under one year who is entrusted to care. Multiple Birth

modelled in TaxBEN). Family Tax Benefit Part A is also available at a lower per child 'base rate' of payment that is subject to an income test with a higher income free area. The base rate of payment for a family is calculated as the sum of the base rates for all FTB children and may also include the Energy Supplement Part A.

Family Tax Benefit Part B is a family-based payment with a maximum rate of payment based on the age of the youngest child. FTB Part B also includes the Energy Supplement Part B, subject to eligibility.

The 2022-23 maximum rates of FTB are outlined in the following tables. The fortnightly rates of FTB Part A and FTB Part B exclude the 'per child' FTB Part A supplement and the 'per family' FTB Part B supplement. This is because the supplements can only be paid after the end of the income year when family income can be fully assessed.

Families who do not meet the health check requirements or immunisation requirements for a child will have their FTBA standard rate reduced by up to AUD 30.66 for each child who does not meet the immunisation requirement¹⁴. It is assumed these behavioural requirements are met in the TaxBEN model.

Family Tax Benefit Part A (FTBA, in AUD), 2022-2023

Age of youngest child	Fortnightly rate	Yearly rate**
Child under 13	197.96	5,978.70
Child 13-15	257.46	7,529.95
Child 16-19 secondary student, or exempt from requirement	257.46	7,529.95
Base rate for each child	63.56	2,474.70
Energy Supplement Part A rates:		
<i>Maximum rates for each child:</i>		
- Aged under 13 years	3.50	91.25
- Aged 13-15 years	4.48	116.80
- Aged 16-19 years	4.48	116.80
- Aged 16-19 years in an approved care organisation	0.98	25.55
<i>Base rates for each child:</i>		
- All ages	1.40	36.50

Family Tax Benefit Part B (FTBB, in AUD), 2022-2023

Age of youngest child	Fortnightly rate	Yearly rate***
Under 5 years	168.28	4,785.15
5 - 15 years, (or 16 - 18 years if a full-time secondary student)	117.46	3,460.20
Energy Supplement Part B rates each family:		
<i>Age of youngest child:</i>		
- Under 5 years	2.80	73.00
- Aged 5-18 years	1.96	51.10

**The FTB Part A per year figures include the FTB Part A Supplement (AUD 817.60 per child) but the fortnightly figures do not.

***The FTB Part B yearly figures include the FTB Part B Supplement of AUD 397.85 per year but the fortnightly figures do not.

Source: A guide to Australian Government payments.

Allowance is a component of an eligible individual's maximum rate of FTB Part A where the individual has three or more FTB children from the same birth. It is payable until the children turn 16 years of age, or if at least three of the children are in full time study until the end of the calendar year in which they turn 18 years of age.

¹⁴ To meet immunisation requirements a child must either be up to date with immunisations listed in the Family Assistance (Immunisation Principles and Vaccination Schedules) (DSS) Determination 2018 and the Family Assistance (Immunisation and Vaccination) (Education) Determination 2018 for their age, engaged in a catch-up schedule or have a valid exemption.

4.1.3. *Benefit duration*

No limit.

4.1.4. *Means test*

Both FTB Part A and FTB Part B (and their components¹⁵) are income tested against family income as described below.

The income considered for the purposes of the income tests is defined as the ‘adjusted taxable income’ (ATI). ATI includes the taxable income (Section 8), target foreign income, certain employer provided fringe benefits, certain tax free pensions or benefits, reportable superannuation contributions and total net investment losses, minus any child support paid. ‘Family income’ is the ATI of the parent claiming payment and their partner.

Of the income components that form the ATI, the TaxBEN model only includes:

- earnings;
- the taxable components of JobSeeker Payment (JSP, Section 2.2); and
- the taxable components of Parenting Payment (PP, Section 4.2).

Income tax is NOT deducted from income for the purposes of the FTB income tests.

FTB Part A is also subject to a maintenance income test (described below, but not modelled in the TaxBEN model).

FTB Part A

FTB Part A is paid ‘per child’ with eligibility assessed on a family’s estimated income during an entitlement year, with reconciliation determining actual eligibility based on annual ATI after an entitlement year. FTB Part A is not assets tested.

A family whose ATI is above AUD 80,000 is not eligible for the FTB Part A end of year supplement.

A family’s rate of FTB Part A is calculated using two income test methods. The method that gives the higher rate will apply. The family income test does not apply to those who receive, or whose partner receives, an income support payment such as a social security pension or benefit including JobSeeker Payment (Section 2.2) and Parenting Payment (Section 4.2), or to families with income below AUD 58,108.

The Method 1 income test reduces the maximum rate of FTB Part A by 20 cents for each dollar of income earned above the lower income free area (LIFA) of AUD 58,108 per year, and by 30 cents for each dollar of income above the higher income free area (HIFA) of AUD 103,368 per year.

The maintenance income test reduces the maximum rate for each child attracting maintenance by 50 cents for every dollar of maintenance received over the maintenance income free area (MIFA):

- AUD 1,752.00 per year for a single parent, or one of a couple receiving maintenance;
- AUD 3,504.00 per year for couple parents, each receiving maintenance; and
- AUD 584.00 per year for each additional child.

OECD note: the maintenance income test is not modelled in TaxBEN.

¹⁵ CRA, Newborn Supplement, Multiple Birth Allowance and Energy Supplement Parts A and B.

A family's entitlement is the higher of the:

- income and maintenance test rate (standard rate is reduced by 20 cents for each dollar earned between the LIFA and the HIFA, and by 30 cents for each dollar over the HIFA until it reaches a nil rate); or
- base rate.

The Method 2 income test applies when the family income is above the higher income free area (HIFA) of AUD 103,368. In this case, the maximum base rate is reduced by 30 cents for each dollar earned above the HIFA of AUD 103,368.

A family's entitlement is the higher of the:

- income and maintenance test rate (standard rate is reduced by 20 cents for each dollar earned between the LIFA and the HIFA, and by 30 cents for each dollar over the HIFA until it reaches a nil rate); or
- tapered base rate (base rate is reduced by 30 cents for each dollar earned over the HIFA until it reaches nil rate).

Figure 3 shows the reduction of FTB Part A for a family with two children.

FTB Part B

Two income tests apply to couple families. Eligibility is restricted to families where the primary income earner earns AUD 104,432 or less. An income test on the 'second' or lower income earner determines the FTB Part B amount. For second earners, every dollar of income (including income support payments) above AUD 6,059 a year reduces payment by 20 cents in the dollar. A second earner can still get some FTB Part B if their income is below AUD 29,985 a year if their youngest FTB child is under 5 years of age; or AUD 23,360 a year if their youngest FTB child is aged 5 years or over. These income limits take into account the FTB Part B Supplement of AUD 397.85 per year that can only be paid after the end of the income year.

Single parents automatically receive the maximum amount of FTB Part B if they earn AUD 104,432 or less.

4.1.5. Tax treatment

The benefit is not taxable.

4.1.6. Interaction with other components of the tax-benefit system

Recipients of income support payments automatically receive the maximum rate of FTB Part A as described above. Children who receive income support payments (such as JobSeeker Payment, Parenting Payment, or Youth Allowance) are not considered FTB children.¹⁶

4.1.7. Combining benefit receipt and employment/starting a new job

A person in full-time work is eligible to Family Tax Benefit, subject to the operation of the relevant payment's income tests.

¹⁶ Some exceptions apply with ABSTUDY.

4.1.8. Indexation

Australia's Family Tax Benefit payments are automatically indexed according to provisions in family assistance legislation. Payment rates are indexed to increases in the CPI.

Payment rates as well as income free areas and thresholds for Family Tax Benefit are indexed once a year on 1 July in line with CPI movements over a 12-month period.

4.2. Parenting payment (PP)

Variable name: **[PP]**

This is a non-contributory benefit means-tested and taxable.

4.2.1. Eligibility conditions

Parenting Payment (PP) is available to the principal carer of a dependent child aged under six for partnered recipients "PP (Partnered)", or aged under eight for single recipients "PP (Single)". Only one parent or guardian can receive the payment at a time.

4.2.2. Benefit amount

The rates of PP are dependent on partnered status, and subject to personal and partner income testing. An assets test also applies with the same parameters outlined for unemployment assistance in section 2.2.4, with no benefit payable above the assets value limit. PP recipients are eligible to receive the Energy Supplement as part of their payment. The Energy Supplement is added to the basic payment rate and income tested as part of the payment.

Other allowances available to PP (Single) recipients include the Telephone Allowance **[TEL]** of AUD 33.40 per quarter and the Pharmaceutical Allowance **[PHA]** of AUD 6.60 per fortnight.¹⁷ Both of these allowances are also available to recipients of JSP and YA who are the single principal carer for a dependent child.

Parenting Payment (in AUD)

Parenting Payment (PP)	Maximum rate (fortnightly)	Energy supplement (fortnightly)
Single	915.40	12.00
Partnered	608.70	7.90

Note: the maximum PP (Single) rate includes an additional pension supplement, which is currently AUD 26.20 per fortnight.

4.2.3. Benefit duration

There are no restrictions on the duration of payment, other than those outlined in 4.2.1 relating to the age of the child.

¹⁷ PP (partnered) can claim the Pharmaceutical Allowance only if they are temporarily incapacitated, or have a partial capacity to work, or are over 60 years of age and have received income support continuously for at least 9 months and are under the qualifying age for age pension. As these circumstances are outside the scope of the OECD TaxBEN model, claimants of PP (partnered) do not receive Pharmaceutical Allowance in the OECD calculations.

4.2.4. Means test

Asset Test

Both PP (Single) and PP (Partnered) are subject to the benefits assets test described in Section 2.2.4. Neither PP (Single) nor PP (Partnered) are payable if a recipient's assets exceed those limits.

Income Test

The PP income test considers 'ordinary income' as defined in Section 2.2.4.

PP (Single) has an income disregard or 'free area' of AUD 202.60 per fortnight plus AUD 24.60 for each additional dependent child after the first. Income above the free area reduces payment at the rate of 40 cents for each dollar.

PP (Partnered) has an income disregard or free area of AUD 150.00 per fortnight. Each dollar of income above AUD 150.00 and up to AUD 256.00 reduces the rate of payment by 50 cents. Thereafter the withdrawal rate for payments is 60 cents in the dollar.

A recipient's partner can also earn AUD 1,196.00 per fortnight before their income affects the recipient's income support payment. Partner income above this threshold reduces the rate of the recipient's payment by 60 cents in the dollar.

4.2.5. Tax treatment

Parenting Payment is assessable income for tax purposes. PP (Single) recipients are eligible for Seniors and Pensioners Tax Offset (SAPTO). PP (Partnered) recipients are not eligible for the SAPTO but are eligible for the Beneficiary Tax Offset (BENTO).

4.2.6. Interaction with other components of the tax-benefit system

The same person cannot claim PP and JSP/YA at the same time.

OECD note: TaxBEN assumes that the person claims the most generous benefit. When benefits have the same rates, the model gives priority to PP. For one-earner couples, the model typically assumes that the non-working spouse (the 'second adult', according to the TaxBEN methodology) is not eligible for unemployment benefits, i.e. JSP, but claims family benefits, i.e. PP (partnered).

Income support recipients are exempt from the FTBA income test, and the FTBB primary earner income limit, but not the FTBB secondary earner income test. Hence, a recipient of PP (Single) automatically receives the maximum entitlement for FTBA and FTBB. However, PP (Partnered) recipients (coupled families) may be affected by the FTBB secondary earner income test, and thus may not always receive the maximum entitlement for FTBB.

Income support recipients are no longer exempt from the childcare income test under the Child Care Subsidy.

4.2.7. Combining benefit receipt and employment/starting a new job.

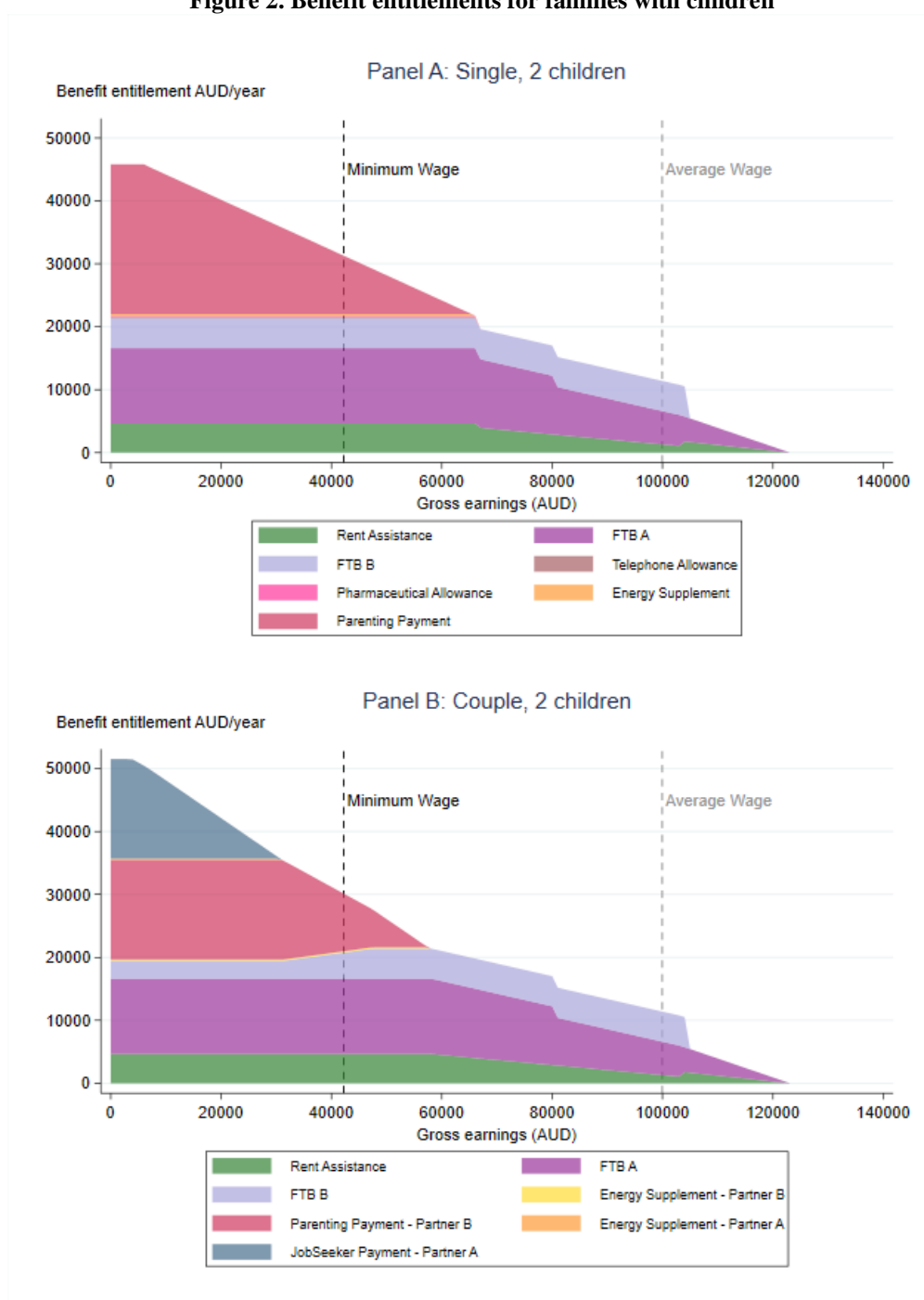
A person in full-time work is eligible for Parenting Payment, subject to the operation of the relevant payment's income tests.

4.2.8. Indexation

Parenting Payment base rates are automatically indexed according to provisions in social security legislation.

Base rates of these payments are indexed to increases in the CPI twice a year on 20 March and 20 September in line with CPI movements over a 6-month period. If the value of PP (single) after CPI indexation is less than using 25% of the annualised male total average weekly earnings (MTAWE), the rate of PP (single) is instead indexed to 25% of the increase in MTAWE.

The income free area for PP (Single) is indexed once a year on 1 July in line with CPI movements over a 12-month period. The income free area for PP (Partnered) is not indexed.

Figure 2. Benefit entitlements for families with children

Note: All figures are in AUD per year. For couple parents, one parent (“Partner A”) earns all the income and claims JSP, whereas the other parent (“Partner B”) is out of work claiming Parenting Payment (partnered). The amount of rent paid is equal to 20% of the average wage.

Source: Calculations using OECD tax-benefit model, 2023.

5. Net costs of Early Childhood Education and Care

Compulsory and minimum school starting ages are determined in each Australian state and territory and may vary. In New South Wales, children must be aged five by 31 July to start school that year, and the compulsory starting age is six. In the TaxBEN model, a five year old is assumed to attend school.

All states and territories provide universal preschool of at least 600 hours (or 15 hours per week during school terms) in the year before full time school, as per the National Preschool Reform Agreement¹⁸. Preschool programs may operate in a number of ways, for example within centre-based day care, as community preschools or as school-based programs attached to primary schools. The type of provision and number of children enrolled varies between states. It is up to the states to determine how program funding relates to costs to parents.

In New South Wales, universal preschool applies to 4 year olds. It is low or no cost for children attending public Department of Education preschools. However, most 4 year olds who attend a preschool program attend one within centre-based day care where they are charged fees and are eligible for the Child Care Subsidy as detailed in the following sections. This is the case considered in the TaxBEN model.

In 2022, the state governments of New South Wales, Victoria and Queensland announced the intention to extend universal preschool. In New South Wales this will include increasing available hours and decreasing costs to parents for 3 and 4 year olds in the coming years, although the policy design is not finalised¹⁹.

TaxBEN considers centre-based daycare in New South Wales. In this setting two childcare benefits apply: the federal Child Care Subsidy (Section 5.4) and the state-based fee relief program Strong Start for long day care (Section 5.5).

5.1. Gross childcare fees

Variable name: `[ALcc_cost]`

The Australian Government does not set or regulate the fees that parents are charged by individual child care services. Variation in costs occurs as a result of factors including state and territory licensing requirements, award wages, and whether fees include charges for additional services such as nappies and meals.

The TaxBEN model uses the median full-time fee for the March quarter for centre-based care across all areas, as published annually in the Report on Government Services²⁰ (RoGS). Where this report is not yet available, the previous year's fee is uprated in line with CPI inflation and this figure is used until the report is released.

The median full-time fee for centre-based care across all areas in the March quarter 2023 was AUD 610 per week (RoGS 2024) or AUD 12.20 per hour²¹.

Child care fees are not tax deductible, and are not taken into account when assessing entitlements for other benefits.

5.2. Discounts for part-time usage

Providers of centre-based daycare typically require parents to purchase care in blocks of hours or 'sessions'. Most sessions cover a full day of care, but the specific number of hours is not regulated and varies between centres. It is usually between 10 and 12 hours. Fees are charged, and subsidies applied, for the full session/day of care regardless of the

¹⁸ <https://federalfinancialrelations.gov.au/agreements/preschool-reform-agreement>

¹⁹ <https://education.nsw.gov.au/early-childhood-education/early-years-commitment/universal-pre-kindergarten>

²⁰ <https://www.pc.gov.au/research/ongoing/report-on-government-services>

²¹ The RoGS report presents the median hourly fee multiplied by 50 to calculate the median full-time fee.

number of hours actually attended. Full time childcare use (that is, 5 sessions or days per week) is uncommon in Australia.

In the TaxBEN model, it is assumed that parents are able to purchase care for just the hours they require (that is, the same number of work hours, up to 40 hours per week).²²

5.3. Fee discounts and free provision

None.

5.4. Child-care benefits for formal centre-based care: Child Care Subsidy

Variable name: `[cc_benefit]`

The Child Care Subsidy assists families with the cost of approved child care to support their workforce participation, and to meet the early childhood education needs for children. Child Care Subsidy is generally paid directly to approved child care providers to be passed on as a fee reduction to individuals.

There is also an Additional Child Care Subsidy, which provides targeted additional fee assistance to families and children facing barriers in accessing affordable child care. The Additional Child Care Subsidy will usually cover all of a child's child care fees. The Additional Child Care Subsidy provides extra support to children at risk of serious abuse or neglect, grandparent principal carers on income support, families experiencing temporary financial hardship and parents transitioning to work from income support. The Additional Child Care Subsidy is not simulated in the TaxBEN model, and the remainder of this section focuses on the Child Care Subsidy.

5.4.1. Eligibility

To be eligible for Child Care Subsidy the following must be met (assumed in the TaxBEN model):

- care for a child 13 or younger who's not attending secondary school, unless an exemption applies
- an approved child care service is used
- be responsible for paying the child care fees
- meet residency and immunisation requirements.

5.4.2. Benefit amount

Child Care Subsidy entitlement depends on the following:

- the claimant's, and their partner's if they have one, combined annual adjusted taxable income (described in Section 5.4.4)

²² The OECD does not currently collect consistent information on usage patterns, particularly where the hours of operation are not regulated by the government. In TaxBEN, a consistent assumption of eight hours of care per day is applied for all countries where daily usage patterns are not regulated, and where hourly fees are provided. This assumption does not reflect actual childcare use in Australia, however maintaining consistent patterns of use assumptions maintains the comparability of TaxBEN calculations across countries. For more information, see the TaxBEN methodology.

- the activity level of the claimant and their partner, if they have one (the ‘Activity test’, described below)
- the type of approved child care service used, and whether the child attends school (see the ‘Hourly rate cap’, described below)
- whether a family has multiple Child Care Subsidy eligible children aged five years or under (described in Section 5.4.4).

The TaxBEN model only considers childcare costs of children who have not started school.

Activity test

To be entitled to subsidised care, an individual must either meet the Child Care Subsidy activity test, or be exempt. If the individual is not exempt from the activity test, the number of hours of subsidised care they are entitled to per fortnight is determined by the amount of recognised activity the individual undertakes in a fortnight. A broad range of activities meet the activity test requirements, including paid work, being self-employed, doing unpaid work in a family business, looking for work, volunteering or studying.

In single parent families, the sole parent must meet the activity test or have an exemption. In two parent families, each parent must meet the activity test or have an exemption. The parent with the lowest activity test result determines the hours of subsidised care per fortnight the family are entitled to. Unless otherwise specified, the activity test result applies to all children in the family.

The following table shows the number of hours of subsidised care per fortnight an individual is entitled to, based on their hours of recognised activity.

Step	Hours of recognised activity per fortnight	Maximum number of hours of subsidy per fortnight
1	8 hours to 16 hours	36 hours
2	More than 16 hours to 48 hours	72 hours
3	More than 48 hours	100 hours

Families with combined annual adjusted taxable income of AUD 72,466 or less who do not meet or who are not exempt from the activity test are entitled to 24 hours of subsidised care per fortnight under the Child Care Safety Net.

Parents who receive JobSeeker Payment, Parenting Payment or Special Benefit and who have mutual obligation requirements have an activity test result of 36 hours of subsidised care per fortnight. Parents who are actively looking for work for at least 8 hours each fortnight also have an activity test result of 36 hours of subsidised care. In two parent families, the lowest activity test result of the two adults determines the hours of subsidised care the family are entitled to.

Parents who do not meet, and are not exempt from, the activity test are entitled to 36 hours of subsidised care per fortnight to support their preschool-aged child’s attendance at a preschool program in a centre based day care service in the year before the child starts primary school. This provision applies to 4 year olds in the TaxBEN model.

From July 2023, families will get at least 36 hours of subsidised care per fortnight for each First Nations child in their care and attending child care. This measure is not included in the TaxBEN model.

Hourly rate cap

The benefit amount is set as a percentage of parents' actual hourly childcare costs up to an hourly rate cap. The hourly rate caps are the maximum hourly rate the Government subsidises for each service type. Where a child care service charges a fee that is less than the hourly rate cap, families receive their applicable percentage of the actual fee charged. Where a service charges a fee that is equal to or above the relevant rate cap, families receive their applicable percentage of the hourly rate cap.

The hourly rate cap that applies to children attending centre based day care and outside school hours care is determined by whether the child attends school.

Hourly rate caps (in AUD) 2022-2023²³

Service type	Hourly rate cap (children below school age)	Hourly rate cap (school aged children)
Centre based day care	12.74	11.15
Outside school hours care	12.74	11.15
Family day care	11.80	
In home care (per family)	34.64	

In the TaxBEN model, only childcare for children below school age is simulated, and centre-based care is assumed.

Families are able to receive Child Care Subsidy for up to 42 allowable absence days per child per financial year for any reason without the family needing to provide evidence. Additional absence days are available for certain reasons, such as the child being ill, if supporting documentation is provided to their child care provider. [During 2021-22 and 2022-23, additional allowance absence days are available under certain conditions if the family is affected by coronavirus or a local emergency²⁴.](#)

5.4.3. *Benefit duration*

There are no restrictions on the duration of payment, other than those outlined in 5.4.1 relating to the age of the child.

5.4.4. *Means test*

Income thresholds are used to determine a family's Child Care Subsidy percentage. If an individual has a partner, their income is combined to determine their subsidy percentage. Assessable income is the family's 'adjusted taxable income', as described in Section 4.1.4. Assets are not directly assessed in the means test.

Families earning AUD 72,466 or less receive a subsidy of 85 per cent of the actual fee charged (up to the hourly fee cap). For family incomes above AUD 72,466, the subsidy gradually decreases to 20 per cent when family income reaches AUD 346,756. For families with incomes of AUD 356,756 or more, the subsidy is zero.

Combined family income (in AUD per year)	Subsidy per cent of the actual fee charged (up to relevant percentage of the hourly rate cap)
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²³ For further information: [The type of child care you use can affect Child Care Subsidy - Child Care Subsidy - Services Australia](#)

²⁴ Further details on specific conditions are available here:
<https://www.servicesaustralia.gov.au/if-youre-affected-coronavirus-covid-19-or-local-emergency-2021-22-financial-year?context=41186>

Up to 72,466	85 per cent
More than 72,466 to below 177,466	Decreasing to 50 per cent*
177,466 to below 256,756	50 per cent
256,756 to below 346,756	Decreasing to 20 per cent*
346,756 to below 356,756	20 per cent
356,756 or more	0 per cent

*Subsidy decreases by one per cent for each AUD 3000 of family income.

Note: All income thresholds represented above are in 2022-23 financial year terms.

In March 2022, the Multi child care subsidy was introduced. This pays a higher rate of subsidy for second and subsequent children aged 5 and under using approved child care. The standard rate child is the eldest CCS-eligible child aged 5 or under in the family. All younger children in the family are entitled to a higher subsidy of an additional 30% up to a maximum of 95%.

5.4.5. *Tax treatment*

This benefit is not taxable.

5.4.6. *Interaction with other benefits*

Under the Child Care Subsidy, introduced 1 July 2018, income support recipients are no longer exempt from the child care income test.

5.4.7. *Combining benefit receipt and employment/starting a new job*

Parents must meet an activity test, see Section 5.4.1 above.

5.4.8. *Indexation*

Hourly rate caps are indexed prior to each financial year with the latest December Quarter CPI annual growth.

The lowest income threshold is indexed at the start of each financial year (1 July) using the annual percentage change in CPI from the most recent December quarter, rounded to the nearest dollar. All other thresholds are kept a constantly value above the lower income threshold.

5.5. *Child-care benefits for formal centre-based care: Start Strong for Long Day Care (New South Wales)*

The Start Strong 2023 program for long day care provides funding to deliver affordable quality preschool education to children aged 4 and above who are enrolled in eligible long day care services in NSW.

From 2023, fee relief for families will be integrated into Start Strong and provide long day care services with sustainable long-term funding to deliver more affordable preschool to eligible children.

Start Strong for long day care funding is provided for children in the year or two before school and supports enrolment of at least 600 hours per year. Evidence shows that this level of participation in a quality early childhood education program in the two years before school is associated with better outcomes for children.

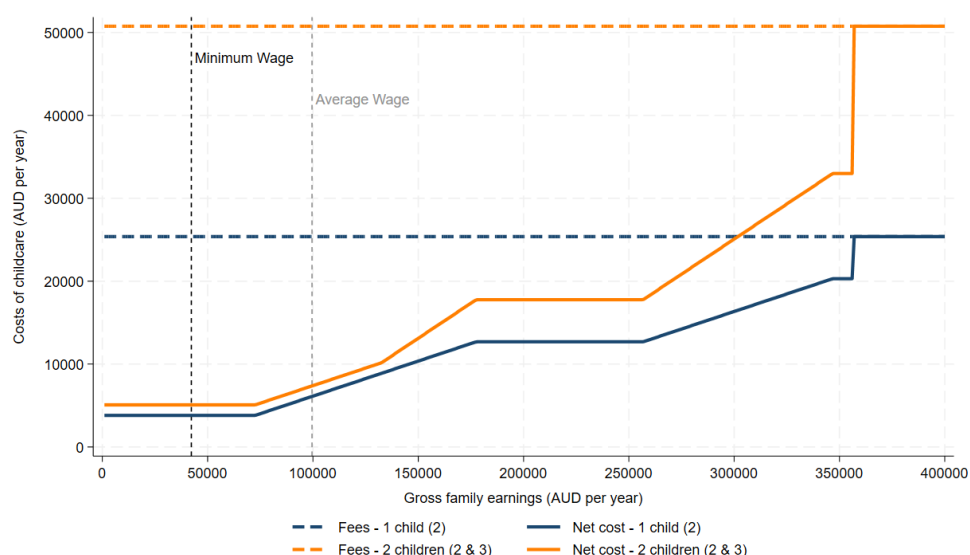
Fee-relief promotes universal access by providing:

- loadings for services which operate within the lower range of Socio-Economic Index for Areas (SEIFA) score of relative socio-economic disadvantage,

- loadings for children with an Aboriginal and Torres Strait Islander background, and
- up to AUD 2,110 per year in fee relief for children aged 4 and above in long day care.

OECD Note: The Start Strong for Long Day Care fee relief program is not included in the TaxBEN model.

Figure 4. Cost of childcare for families using centre based childcare



Note: All figures in AUD per year. Results assume that all adults work full time (noting that the statutory minimum wage is the lower bound for realistic earnings, and results for earnings levels lower than this are for illustrative purposes only). Children are all aged 4 or under and attend centre based childcare for 40 hours per week. The Childcare Subsidy is means tested based on Adjusted Taxable Income, not only earnings, however in TaxBEN ATI consists only of earnings and taxable payments (which are exhausted before the lowest income threshold is reached).

Source: Calculations using OECD tax-benefit model, 2023.

5.6. Child care allowance for children NOT using child care centres

OECD note: This section provides information on benefits where eligibility ceases if the family uses formal childcare services (often referred to as “home-care” or “child-raising” allowances). Eligibility for these allowances sometimes require that at least one parent does not work.

There are no such national benefits in Australia.

The Child Care Subsidy (Section 5.4) may be paid for other types of CCS-approved child care services and some families use more than one. Approved CCS can be paid in respect of Centre Based Day Care, Family Day Care, Outside School Hours Care, and In Home Care. These services are approved for the purposes of CCS by the Australian Government because they meet certain standards and requirements. This includes having a license to operate, qualified and trained staff, being open certain hours, and meeting health, safety and other quality standards.

The TaxBEN model only considers childcare use in centre based day care.

5.7. Tax concessions for childcare expenditures

Childcare fees paid by parents who use centre-based childcare are not tax deductible.

6. Employment-conditional benefits

OECD note: This section provides information on employment-conditional (“in-work”) benefits for employees, i.e. benefits whose eligibility is conditional on the following key requirements: 1) being regularly employed (in either the private or public sector); 2) working a certain number of hours and/or earning more than a certain minimum. This definition notably excludes ‘workfare’ programmes and related ‘work-first’ policies that make out-of-work benefits conditional on participation in work activities.

This section provides information also on one-off and/or temporary payments for benefit recipients who are out of work and make a transition into employment. These type of benefits are referred to as transitional “into-work” benefits in order to differentiate them from the “regular” in-work benefits that do not have any predefined maximum duration after moving into work.

Based on this definition, Australia does not have any “in-work” or “into-work” benefit programmes.

7. Social security contributions and payroll taxes

7.1. Social security contributions

No contributions are collected from employers or employees specifically for pensions, sickness, unemployment or work injury benefits, family allowances or other benefits.

Part of Australia’s retirement income system is the provision of compulsory employer contributions (the Superannuation Guarantee system). The Superannuation Guarantee requires employers to pay 10.5 per cent on top of employees’ gross ordinary time earnings to an approved superannuation fund. In each quarter, any earnings beyond a threshold are not covered by the Superannuation Guarantee. In the 2022-23 tax year, this threshold was AUD 60,220 per quarter. These contributions are included in the TaxBEN model as an employer contribution non-tax compulsory payment.

There is a Medicare levy which is based upon taxable income (see Section 8.1.4). This is classified as a tax in the TaxBEN model.

7.2. Payroll taxes

Variable names: `[SSCR_p; SSCR_s]`

Australian State Governments levy payroll taxes on wages, cash or in kind, paid by larger employers to their employees. The rates of payroll tax, thresholds and deductions differ across states. In the TaxBEN model the rules for New South Wales (NSW) are simulated.

In New South Wales, the State with the largest population, the payroll tax rate in 2022-23 was 5.45 per cent for employers with total Australian wages in excess of AUD 1,200,000. Employers are entitled to an exemption from tax, or a pro-rated payroll tax threshold, on wages paid in New South Wales up to a maximum of AUD 1,200,000 in 2022-23. The exempt amount is reduced based on the proportion of the employer’s New South Wales payroll to its total Australian payroll.

Payroll tax revenue is not used to fund social security payments. It forms part of the consolidated revenue of state governments, which do not deliver social security.

8. Taxes

As the Australian income tax year commences on 1 July, the following relates to the 2022-23 income tax year.

Members of the family are taxed separately, however family income is considered for certain taxes and tax offsets.

Personal income tax thresholds, Medicare levy thresholds and listed tax offsets are not automatically indexed. Changes to these thresholds and offset amounts require a decision by the federal government.

8.1. Personal income tax

Variable names: **[TAXES_p; TAXES_s]**

In Australia, income tax is levied by the federal government: no states or territories levy a tax based on a resident's income.

8.1.1. Tax allowances

Basic reliefs: There is no tax allowance as such, but taxable income earned up to AUD 18,200 per year by resident taxpayers is subject to tax at a zero rate.

8.1.2. Tax base

Individuals' taxable income in Australia is calculated as assessable income (including from salary and wages, investments, and government payments) less deductions for eligible expenses incurred e.g. in earning assessable income. Not all amounts received by individuals are considered to be assessable income, and some forms of assessable income are exempt from tax (e.g. certain government payments), or taxed concessionally (e.g. capital gains).

In TaxBEN, no deductions are applied and assessable income is earnings (from salary and wages) and taxable government payments.

8.1.3. Central government income tax schedule

Variable names: **[INCTAX_p; INCTAX_s]**

General rates of tax resident individuals – 2022-23

Taxable income per year (AUD)		Tax at general rates on yearly total taxable income
Not less than	Not more than	
0	18,200	NIL
18,201	45,000	19c for each AUD 1 in excess of AUD 18,200
45,001	120,000	AUD 5,092 per year + 32.5c for each AUD 1 in excess of AUD 45,000
120,001	180,000	AUD 29,467 per year + 37c for each AUD 1 in excess of AUD 120,000
180,001		AUD 51,667 per year + 45c for each AUD 1 in excess of AUD 180,000

8.1.4. Medicare levy

Variable names: **[MED_p; MED_s]**

The Medicare levy is imposed on the taxable incomes of resident taxpayers. There are separate income thresholds for individuals and families.

The levy generally applies at the rate of 2 per cent of taxable income of an individual, if their taxable income exceeds the relevant phase-in limit. Where taxable income exceeds the low income threshold but does not exceed the phase-in limit, the levy payable is 10 per cent of the excess of taxable income over the low income threshold. No levy is payable if taxable income is below the low income threshold. The thresholds were last increased in 2021-22 and are generally increased yearly to account for inflation.

Medicare levy thresholds (AUD per year) – 2022-23

	Low income threshold	Phase-in limit
Individuals (individual taxable income)		
Eligible for SAPTO	36,925	46,156
All other taxpayers	23,365	29,206
Families (family income)		
Individuals with a spouse and/or dependants eligible for SAPTO	51,401	64,251
Individuals with dependants not eligible for SAPTO	39,402	49,252
Add for each dependent child	3,619	4,523

8.1.5. Tax credits

Low Income Tax Offset [LITO_p; LITO_s]: A non-refundable tax offset of up to AUD 700 is available for taxpayers whose taxable income does not exceed AUD 66,667.

If the person's taxable income:

- does not exceed AUD 37,500 they are entitled to AUD 700.
- exceeds AUD 37,500 but does not exceed AUD 45,000 they are entitled to AUD 700 less 5 per cent of the excess taxable income over AUD 37,500.
- exceeds AUD 45,000 but does not exceed AUD 66,667 they are entitled to AUD 325 less 1.5 per cent of the excess taxable income over AUD 45,000.

The **Low and Middle Income Tax Offset** is not available from 2022-23.

Beneficiary Tax Offset [TaxOffset_p; TaxOffset_s]: A non-refundable tax offset that is generally available to recipients of taxable income support payments that are classified as 'social security benefits'. Benefits included are JobSeeker Payment, Parenting Payment (Partnered), Youth Allowance, Widow Allowance, Partner Allowance, Special Benefit and Austudy. The tax offset is calculated using the following formula:

- If the person's benefit amount in the income year is at least AUD 6,000 but not more than AUD 45,000 per year:

Beneficiary Tax Offset = 15 % of the difference between the benefit amount and AUD 6,000.

- If the person's benefit amount in the income year is more than AUD 45,000:

Beneficiary Tax Offset = (the same formula as above) + 15 % of the difference between the benefit amount and AUD 45,000.

The Beneficiary Tax Offset is not available to those who have a benefit amount of less than AUD 6,000.

Seniors and Pensioners Tax Offset (SAPTO) [[Pens_TaxOffset_p](#); [Pens_TaxOffset_s](#)]: is a non-refundable tax offset available to people who received a taxable Australian Government pension, as well as to Australians who are of Age Pension qualifying age and who meet all of the Age Pension eligibility criteria except the income and/or asset tests, and were not in gaol on at least one day of the income year. To be eligible, a single person must have rebate income less than the applicable cut-out threshold, and a member of a couple must have the average of their and their partner's rebate income less than the applicable cut-out threshold. Parenting Payment (Single) recipients are eligible for SAPTO (and since the TaxBEN model only simulates working age families without disability or caring responsibilities, PP (Single) recipients are the only group who receive this credit in the model).

Seniors and Pensioners Tax Offset (AUD per year)

	Maximum tax offset amount	Shade-out threshold	Cut-out threshold
Single	2,230	32,279	50,119
Couple			
General (each)	1,602	28,974	41,790
Separated due to illness (each)	2,040	31,279	47,599

The shade-out threshold is the maximum income at which taxpayers eligible for SAPTO will receive the maximum tax offset amount. The tax offset is reduced by 12.5 per cent of the excess of rebate income over the shade-out threshold.

The cut-out threshold is the level of income where SAPTO is reduced to nil.

Members of a couple who are both eligible to receive SAPTO may transfer an 'unused amount' of SAPTO to their partner.

- If the person's taxable income is not more than AUD 6,000, the entire amount of SAPTO may be transferred to their partner.
- If the person's taxable income is more than AUD 6,000:

SAPTO transferred to partner = The person's maximum tax offset amount - 15 % of the difference between the person's taxable income and AUD 6,000.

Where the above calculation results in a negative value, no amount of SAPTO will be transferred to the partner.

9. Selected output from the OECD tax-benefit model (TaxBEN)

This section shows selected output of the TaxBEN model for Australia in 2023 (Figure 3). TaxBEN by default produces the following output: 1) net household incomes (**black lines**) and 2) related income components (**coloured stacked areas**) for selected family and individual circumstances (e.g. a lone parent working at different earnings levels with two children aged 4 and 6 respectively – users are free to select many of these circumstances). The model and the related web calculator is accessible from the [project website](#). Figure 3 shows outputs for four scenarios:

- By weekly hours of work, defined as a % of full time work (**Panel A**);
- By unemployment duration (in months) for a job seeker claiming unemployment benefits (**Panel B**);
- By previous gross earnings levels for a job seeker claiming unemployment benefits (**Panel C**);

- By previous employment record, for a job seeker claiming unemployment benefits (**Panel D**).

The stacked areas shows the following household income components: **GROSS** = gross earnings; **SSC** = social security contributions; **IT**= income tax; **FB** = family benefits; **HB** = Housing benefits; **SA** = social assistance / Guaranteed minimum income benefits; **IW** = in-work benefit. Note that these components may be the result of the aggregation of more than one benefit into a single component. Please refer to the table of content to see the benefits included in each category.

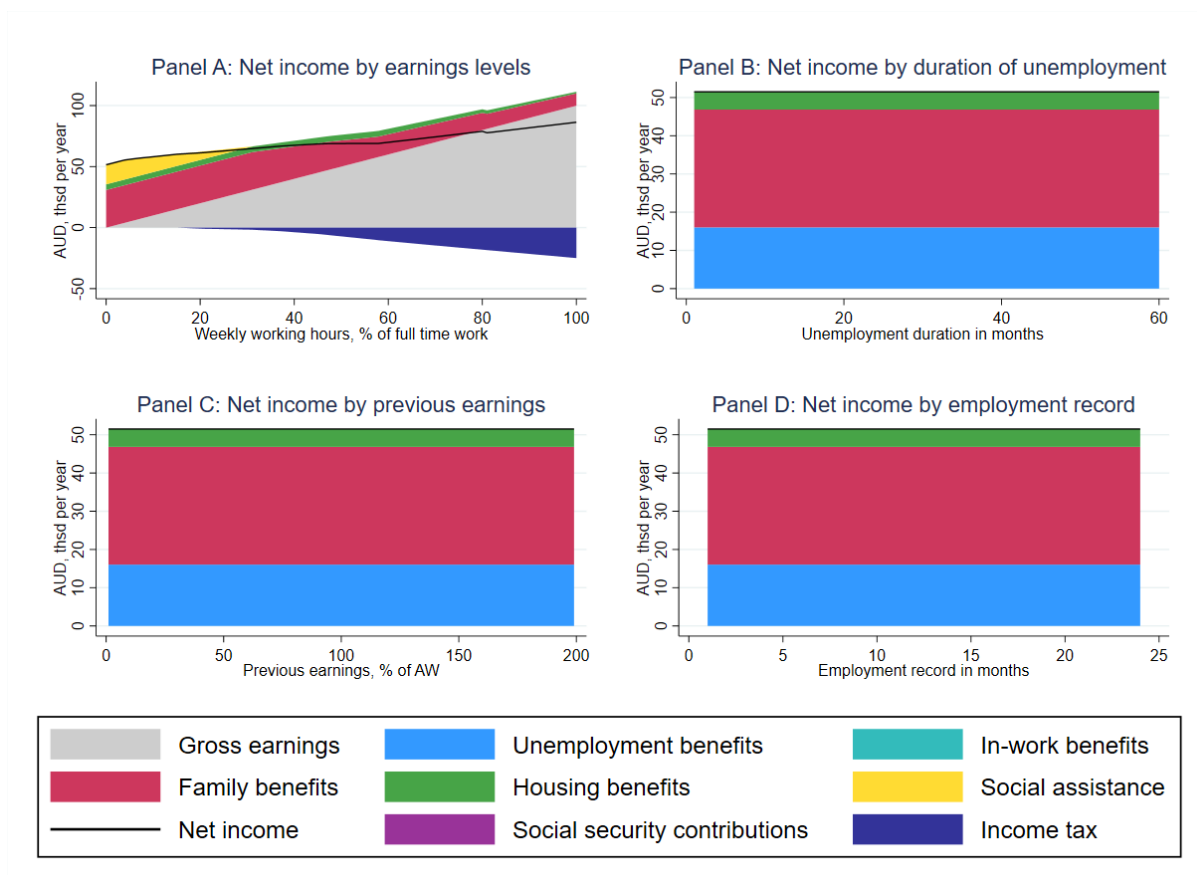
Results in Figure 3-Panel A refer to a 2-adult family with two children. Adults are both 40 years old whereas children are 4 and 6 years old respectively. Social assistance and housing benefits are assumed to be available in all the four scenarios when the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available for work), these requirements are assumed to be met.

Panel A assumes that one adult family member (called ‘second adult’ according to the TaxBEN terminology) is out of work and not eligible for unemployment benefits (e.g. because they have expired), whereas the other adult member (the ‘first adult’) is employed full-year and works at different weekly working hours with a (fixed) wage equal to the average hourly wage. When earnings of the first adult are zero this person is assumed to be out of work and claiming unemployment assistance, as applicable.

Panels B to D of Panel A assume that the second adult is out of work and not eligible to unemployment assistance, whereas the first adult is also out of work and claiming unemployment benefits. In Panel B and C the first adult is assumed to have a ‘long’ employment record of 264 consecutive months before the job loss. The horizontal axis in Panel B measures the time of benefit receipt, starting from the first month. The horizontal axis in Panel C shows the amount of previous gross earnings (before any social contribution payments). Results in Panels C and D refer to the 2nd month of unemployment benefit receipt whereas Panel D consider the case of previous earnings equal to the average Wage. Previous earnings in Panel B are also equal to the average wage.

Figure 3. Selected output from the OECD tax-benefit model

Couple with two children.



Note: the average wage used to produce the charts is AUD 99 934.

Source: Calculations based on the OECD tax-benefit model, 2023.

Annex: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in Australia that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

Working credit

Working Credit allows recipients whose income is less than AUD 48 per fortnight to build up 1 credit for every AUD 1 under AUD 48, up to a maximum of 1,000 credits (a maximum of 3,500 credits for YA (Other)). A recipient's Working Credit balance can be used to increase the amount they can earn before their income support payment is reduced. For example, an JSP recipient with a Working Credit balance of 200 credits can earn AUD 350 for a given fortnight (i.e. the amount of the recipient's Working Credit balance plus the relevant fortnightly ordinary income free area) before their payment starts to reduce for that fortnight.

Pensioner Education Supplement (PES)

Pensioner Education Supplement (PES) is designed to help certain disadvantaged groups, such as lone parents and people with disability with the costs of approved study. Pensioner Education Supplement is paid fortnightly at a full rate of AUD 62.40 or part rate of AUD 31.20 per fortnight depending upon the recipient's study load.

Education Entry Payment

Education Entry Payment is payable once every 12 months as a lump-sum of AUD 208 for eligible recipients (including JSP and PP recipients) who are undertaking approved study.

Language, Literacy & Numeracy Supplement (LLNS)

Language, Literacy & Numeracy Supplement (LLNS) is paid to eligible job seekers participating in the Skills for Education and Employment program. LLNS of AUD 20.80 is paid fortnightly.

Approved Program of Work Supplement

Job seekers undertaking Work for the Dole and certain other approved activities may be eligible for an additional supplement of AUD 20.80 per fortnight.

Payments for full-time students

Students may receive YA (Student) if they are aged 16-24 and meet the personal and/or parental (if dependent) income tests. For students aged 25 or over, Austudy is available. ABSTUDY is also available to Aboriginal or Torres Strait Islander students. Partner means testing may apply if the applicant is independent.

Disability Support Pension (DSP)

Disability Support Pension (DSP) is a payment for people with a permanent physical, intellectual or psychiatric impairment that prevents them from working 15 hours or more a week, or from being re-skilled for work for the next two years; or who are permanently blind. A claimant must be aged 16 years or older but under Age Pension age when claiming DSP.

Carer Payment

Carer Payment is a pension payment that provides income support to carers who, due to the care they provide to a person with disability, a medical condition, or frailness due to age, are unable to support themselves through substantial paid employment.

Carer Allowance

Carer Allowance is a supplementary payment for carers who provide daily care and attention in a private home, for people who need significant additional care. Since 1 July 2019 it has an annual partnered income test threshold of AUD 250,000, and is not taxable or assets tested. Carer Allowance can be paid in addition to a social security income support payment.

There is also an annual Carer Supplement which is paid to recipients of Carer Allowance for each person they care for and to recipients of Carer Payment, Department of Veterans' Affairs Carer Service Pension, and Department of Veterans' Affairs Partner Service Pension who also receive Carer Allowance. To qualify, the carer must be in receipt of the qualifying payment for a payment period that includes 1 July.

Carers may also qualify for the Child Disability Assistance Payment, which is a AUD 1000 annual payment made for a child with disability under 16 years who attracts Carer Allowance for their carer.

Special Benefit

Special Benefit serves as a benefit of last resort. It is paid to people in financial hardship, who have no other means of support and for whom no other benefit is available.

Special Benefit is not payable if assets exceed specified levels stipulated in the social security benefit asset test limits in Section 2.2.4. In addition to these limits, Special Benefit recipients and their partners must generally have no more than AUD 5,000 in readily available funds. People receiving Special Benefit who are considered capable of working are expected to look for work and accept offers of suitable employment.

The rate of Special Benefit is discretionary; however, the maximum rate cannot exceed the rate of JSP or YA that the person would receive if they were eligible. A direct deduction income test applies to Special Benefit. This means that all regular in-kind support and personal income, whether earned or unearned, reduces the Special Benefit rate by that amount. There is no allowable income free area and no graduated taper rate.

Special Benefit is taxable; however, a tax rebate may be available.

Special Benefit is generally granted for periods of 13 weeks. An entitlement review is conducted every 13 weeks to determine whether payment should continue.

People holding certain temporary protection visas who were granted Special Benefit on or after 1 January 2003, or who became of working age after this date, are subject to activity tests similar to the JSP activity tests. These people are also subject to certain preclusion or waiting periods.

Paid Parental Leave (PPL)

The Government Paid Parental Leave (PPL) scheme provides financial support to working parents to take time off work to care for a new-born or recently adopted child.

Parental Leave Pay (PLP) provides support to working mothers and other primary carers. Dad and Partner Pay (DaPP) provides support to working fathers or partners.

A person may be eligible for PLP if they are the primary carer of a newborn or recently adopted child, usually the mother, and had an individual adjusted taxable income of AUD 156,647 or less in the financial year prior to the date of birth or adoption, or the

claim date, whichever is earlier. The recipient must also be on leave or not working while receiving PLP, and have met the work test criteria. Families who do not access PLP may be eligible to have their FTB Part A increased for 13 weeks with the Newborn Supplement following a birth or adoption.

A person may be eligible to receive DaPP if they are the biological father of the child, or the partner of the birth mother, or an adoptive parent of the child and they are caring for the child. The recipient must also be on unpaid leave or not working during their DaPP period.

Eligible working parents receive PLP at the rate of the national minimum wage, AUD 812.45 a week before tax, for up to 18 weeks.

Eligible working fathers or partners receive DaPP, at the same rate as PLP, for a period of up to two weeks.

PLP and DaPP are taxable. PLP counts as income for other family payments.

If parents choose to receive PLP, they will not be eligible for FTB Part B for any days or periods they receive PLP.

From 1 July 2023, the new Paid Parental Leave Amendment (Improvements for Families and Gender Equality) Bill 2022, will implement the first tranche of the Australian Government's Paid Parental Leave changes. The amendment will:

- combine PLP and DaPP into a single 20 week scheme,
- reserve two weeks of leave for each parent to support them both to take time off work,
- make it easier for both parents to access the payment by removing the notion of 'primary' and 'secondary' carers,
- introduce a new AUD 350,000 family income test (expanding access to more families),
- increase flexibility for parents to choose how they take Government-paid leave and transition back to work.

The government will bring forward further legislation, with changes that will start on July 2024, to progressively increase the scheme by six weeks until it reaches 26 weeks in 2026.

Double Orphan Pension (DOP)

Double Orphan Pension (DOP) is a fortnightly payment of AUD 72.60 available for carers of children under 16 years of age or a full-time secondary student 16 to 19 years of age (up until the end of the calendar year in which they turn 19) who are orphaned; or for carers of children who have one parent deceased and the whereabouts of the other parent is unknown, or the other parent is in prison for at least ten years, or a patient of a psychiatric hospital or nursing home indefinitely.

Stillborn Baby Payment (SBP)

Stillborn Baby Payment (SBP) is a lump sum payment available for families who experience the loss of their baby as a result of stillbirth. It provides assistance with the extra costs associated with a stillborn child through a lump sum payment. A family may be eligible if the stillborn child would have been an FTB child. The family's income in the six month period following the child's delivery must be AUD 67,161 or less. This income test does not apply if the family would have received FTB for the child for any day during the 26 weeks from the day of the child's delivery, or the family

received FTB Part A for another child for any day during the 52 weeks from the day of the child's delivery.

Single Income Family Supplement (SIFS)

This is a non-contributory benefit, means-tested and not taxable. SIFS provides assistance to families with a qualifying child, where the primary earner has a taxable income between AUD 68,000 and AUD 150,000. If the primary earner's taxable income is greater than AUD 68,000, the rate increases from nil by 2.5 cents in the dollar until it reaches a maximum of AUD 300 at a taxable income of AUD 80,000. Taxable income in excess of AUD 120,000 reduces the payment by one cent in the dollar until the Supplement rate is nil at AUD 150,000. The taxable income of a second earner (if any) also affects the payment: if the second earner's taxable income exceeds AUD 16,000, the rate reduces by 15 cents in the dollar until the rate reaches nil. As of 1 July 2017, SIFS ceased for new recipients, however those who were already receiving it can continue to do so as long as there is no break in their eligibility. As the TaxBEN model simulates the case of a new claimant, this benefit is no longer included in the model.