



Social Services - Fair taper rates - consistent taper rate and income-free area across all payments	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>The proposal would set the income free area to \$300 per fortnight for all income support payments. For each dollar of income above \$300 per fortnight, the payment will be reduced by 60 cents.</p> <p>Under the proposal, no income support recipient would be worse off (grandfathering provisions would be enacted if required).</p> <p>The proposal would commence on 1 July 2026 and be ongoing.</p>	

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by around \$1.5 billion over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects an increase in administered and departmental expenses, partially offset by an increase in personal income tax revenue.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2035-36 is provided at Attachment A.

Table 1: Social Services - Fair taper rates - consistent taper rate and income-free area across all payments – Financial implications (\$m)^{(a)(b)}

	2025-26	2026-27	2027-28	2028-29	Total to 2028-29
Fiscal balance	-	-482.9	-483.3	-490.5	-1,456.7
Underlying cash balance	-	-482.9	-483.3	-490.5	-1,456.7

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

- Indicates nil.

The estimates were modelled based on the de-identified administrative transfer payment data provided by Services Australia. The analysis remains sensitive to a range of factors such as the projected number of newly eligible recipients and the potential behavioural response from workers and students under the proposal. The financial implications are also sensitive to the projected indexation rates, population growth and median household income growth, which were used to project payments over the costing period.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- Some individuals would enter the social security system as the income-free area for the various payments are raised.
 - The PBO assessed this impact by analysing the potential payment and associated tax implications for individuals with incomes close to the cut-off points, based on the data on income support payments, recipients and personal income tax provided by the Department of Social Services (DSS) and the Australian Taxation Office (ATO).
- As the income-free area is raised, some potential recipients near the income cut-off points may choose to either reduce their work hours or not undertake additional work hours that they otherwise would have. This effect is highly uncertain and difficult to quantify reliably. As such, it has not been included in the estimated financial implications.
- Around 20% of additional payments would be returned through the personal income tax system, via income tax applied to the increased taxable payments made to recipients.

Methodology

The PBO estimated the policy impact on revenue and expenses using the Policy and Evaluation Model (PoEM).

- PoEM is a microsimulation model of administered transfer payments developed by DSS and provided to the PBO for use in costing policy proposals.
- The PBO has extended the 2024-25 Budget model over the medium-term using trends exhibited over the forward estimates period and projections of the relevant policy and economic parameters as at the 2025 Pre-election Economic and Fiscal Outlook (PEFO).

Bespoke models, based on publicly available data and data provided by DSS and the Department of Veterans' Affairs (DVA) were used to estimate the financial impact from the Farmhouse Allowance, ABSTUDY and Crisis Payments.

- These fiscal impacts were estimated by multiplying the average increase in payment per recipient by the projected number of recipients based on the information provided by the Department of Agriculture, Fisheries and Forestry, DVA and DSS.
 - The average increase in payment per recipient for the Farm Household Allowance, ABSTUDY and Crisis Payment was estimated based on the average change in similar payments from PoEM.

Departmental expenses were calculated by multiplying the change in the number of recipients under the proposal by the estimated annual cost of administering relevant payments per recipient.

Financial implications were rounded consistent with the PBO's rounding rules.¹

¹ <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

Data sources

The Australian Taxation Office provided 2021-22 de-identified personal income tax data.

The Department of Social Services provided PoEM as at the 2024-25 Budget.

Services Australia provided unit administration costs as at the Pre-election Economic and Fiscal Outlook (PEFO)

Commonwealth of Australia, 2023. *2023-24 Mid-Year Economic and Fiscal Outlook*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2024. *2024-25 Budget*, Canberra: Commonwealth of Australia.

Department of Agriculture (2025) [Fisheries and Forestry Farm Household Allowance data dashboard](#), accessed 9 May 2025.

Commonwealth of Australia, 2023. *2023-24 Mid-Year Economic and Fiscal Outlook*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2024. *2024-25 Budget*, Canberra: Commonwealth of Australia.

Department of Social Services (2024) [DSS Demographics December 2024](#), Australian Government, accessed 9 May 2025.

Department of Veterans' Affairs (2024) [Population projections 2024](#), Australian Government, accessed 9 May 2025.

Attachment A – Social Services - Fair taper rates - consistent taper rate and income-free area across all payments – Financial implications

Table A1: Social Services - Fair taper rates - consistent taper rate and income-free area across all payments – Fiscal and underlying cash balances (\$m)^(a)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Revenue													
<i>Personal Income Tax</i>	-	112.0	113.0	116.0	120.0	124.0	129.0	134.0	139.0	143.0	145.0	341.0	1,275.0
Total – revenue	-	112.0	113.0	116.0	120.0	124.0	129.0	134.0	139.0	143.0	145.0	341.0	1,275.0
Expenses													
Administered													
<i>Age Pension</i>	-	-181.0	-187.0	-195.0	-203.0	-212.0	-220.0	-229.0	-239.0	-248.0	-254.0	-563.0	-2,168.0
<i>Carer Payment</i>	-	-18.1	-18.6	-19.2	-20.2	-21.1	-22.0	-22.9	-23.9	-24.8	-25.9	-55.9	-216.7
<i>Disability Support Pension</i>	-	-29.6	-30.6	-31.8	-32.7	-33.6	-34.6	-35.7	-36.7	-37.8	-39.0	-92.0	-342.1
<i>JobSeeker Payment</i>	-	-290.0	-283.0	-282.0	-285.0	-289.0	-293.0	-298.0	-302.0	-307.0	-310.0	-855.0	-2,939.0
<i>Parenting Payment Partnered</i>	-	-27.5	-28.4	-29.1	-29.5	-30.4	-31.1	-31.9	-32.4	-32.6	-32.2	-85.0	-305.1
<i>All other payments</i>	-	-36.0	-35.8	-36.2	-37.4	-39.1	-41.6	-44.4	-47.0	-50.2	-50.9	-108.0	-418.6
Total – administered	-	-582.2	-583.4	-593.3	-607.8	-625.2	-642.3	-661.9	-681.0	-700.4	-712.0	-1,758.9	-6,389.5
Departmental													
<i>Services Australia</i>	-	-12.7	-12.9	-13.2	-13.7	-14.3	-14.9	-15.4	-16.0	-16.6	-17.2	-38.8	-146.9
Total – departmental	-	-12.7	-12.9	-13.2	-13.7	-14.3	-14.9	-15.4	-16.0	-16.6	-17.2	-38.8	-146.9
Total – expenses	-	-594.9	-596.3	-606.5	-621.5	-639.5	-657.2	-677.3	-697.0	-717.0	-729.2	-1,797.7	-6,536.4
Total (excluding PDI)	-	-482.9	-483.3	-490.5	-501.5	-515.5	-528.2	-543.3	-558.0	-574.0	-584.2	-1,456.7	-5,261.4

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

Table A2: Social Services - Fair taper rates - consistent taper rate and income-free area across all payments – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<i>Fiscal balance</i>	-	-11.0	-33.0	-56.0	-80.0	-106.0	-134.0	-165.0	-197.0	-232.0	-269.0	-100.0	-1,283.0
<i>Underlying cash balance</i>	-	-8.0	-27.0	-50.0	-74.0	-100.0	-127.0	-157.0	-189.0	-223.0	-259.0	-85.0	-1,214.0

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary².
- (b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- Indicates nil.

² [Online budget glossary – Parliamentary Budget Office \(pbo.gov.au\)](https://pbo.gov.au/)