



COTA AUSTRALIA INFORMATION SHEET

THE CARBON TAX AND OLDER AUSTRALIANS – WHAT IT MEANS FOR YOU

On 10 July the Federal government released its complete carbon price package, most of which had been negotiated between Labor, the Greens and key Independents in the Multi-Party Climate Change Committee. COTA Australia Chief Executive Ian Yates was in the government's Lock Up on 10 July and reports on how the scheme affects older Australians.

The initial carbon price in 2012 will be \$23 per tonne. In 2015 the carbon price scheme will become an Emissions Trading Scheme and the price will be set by the market.

The scheme is designed to result in carbon emissions being at least 23% lower in 2020 than they would have been, and a substantial 80% lower by 2050.

The government confirmed that petrol will not be included in the scheme, so petrol costs for all vehicles less than 4.5 tons will not increase.

Over 50% of the revenue raised by the carbon price is being used to provide assistance to households including through increased supplements to pensioners and Seniors Health Card holders and through tax cuts.

Around 90 per cent of pensioner households, including all full rate pensioners, will benefit from a buffer of at least 20 per cent over and above their expected average price impact from the carbon price.

About 280,000 self-funded retirees who are Commonwealth Seniors Health Care Card holders will receive the same amount of assistance as age pensioners.

Tax reforms being introduced as part of the package will increase the tax-free threshold from \$6,000 today to \$18,200 from 1 July 2012, and to \$19,400 from 1 July 2015. This will mean that over a million Australians will no longer need to lodge a tax return.

Based on Treasury modelling of price increases, this total assistance means all single retirees earning taxable income of \$50,000 or less, and couples earning up to \$95,000, would be compensated at least 120% of the costs created by carbon pricing.

Single pensioners with no other income will receive an increase of \$338 per year against estimated costs of \$204, putting them \$134 ahead. Couples will receive \$510 per year against costs of \$284, putting them \$226 ahead.

Retirees earning up to almost \$55,000 (single) or almost \$110,000 (couples) will be fully covered for the extra costs of a carbon price due to the tax cuts and changes to the Pensioner and Senior Australians Tax Offset.

A new Clean Energy Supplement will be paid to pensioners - a 1.7 per cent increase in pensions - which translates to up to \$338 extra per year for single pensioners and up to \$510 per year for pensioner couples. Commonwealth Seniors health Card holders will receive the same payments.

People will receive these extra payments initially in the form of a lump sum advance in May-June 2012 in order to make sure they have extra money in their pockets to help adjust to the carbon price.

For pensioners this advance payment of up to \$250 (single) and \$382 (couple) will be equivalent to nine months or three quarters of the extra annual payment.

From March 2013 the Clean Energy Supplement will be paid fortnightly with the pension for pensioners, and quarterly to Seniors Health Card holders with the current Supplement.

The assistance will be permanent and will rise over time through indexation. The Government will review the adequacy of assistance each year and says it will increase it further if necessary.

Pensioners and seniors who have income from work or investments may also receive additional benefit from the tax cuts. All taxpayers earning up to \$80,000 a year will get a tax cut, with most getting a cut of at least \$300 benefit.

The tax package will also increase the thresholds for the Senior Australians Tax Offset, providing additional tax cuts to self-funded retirees. For example, a self-funded retiree with taxable income of \$40,000 will receive a tax cut of \$199 from the changes to the Senior Australians Tax Offset, in addition to the \$303 tax cut provided through the Government's other tax reforms.

The Pensioner Tax Offset will also be rolled in to the more generous Senior Australians Tax Offset, with the new offset called the Seniors and Pensioners Tax Offset. For a taxable part-rate pensioner under the age pension age with taxable income of \$40,000, this will provide an additional financial benefit of around \$279 in 2012-13 compared to 2011-12, over and above the tax cuts provided through the Government's other tax reforms.

Essential Medical Equipment Payment

Some people have high electricity costs due to their use of essential medical equipment, such as those using a dialysis machine or other life-support equipment at home.

Around 110,000 Australians who hold a Commonwealth concession card and who rely on certain medical equipment will be eligible for an annual cash payment of \$140 a year, in

addition to their other assistance, which will cover the average electricity price increase from the use of their medical equipment due to the carbon price.

Support for aged care residents and their providers

Arrangements will be introduced to ensure that assistance is shared fairly between aged care residents and providers.

Aged care providers bear many costs for their residents, including electricity, and will receive around half of the assistance paid through the age pension. Age pensioners living in aged care will receive the balance of the payment to help them with increases in their other costs of living.

This will be achieved by increasing the pensioner contribution to providers from 84% of the pension to 85%.

Public housing tenants

Assistance is not intended to be included in state government public housing rent setting calculations, so that public housing residents get the full benefit of assistance. The assistance is being paid as a supplement, not as part of the base pension.

Low Carbon Communities Program

The Low Carbon Communities program helps communities and councils improve energy efficiency. Funding for the program will be increased from \$80 million to \$330 million. The program will be expanded to include two new initiatives aimed at improving the energy efficiency of low income households.

The Low Income Energy Efficiency program will provide grants to pilot approaches that assist low income households to reduce their energy costs. The second initiative will fund a new Household Energy and Financial Sustainability Scheme to support low income households to improve their energy and financial sustainability.

Other Opportunities

Households that improve their energy efficiency can help the environment and save money. They can do this by cutting power use and buying less carbon intensive products, which will become relatively cheaper under a carbon price. Households that make savings in their budget in this way will still collect their full entitlement of carbon price assistance.