

# RED TAPE

SSRV NEWSLETTER

## ***Bluster and wind – the ‘annual’ carry-on about ‘Welfare Fraud’***

### ***What has happened...***

There were two ‘major’ announcements regarding so-called ‘welfare fraud’ late in 2015.

#### **Taskforce Integrity**



#### ***“Taskforce Integrity”.***

- Department of Human Services have seconded a senior Federal Police officer to help them clamp down on ‘fraud’.
- The DHS website states that The Australian Government launched Taskforce Integrity to detect and target geographic areas where data analysis points to a higher risk of non-compliance and suspected welfare fraud.
- You can read more about Taskforce Integrity [here](#).



#### ***MYEFO (the Mid-Year Economic and Fiscal Outlook) debt recovery***

- The Commonwealth have allocated new funds to Centrelink to increase debt recovery.
- The target are people who are no longer on social security and aren’t paying debts accrued from when they were on Centrelink. These people are in a different situation to those who have debts but are still receiving Centrelink payments. If you have a debt to Centrelink and are still receiving a payment, Centrelink can just take a small portion of your fortnightly payment until the debt is paid off
- For many that have an outstanding debt to Centrelink but are no longer on a payment, often neither Centrelink nor their debt collectors can find them
- Under new measures, debts will have a significant interest rate added . The interest will be the same rate as tax debts (which is about the level of a personal loan) technically ‘the 90 day bank bill rate’ + 7%.
- The MYEFO documents indicate that the government believes it could return up to \$24 million dollars.

- This 'initiative' is not relevant to anyone currently on Centrelink payments or anyone currently repaying a Centrelink debt.
- We note that this is not an isolated item in MYEFO – the Federal Government is looking to claw back HECS/HELP/VET FEE HELP payments from people with such debts living overseas.

***What we think about the announcements...***

For those of us in the social security sphere, the last few weeks of 2015 had a very familiar ring to them.

We should acknowledge that there is no question that there is a small amount of fraud in the welfare sector, as there is in politics, the police, the public service and the private sector. Further, many people who are ripping off the system are not 'normal' welfare recipients at all, but people who have more than one source of income and just add Centrelink payments to the mix. There is a long history of significant criminals (and particularly their family members) being on Centrelink payments whilst having very substantive (if illegal) incomes

No-one in the public sphere seems to talk about the other fraud much, because those that create the fuss, they look a lot like the other people that 'do the fraud (private training colleges or bank investment advice anyone?).

It's a lot like tax evasion – the Government tends to pick on those who can't defend themselves and not on those who are their friends or have lawyers .

As with many government finance announcements (always in a blaze of glory with earnest looking people and banners) there's never any follow-up to see what actually happens. The author willing to bet \$50 of his own money that there will never be any proper analysis of the so-called 're-claimed' money and even if there was, it's very unlikely to raise anything substantively more than it cost to find it – something only a government would bother to do. 'Taskforce Integrity' feels like the poorer cousin of 'Border Force' and feels like an attempt by DHS to have a more militaristic culture of tracking down 'welfare cheats' . We'll wait and see what actually occurs but based on thirty years of such promises, we think Essendon's got more of a chance at winning the flag in 2016 than anything of substance occurring. Regarding greater debt collection methods, it's curious that in a time when [Centrelink's grossly underfunded administration infrastructure is constantly crashing](#), new money is being directed towards recovering debts. Whilst putting more money towards debt collection might seem like a way to bring in more revenue, to put it in the parlance of crime shows "they have to catch them first".

Currently, many debtors can't be found. There is no guarantee that more debt collectors will necessarily bring in more money. Increasing the interest rate will only increase the amount of money owing – ironically increasing the Government's overall deficit.

We acknowledge Geoff C's encouragement for this article.

## ***Disability Support Pension (DSP) and its Tax Free status***

- In our casework we've been hearing a number of misconceptions about DSP – nothing (for once!) to do with the medical issues – it's about its status in relation to income and assets.
- We've checked with an old hand who has a long history in the arena who assures us it's quite widespread.
- So here's a quick brush up in case you hear something different

What is 'special' about DSP

- DSP is tax-free.
- This sets it apart from other pensions (such as Age Pension, or Carer's Payment – which is really a pension – and used to be called 'Carer's Pension'). Thus a person's DSP does not count towards their taxable income.
- For most people this is somewhat irrelevant as those who are on taxable support payments get a rebate when doing their tax return (if they need to) that effectively means their Centrelink payment doesn't incur an actual tax liability.

What isn't special' about DSP

The myths seem to relate to (particularly) income and assets. These have included:

- DSP has no assets test
- Overseas income (particularly pensions for which a person may be eligible for from other countries) doesn't affect a person's Australian DSP

You can consider these myths BUSTED! DSP has an income or assets test (whichever affects a recipient the most) AND overseas income does affect the rate of DSP a person receives.

However, Disability Support Pension for permanently blind people is a little different...

There is a special version of DSP for people who are permanently blind. This DSP – DSP (Blind) (DSB) has no personal income or assets test. It is perhaps from here that the misconception has sparked. Whilst this is correct, it only affects people who get this version of DSP.

It should be noted that whilst DSB has no income and assets test this it is only for the client in question. If they are a member of a couple, their partner's income (or assets) counts towards their rate of DSB.

Some payments have a special status – these are:

- Family Tax Benefit (FTB) doesn't have an assets test – only income counts for FTB
- Carer Allowance (not to be confused with Carer Payment) has no income or assets test.

It's safe to say that the default position is that all payments have an income or assets test and if anyone at the café tells you they don't, treat their opinion with some scepticism.



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