



## Discussion Paper

# KPMG Review of the Social Services And Other Legislative Amendment (Simplifying Income Reporting and Other Measures) Act 2020

15 March 2022

This report contains 13 pages



15 March 2022

## Contents

1	Introduction	1
1.1	Purpose of this paper	1
1.2	Aims of the consultation	1
1.3	How to have your say	2
1.4	Who we want to hear from	2
2	Background and context	4
2.1	About the change	4
2.2	Who the change applies to	5
2.3	Legislative requirement for this review	5
2.4	Not in scope	6
3	Consultation Topics	7
3.1	Changing from the old model to the current model	7
3.2	Experiences since the change	7
3.3	Unintended consequences	8
3.4	Payments for Pensioners	8
4	How to have your say	10
5	Disclaimer	11

We are grateful for the administrative support provided to us by the Department of Social Services.

# 1 Introduction

## 1.1 Purpose of this paper

The purpose of this Discussion Paper is to explain how individuals and organisations can share their views about the change from reporting employment income when it is earned to reporting paid income. This applies to people who receive a social security payment from the Australian Government – that is, anyone who receives pension or allowance from Services Australia. Services Australia is the agency responsible for Centrelink.

This Discussion Paper is for:

- people receiving a social security payment, Farm Household Allowance or Status Resolution Support Services\*
- organisations who represent or advocate on behalf of people receiving a social security payment, including those with expertise in social security law and other areas of public policy.

This Discussion Paper provides an overview of the consultation topic, process and guidance for stakeholders about how to share their views.

## 1.2 Aims of the consultation

The consultation seeks to understand the experiences of people reporting income from employment under the **Paid Income Model**, in comparison to the previous **Earned Income Model**.

This consultation forms the basis of an independent review of the *Social Services and Other Legislative Amendment (Simplifying Income Reporting and Other Measures) Act 2020*. This Act changed the way that people receiving social security payment report how much money they receive from an employer.

The review is being undertaken by KPMG, a professional services firm with expertise in public engagement, government advisory and the human services sector.

Views expressed through the review will be summarised into a report, which will be provided to the Minister for Families and Social Services and tabled in Parliament.

---

\* Throughout this paper where we refer to 'social security payment' – this also includes the Farm Allowance and Status Resolution Support Services.

Discussion Paper - non editable - 7 March 2022 – **Have your say at [www.engage.dss.gov.au](http://www.engage.dss.gov.au)**



15 March 2022

### 1.3 How to have your say

Consultation is open from 15 March 2022 to 22 April 2022. During this time, individuals and organisations submit their views via the DSS Engage platform (<https://engage.dss.gov.au/>), by either:

- taking part in a short survey; or
- lodging a written submission

All views will be considered. Responses will not be visible to anyone else and will not be directly attributed back to any individual or organisation. More information about how feedback will be used is available on DSS Engage.

Please email [incomereporting@kpmg.com.au](mailto:incomereporting@kpmg.com.au) with any questions or requests for information.

### 1.4 Who we want to hear from

We want to hear from anyone who receives a social security payment listed under section 2.2 below and reports employment income. This can also include a person's nominee or partner.

We particularly want to hear from people who received social security payment prior to 7 December 2020, and who have continued to receive payment since that date. This is because you will have experienced the change from the Earned Income Model to the Paid Income Model.

We want to hear from all types of people, including:

- people of all ages
- people of all genders
- people all over Australia
- Aboriginal and Torres Strait Islander People
- people from culturally and linguistically diverse backgrounds
- people who are at risk of or are currently experiencing homelessness
- people with a disability
- people with health problems and mental illness



15 March 2022

- people who work and receive a social security payment, including job seekers, students, carers, pensioners, parents and veterans
- partners and caregivers of people receiving social security support.

We also want to hear from organisations and groups who represent or advocate on behalf of people receiving social security support, including those with expertise in social security law and other areas of public policy.

## 2 Background and context

### 2.1 About the change

In December 2020, there was a change to the way that people who receive a social security payment from government report the income they receive from an employer.

This change is the result of the *Social Services and Other Legislative Amendment (Simplifying Income Reporting and Other Measures) Act 2020*.

Before December 2020, people had to estimate and report how much money they had earned before tax within a particular reporting period. This might be different to what they were actually paid in that period of time. This was known as the Earned Income Model.

Since the change in December 2020, people have to report how much money they have been paid before tax within a particular reporting period.

This means that people can refer to their (or their partner's) payslip in order to report their gross employment income to Centrelink.

Earned Income Model (prior to 7 December 2020)	Paid Income Model (current)
<p>Report how much you have earned each fortnight, based on the hours you have worked. You might not have received all of this money yet.</p> <p><i>Penny works 5 shifts within the reporting period. She calculates the total value of the work she's done in that reporting period, estimates the gross amount (i.e. before tax) she's earned, and reports this to Centrelink.</i></p>	<p>Report how much you have been paid each fortnight.</p> <p><i>Penny receives one payslip during the reporting period. She reports the gross amount of income (i.e. before tax) to Centrelink.</i></p>

This change was intended to:

- make it easier for people to report the correct amount of income they receive from an employer
- reduce the risk of Centrelink paying people more social security support than they are eligible for, resulting in people needing to pay money back to Centrelink
- reduce the risk of Centrelink paying people less social security support than they are eligible for, resulting in people being underpaid by Centrelink.

## 2.2 Who the change applies to

This change affects anyone who reports their employment income for social security purposes, including partners of payment recipients. All of the following payment types are included:

- ABSTUDY
- Age Pension
- Austudy
- Carer Payment
- Disability Support Pension
- Farm Household Allowance
- JobSeeker Payment
- Partner Allowance
- Parenting Payment (single and partnered)
- Special Benefit
- Status Resolution Support Services
- Widow Allowance
- Youth Allowance.

The change does not apply to one-off payments such as the COVID-19 Disaster Payment, Family Tax Benefit, Carer Allowance or any other payments not listed above.

## 2.3 Legislative requirement for this review

The legislation includes the requirement for an independent review of the impact of the legislation.

To comply with the Act, the department is required to engage an independent reviewer to review the transition to a paid model. The review must commence as soon as practicable after the end of 12 months after the Act took effect, which was 7 December 2020. The Minister must be provided with a written report within 6 months of the commencement of the review and a copy of the report will be tabled in each Houses of Parliament.



15 March 2022

The Department of Social Services has engaged KPMG to conduct this review. The public consultation forms the basis of the review.

## **2.4 Not in scope**

Reviewing policy and service delivery by the Department of Social Services, Services Australia, or other government agencies which is not directly related to changes arising from the *Social Services and Other Legislative Amendment (Simplifying Income Reporting and Other Measures) Act 2020* is not in scope.

For example, the following topics are not in scope of this review:

- using data from the Australian Tax Office’s Single Touch Payroll system to pre-fill people’s income amount based on what their employer reports their pay to be
- requirements to report employment income each fortnight
- the amount of income support provided.



### 3 Consultation Topics

There are four topics we want to understand individuals and organisations' views about:

- Changing from the old earned model to the current paid model – what the transition was like
- Experiences since the change – how effective the new model is
- Unintended consequences – whether there were any unexpected outcomes
- Payments for people on a social security pension – the impact for pensioners who receive a consistent monthly income from an employer.

Each of these topics is discussed in more detail below.

#### 3.1 Changing from the old model to the current model

The change from reporting earned income to reporting paid income happened on 7 December 2020. Services Australia advised everyone who was receiving a social security payment and reporting employment income at that time by sending letters, adding messages to reporting channels, and publicising the change via their website, radio and social media (Facebook, Twitter).

At the time, some people were required to do a one-off calculation to ensure they did not report the same income twice. They could do this through their myGov account or the Express Plus Centrelink mobile app or with staff assistance on the phone or in a Service Centre. An online calculator was also made available to help people understand what it meant for them.

We want to understand how effectively people were supported through this change and how easy it was to navigate.

**How effective was the transition from the Earned Income Model to the Paid Income Model?**

**How effectively was the change communicated, including to people with different circumstances?**

#### 3.2 Experiences since the change

This review aims to understand what impact the change to income reporting has had on people who receive a social security payment. We want to know whether the change has made income reporting easier, more difficult, or remained about the same.

We appreciate this might be different for different cohorts of people, depending on what support they receive, how they are paid by their employer, and their personal circumstances. If individuals or organisations share their views with us via DSS Engage, we may ask some questions about their personal circumstances so we can understand who the change has had the most impact on.

We are also interested in how easy it is to understand communication and information about how to report income.

Has the change to reporting paid income made reporting income easier, more difficult, or about the same?

What factors have made this easier or more difficult?

How easy is it to understand communication from Centrelink/Services Australia about the way to report income?

### 3.3 Unintended consequences

The change from reporting earned income to reporting paid income was expected to have made it easier for people to report the right amount of income to Centrelink.

Sometimes changes to policy or legislation can have unintended consequences – this means that something has happened as a result of the change that wasn't expected and may have made things more difficult. For example, the change might simplify one form, but make another form more complex.

If something has changed, we'd like to know how you've coped – what strategies you've had to put in place to address this.

What impact has the change had?

If there have been any unexpected outcomes from reporting paid income, what are they?

What have people done differently as a result of the change?

### 3.4 Payments for Pensioners

This section relates to pensioners receiving a social security pension (a Disability Support Pension, Age Pension and the Carer Payment) who receive a consistent payment from an employer on a monthly basis.



15 March 2022

The legislation contains a specific clause to make sure this cohort of people do not experience fluctuations in their rate of pension as a result of the fact that they receive employment income monthly. It means that they do not need to report their income each fortnight or month to Centrelink, so the change to how to report earned income is not observed by the pension recipient.

Pensioners assessed this way will only be required to report to Centrelink if there is a change to their income.

**These questions relate specifically to people on a social security pension who receive regular, consistent payment from an employer on a monthly basis.**

**For people receiving a pension, has the change to reporting paid income made reporting income easier, more difficult, or about the same?**

**What factors have made this easier or more difficult?**

**Have people experienced unexpected fluctuations in their rate of pension as a result of reporting employment income?**

## 4 How to have your say

We want to hear from anyone who receives a social security payment or is the nominee or partner of a person receiving a social security payment as outlined in section 2.2.

We particularly want to hear from people who received social security payment prior to 7 December 2020, and who have continued to receive a social security payment since that date. This is because you will have experienced the change from the Earned Income Model to the Paid Income Model.

We also want to hear from organisations and groups who represent or advocate on behalf of people receiving a social security payment.

Consultation is open from 15 March 2022 to 22 April 2022. During this time, individuals and organisations can submit their views via the DSS Engage platform, by either:

- taking part in a short survey; or
- lodging a written submission.

The short survey invites responses from both individuals and organisations. The survey asks questions related to:

- Demographics to ensure we're consulting with a range of different stakeholders
- Overall experience with the income reporting process
- Changes in the experience of reporting income since the legislative change was implemented
- Awareness of the legislative change at the time of transition
- Challenges during the transition process
- Impacts of the legislative change (including for those receiving Pensioner Payments).

Written submissions are less prescriptive in nature and can be submitted in the preferred structure and style of an organisation or individual.

All views will be considered. Responses will not be visible to anyone else and will not be directly attributed back to any individual or organisation. More information about how feedback will be used is available on DSS Engage.

Please email [incomereporting@kpmg.com.au](mailto:incomereporting@kpmg.com.au) with any questions.

## 5 Disclaimer

### **Inherent Limitations Disclaimer**

This deliverable has been prepared as outlined with the Department of Social Services (DSS) in the Scope Section of the contract dated 2 February 2022. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed. No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, DSS stakeholders consulted as part of the process.

KPMG have indicated within this deliverable the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

KPMG is under no obligation in any circumstance to update this deliverable, in either oral or written form, for events occurring after the report has been issued in final form.

### **Accessibility**

To comply with the Commonwealth Government's accessibility requirements, two versions of this Report are available: a KPMG-branded PDF version and an unbranded Microsoft Word version. The KPMG-branded PDF version of this Report remains the definitive version of this Report

### **Notice to Third Parties Disclaimer**

This deliverable is solely for the purpose set out in the Scope Section and for DSS' information, and is not to be used for any purpose not contemplated in the contract or to be distributed to any third party without KPMG's prior written consent.

This report has been prepared at the request of DSS in accordance with the terms of KPMG's contract dated 2 February 2022. Other than our responsibility to DSS, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.