Budget Priorities Statement

2025-26

Submission to the Treasurer

Who we are

ACOSS is the peak body of the community services sector, and the national voice for the needs of people affected by poverty and inequality.

Our vision is for a fair, inclusive and sustainable Australia, where all individuals and communities can participate in and benefit from social and economic life.

What we do

ACOSS leads and supports initiatives within the community services sector, and acts as an independent non-party political voice.

By drawing on the direct experiences of people affected by poverty and inequality and the expertise of its diverse member base, ACOSS develops and promotes socially and economically responsible public policy and action by government, community and business.

First published in 2024 by the Australian Council of Social Service

Locked Bag 4777
Strawberry Hills
NSW, 2012 Australia

Email: info@acoss.org.au

Website: www.acoss.org.au

ISBN: 978-0-85871-194-5

1. Executive summary

An economic and fiscal strategy for uncertain times

In our last Federal Budget Submission, we called for measures to match the major, systemic challenges facing the country – falling living standards, climate change, housing unaffordability, persistently high poverty levels and fraying social cohesion. Despite some modest additional investments, the 2024-25 Budget fell dramatically short, especially in raising social security payments and boosting investments in vital essential community services. In this Budget Submission, we again urge the Government to deliver an ambitious and strategic economic plan which responds to the scale and depth of the challenges we face as a nation while leveraging our national strengths.

Just as government action saved us from widespread loss of life and a deep recession when COVID-19 struck, public investment in care and support services, such as the NDIS, kept the Australian economy out of recession in 2024. Over the year to September 2024, all of the extra jobs created were in the public sector (while private sector employment fell) and almost all of the growth in Gross Domestic Product (0.6% out of 0.8%) came from government action (public expenditure and tax cuts).

We should acknowledge the economic benefits of positive government action whenever people call for budget expenditure cuts to curb inflation. As at September 2024, 'core' inflation (when volatile prices are removed from the Consumer Price Index (CPI)) of 3.5% was close to the RBA's target range of 2-3% and falling, though, of course, prices are much higher than they were two years ago. Living standards will not be restored by policies that suppress growth in jobs and incomes even further. That would only prolong the pain and concentrate it on those least able to adjust - the thousands of people who would become unemployed or lose the extra paid working hours they need to live decently.

Restoring living standards is best achieved by growing jobs and incomes. Official interest rates should be cut to ease financial pressure on people with debts and lock in as much of the employment gains we achieved in the post-lockdown recovery as possible. Since there was no 'price-wage spiral' when unemployment was held at 3.5% for a year, it is clear that we don't need to sacrifice more people to unemployment to contain inflation.

The Budget should be prepared with a view to reducing inflation and unemployment simultaneously, and the government should stand ready to boost jobs and incomes again in the event of a deeper economic downturn.

Understandably, the government is under pressure to support the majority of people whose living standards have declined over the past two years. Priority should be given to those on the lowest incomes, especially people relying on income support and low paid workers.

Tensions between curbing inflation, strengthening employment and incomes, and helping people struggling financially are best resolved by:

- **Curbing inflation directly, rather than through the blunt instrument of high interest rates**. This requires regulatory action (such as working with the states and territories to restrict rent increases), reductions in out-of-pocket costs for essential government-funded services (such as health, aged care and childcare) and better regulation (such as authorising the Australian Competition and Consumer Commission to publicly monitor mark-ups in oligopolistic sectors).

- **Providing well targeted income supports for people in greatest need**, **especially a substantial increase in JobSeeker and related payments**. Such payments would also act as an economic stabiliser, as the greater the increase in unemployment the more support it provides to jobs and incomes and vice versa.

Once growth, jobs and incomes are restored, attention should focus on the structural problems with the Budget. Investment in areas of acute unmet need - such as income support, social housing, dental and mental health, action on climate change, and essential services - should be strengthened.

To meet the community's needs and sustain the Commonwealth Budget for future years, the next government must **strengthen its revenue base**. This can be done in ways that simultaneously strengthen equity, economic development and the public's acceptance of increased taxation in certain areas by:

- linking tax changes to improvements in essential services and safety nets, for example reforms to the tax treatment of superannuation to properly fund aged care and removing opportunities for people to avoid the Medicare Levy,
- removing economically or environmentally harmful tax shelters such as Capital Gains Tax 'discounts', negative gearing, and fuel tax credits, and
- closing loopholes in the taxation of personal and business income, such as tax avoidance through private trusts and the under-taxation of offshore gas mines.

A Budget plan to lift living standards

This government has provided a modest increase to JobSeeker as well as increases to Commonwealth Rent Assistance. It has stimulated the wage levels of early childhood and aged care workers respectively and now outlined further necessary reforms to childcare access. It has concluded a solid agreement with the states and territories to deliver the recently announced National Access to Justice Partnership, aiding vital frontline services. It has developed the National Plan to End Violence Against Women and Children 2022-32. The Housing Australia Future Fund is set to deliver significantly more dwellings, while a total of $500 million will now be invested into home energy upgrades for social housing. The release of the Hill Report into Employment Services offers a vital reform roadmap yet to be fully actioned. Importantly, the mandate of the Reserve Bank of Australia (RBA) will prioritise achieving full employment alongside achieving price stability.

While these measures have all been welcome, they have not prevented or ameliorated historic falls in Australian living standards. People are reeling from weak economic growth, with average incomes per person declining by $5,000 (or 8%, adjusted for inflation) since June 2022.[1] Prolonged high inflation and excessive interest rate rises caused this economic distress. Inflation continues to gradually return to the RBA's target range of 2-3%, yet the combined inflationary impact of recent years continues to have a devastating effect. It will take many years for incomes to grow above inflation to restore this loss of living standards.

This reality is an unending strain for low-income Australian households, including people experiencing poverty, disadvantage and hardship. The economic pain felt by these households in turn creates deep social isolation, mental anguish and physical health problems. About 3.3 million people live below the poverty line, including 761,000 children (representing 1 in 8 adults and 1 in 6 children).[2] One in two people relying on JobSeeker payments, and one in three sole parents experience multiple material deprivation, meaning they cannot afford two or more essential items such as a home, yearly dental check-up or $500 in savings for emergencies.[3] Approximately 32% of Australian households experience moderate to severe food insecurity, about 3.4 million households.[4]

An average of 95,862 people per month are using homelessness services for reasons relating to financial stress, housing crisis or accommodation issues.[5] Average annual rents have increased over 7% since June 2022, and 3 million people are at risk of homelessness due to severe rental insecurity.[6] People on low incomes are the worst impacted by the devastating effects of regular and severe natural disasters. Meanwhile only 3 per cent of community service providers can 'always' meet demand, with community legal services for example turning away over 1,000 people per day from vital support, including specialist family violence services.[7]

Amidst these elevated levels of financial hardship, the Federal Budget continues to

1 ACOSS (2024), *The big squeeze: will the cure for high inflation turn out worse than the disease?* Briefing note. Available: https://tinyurl.com/yrcfdckv

2 Davidson, P; Bradbury, B; and Wong, M (2022), *Poverty in Australia 2022: A snapshot* Australian Council of Social Service (ACOSS) and UNSW Sydney. Available: https://bit.ly/PovertySnapshot

3 Naidoo, Y; Naidoo, Y., Wong, M., Smyth, C. and Davidson, P (2024), *Material deprivation in Australia: the essentials of life*, Sydney: Australian Council of Social Service (ACOSS) and UNSW Sydney. Available: https://tinyurl.com/4xzmfsth

4 Ipsos Public Affairs (2024), *Foodbank Hunger Report 2024*. Foodbank, Sydney. Available: https://apo.org.au/node/328680

5 Homelessness Australia (2023), *Mid year economic update must confront growing housing and homelessness crisis* Media release, 7 December 2023. Available: http://tinyurl.com/4zwsw7yk

6 Homelessness Australia (2024), *Australians missing out on homelessness support as services buckle under strain: report* Media release, 18 November 2024. Available: https://tinyurl.com/bdzhre2e

7 Cortis, N. and Blaxland, M (2022), *Helping people in need during a cost-of-living crisis: findings from the Australian Community Sector Survey*, ACOSS, Sydney. Available: http://tinyurl.com/4ts9ja2t; Community Legal Centres Australia (2024), *More than legal services: Preventing crises, strengthening communities. State of the Sector 2023-24 Survey Report.* Available: https://clcs.org.au/sots/

haemorrhage tax concessions and subsidies to those who need them the least. As a result, the longstanding divide between people with wealth and security, and those without, is now a yawning chasm. As the above evidence reveals, there is a persistent cohort of about 3 million people in Australia who are one redundancy, illness, accident, natural disaster, or eviction notice away from destitution. And our systems are not ready to help them recover and rebuild their lives. Instead, the government's inaction on tackling revenue dilemmas inadvertently helps those with wealth and security consolidate their position further.

Within this national context, the government must now take decisive and purposeful action to lift living standards, with a sharp focus on those who need assistance the most. This should include measures to:

- relieve financial stress for those on the lowest incomes,
- develop significantly more social and affordable housing,
- secure full employment and reduce prolonged unemployment, addressing the real drivers of inflation directly,
- build the capacity of the care and community services sector,
- advance effective climate action which also improves living standards for people in poverty, and
- eliminate unnecessary concessions and subsidies in Federal expenditure.

This pre-Budget Submission details recommendations to meet these ends. Our major recommendations are set out at the end of this section.

Wellbeing framework must be centre of Budget strategy

ACOSS continues to support the Federal Government's commitment to a wellbeing framework and advocates for it to be better embedded in the Budget development process. The wellbeing framework should be a mechanism for driving policy and progress, not just for measuring it. This requires ensuring that wellbeing goals and indicators are mapped to major Commonwealth Government programs. The wellbeing framework should contain measures both of overall wellbeing and the distribution of wellbeing. The major gap in the present framework is that lack of official measures of poverty.

We advocate development of two sets of poverty measures through an open and transparent consultation process. An income-based measure such as 50% of median equivalent disposable income should first be developed, followed then by more 'direct' measures of inadequate living standards across a number of dimensions of wellbeing (a multidimensional approach).

Major recommendations for the 2025-26 Budget

Our major recommendations are set out in the table below. Please see each subsequent chapter for a full list of all recommendations contained in this submission.

Recommendation	Budget impact in 2025-26
Investing in quality community services to help people in need	
Provide an immediate funding boost to essential services to help more people in immediate distress and crisis.	-$440 million
Properly fund peak bodies and advocacy organisations to inform public policy development and social service design undertaken by government.	-$41.5 million
Boost investment in public dental services to expand access to people on low incomes.	-$500 million
Build a social security system that meets need	
Lift JobSeeker, Youth Allowance, Parenting Payment Single and related payments to parity with pension payments (at least $82 a day) and index payments to wages as well as prices.	-$10 billion
Establish supplementary payments that are adequate to cover additional costs faced by some people, including a disability and single parenthood supplement.	Not available
Increase and index Remote Area Allowance so that it better reflects living costs in remote communities.	-$30 million
Employment opportunities for all, with no one left behind	
Commit to full employment and full employment targets incorporating unemployment, under-employment, and a ratio of job vacancies to people unemployed.	Not applicable
Introduce a flexible Jobs and Training Offer for people unemployed long term, comprising a menu of subsidised temporary employment, substantial further education or training, and/or health and social supports to improve their employment prospects.	-$500 million
Introduce as a matter of urgency a new system informed by a human rights framework and natural justice principles to replace the automated payment suspension system.	-$60 million
Make housing affordable for people with low incomes	
Empower and resource the development of a First Nations-led housing and homelessness plan.	-$1 billion

Recommendation	Budget impact in 2025-26
Substantially boost social housing investment through a 10-year funding pipeline calibrated to meet unmet social housing need.	Not available
Increase homelessness service funding by $450 million per annum, with indexation to wage and price movements and benchmarking to community need.	-$950 million
A fairer tax system that supports services, safety nets and economic development	
Reduce the Capital Gains Tax discount by half and restrict deductions for investment expenses for assets yielding capital gains so that they can only be offset against income from the same class of assets (e.g. investment housing or shares).	$600 million
Restrict deductions for residential investment properties to periods during which they are actually rented on a long-term lease.	Not available
Broaden the income definition for the Medicare Levy to stop people from sheltering their income from the levy.	Not available
Remove fuel tax credits for off-road non-agricultural uses, including mining.	$0
Fair, Fast and Inclusive action on climate change	
Invest further in energy efficiency, electrification and solar upgrades for low-income housing, to cut emissions, reduce energy bills, improve health, and create thousands of local jobs.	-$5 billion
Remove the costs of the Small-Scale Renewable Energy Scheme (SRES) and the Large-Scale Renewable Energy Target (LRET) from energy bills and put on government budgets to reduce bills by 6.5%.	-$3 billion
Establish First Nations-led community clean energy and diesel reduction initiative to invest in clean and reliable energy and First Nations jobs for remote communities.	-$500 million
Building thriving, climate-resilient communities	
Invest in local community resilience hubs, local council community resilience committees, and vulnerability data to empower communities to build their resilience and manage disaster recovery.	-$1.1 billion
Increase financial, housing, food, and other essential supports to	Not available

Recommendation	Budget impact in 2025-26
better meet the needs of people affected by disasters.	
Strengthen the capability of community sector organisations to respond and build resilience to disasters.	-$620 million
Decent retirement incomes and services	
Replace tax concessions for superannuation contributions with a fairer and simpler annual rebate.	$0
Introduce a 15% levy on superannuation fund earnings after retirement to guarantee free universal access to quality aged care services.	$0

A note on costings

Where possible, the budget impact of a proposed recommendation has been estimated for the next financial year. In some cases, where the cost changes significantly over time, the second year's costings have been provided.

Where the budget impact is 'Not Available', either there is insufficient data available to estimate the costs, or the costs will be variable depending on need in any given year, for example in case of natural disasters.

Fiscal costs are expressed as negative values. Savings, or revenue increases, are expressed as positive values. Estimates are rounded up or down to nearest whole number, to the nearest $10 million where the impact is over $100 million, and the nearest $100 million where impact is over $1 billion.

2. First Nations communities

ACOSS is deeply committed to First Nations communities and their ongoing fight for sovereignty and self-determination. As the national peak for the community sector, we have made specific commitments to:

- Solidarity and action with First Nations communities in their ongoing campaign for Voice, Treaty, and Truth-telling.
- Ensuring our own decision-making processes respect First Nations voices and leadership.
- Developing partnership principles that ensure we are not competing with Aboriginal community-controlled organisations who are best placed to develop policy solutions and deliver services for their communities.

ACOSS calls for continued multipartisan support for the National Agreement on Closing the Gap beyond the next Federal Election with a renewed emphasis on the Priority Reforms as the guide for government action on issues that impact First Nations peoples. This Agreement was signed by all jurisdictions and has now been utilised across two successive Federal Governments. However, Australia remains a long way off achieving the outcomes set out in the Agreement, and so it is vital that parliamentary support endures for the long term alongside genuine government commitment to the implementation of the Priority Reforms.

Throughout our Budget Submission, ACOSS has prioritised First Nations policy issues, as informed by our First Nations Policy Network. These include the following policies, programs and services:

- Provide a quarantined funding for specialist services for Aboriginal and Torres Strait Islander people, including Aboriginal and Torres Strait Islander Legal Services (ATSILS) and Family Violence Prevention Legal Services (FVPLS) (see 3 Investing in quality community support, care and crisis services*)*.
- Fully resource *Safe and Supported: The National Framework for Protecting Australia's Children 2021-2031* (see 3 Investing in quality community support, care and crisis services)
- Increase remote area allowance (see 4. Build a social security system that meets people's needs).
- Abolish mandatory income management and invest savings in community-led programs that support communities (see 4. Build a social security system that meets people's needs*)*.
- Urgently replace the current harmful automated payment suspensions system with a model that follows natural justice principles (see 5. Employment opportunities for all, with no one left behind).
- Establish a First Nations-led community clean energy and diesel reduction initiative to replace diesel with solar and batteries. The program should be developed and implemented in partnership with First Nations communities, be community-owned and lead to First Nations jobs (see 8. Fair, fast and inclusive action on climate change).
- Establish a program to invest in energy performance retrofits (energy

efficiency, electrification and rooftop solar) for low-income housing including public, community, low-income owner-occupied housing and private rental dwellings. The program should prioritise retrofits to First Nations housing (see 8. Fair, fast and inclusive action on climate change).

- Empower and resource the development of a First Nations-led housing and homelessness plan (see 6. Make housing affordable for people on low incomes).
- Support and empower local communities to build their resilience and lead disaster recovery efforts. This includes providing funding to support First Nations peoples and communities to participate in whole-of-community responses to build climate resilience and to better prepare for, respond to and recover from disasters, that builds on traditional and local knowledge (see 9. Building thriving, climate-resilient communities).
- Properly fund peak bodies and advocacy organisations to inform public policy development and social service design undertaken by government (see 3 Investing in quality community support, care and crisis services).

3. Investing in quality community support, care and crisis services

Over the past two years, the community sector has developed the National Not-for-Profit Sector Development Blueprint (the Blueprint), outlining a credible, rigorous reform roadmap for tackling the systemic challenges it faces: increasing and more complex community demand, insecure and inadequate funding and workforce challenges. The Blueprint aims to strengthen the impact and role of the Not for profit (NFP) sector across Australia, and in doing so, improve the country's connectedness, social cohesion and inclusion. Among the most pressing items is that the Blueprint recommends government improve the financial sustainability of the NFP sector as an immediate priority, including:

1. Promoting the benefits of funding the full costs of NFP sector activities, sustainable procurement and pricing to government; and
2. Progressing and monitoring government actions to deliver full-cost funding as sought by the NFP sector, including the application of appropriate indexation.

In 2025, the government needs to co-design a plan for the Blueprint that sets out to directly action these recommendations, drawing on the sector's expertise and acumen while equitably resourcing its contribution and leadership. This plan should be resourced in the 2025-26 Budget.

Over 15% of all workers are in the community sector.[8] It is the second largest contributor to gross value added in the economy after mining.[9] It is central to the Federal Government's agenda on employment, improving wages and job security, reducing the gender pay gap, tackling entrenched disadvantage and leaving no one behind.

More and more people in the community are desperate for assistance. It is unsurprising that almost two-thirds of Community Service Organisations (CSOs) report increased levels of poverty and increased complexity of need across the country. Only 3% of organisations report they can always meet community demand.[10]

Community and care services remain chronically underfunded and under-valued, and this continues to place an enormous additional strain on communities around the country. Grants do not cover the full cost of running CSOs. Contracts are mostly too short to sufficiently plan programs and retain staff. Conditions have deteriorated so much in the past three years that community sector workers are themselves becoming homeless and seeking emergency support, financial counselling and food relief. The sector continues to cry out for a deeper, systemic

---

8 Australian Government, Jobs and Skills Australia (2023), *Health Care and Social Assistance*. accessed December 2023. Available: http://tinyurl.com/4j3acrx7

9 Department of Prime Minister & Cabinet (2023), 'Economic impact of care and support,' *Draft National Strategy for the Care and Support Economy,* Australian Government, Canberra. Available: http://tinyurl.com/u7d75xsx

10 Cortis, N. and Blaxland, M (2022), *op. cit.*

response to the above challenges. The government's supplementary financial support for CSOs to assist with increased operational costs expires in financial year 25/26 and there is no plan for the massive gap it will leave. Changes to indexation arrangements in the 2023-24 Federal Budget have not adequately addressed the inequity in how it is applied across different line agencies.

Finally, the government must take steps to safeguard our universal primary health care services. Within our health systems, it must improve access to dental health services for people on low incomes. This is a glaring gap within our current system, which the Senate Committee Inquiry into the Provision of and Access to Dental Services in Australia described as being "in decay".

Major recommendations

- Provide an immediate funding boost to crisis services to help more people in immediate distress and need.
- Properly fund peak bodies and advocacy organisations to inform public policy development and social service design undertaken by government.
- Boost investment in public dental services to expand access to people on low incomes.

Detailed recommendations

Cover the full costs of service delivery in Commonwealth grants

In the 2022 Australian Community Sector Survey, only 9% of sector leaders responded that funding covers the full cost of service delivery.[11] Overwhelmingly, senior leaders reported that grants do not account for basic organisational overheads, such as IT, contract administration, regulatory compliance, client and worker safety, and investments in workforce pay, conditions and skills. The latest research finds that not-for-profits true indirect costs range from 26% to 47% of total costs. For instance, at a time when government is demanding more sophisticated impact evaluation from providers, budget and funding is the number one challenge for NFP organisations seeking to build their digital capability, a key organisational skillset required to develop a data-driven record that demonstrates impact.[12]

A structural deficiency is built into the Federal Government's approach to grants management with CSOs. Budget rules advise Departments to use Commonwealth Grants only as co-contributions that assist CSOs to deliver complex social services, despite the fact that government is the predominant funder of these services that are provided to

---

11 Cortis, N. and Blaxland, M. (2023), *At the precipice: Australia's community sector through the cost-of-living crisis, findings from the Australian Community Sector Survey*, ACOSS, Sydney. Available: http://tinyurl.com/y6354um7

12 Infoxchange (2024), *Digital technology in the not-for-profit sector report.* Available: https://tinyurl.com/evznu39d p 4.

people in need on behalf of the Federal Government.[13] It is beyond time that this deficiency is directly remedied.

Additionally, there is significant inequity in the way that indexation on Commonwealth grants is determined and applied to CSOs funded by different departments. Even with changes to indexation arrangements in the May 2023 Federal Budget, a large array of providers still miss out on indexation. Indexation is critical to ensure that the value of a grant does not deteriorate over time, and to allow organisations to respond to increasing annual costs. More information on improving indexation methodologies is available here.

Recommendation 1:

Cover the full costs of service delivery and deliver proper and transparent indexation to all community service providers in line with Initiative 4 in the NFP Blueprint.[14]

Budget impact in 2025-26: not available

Provide an immediate funding boost to crisis support services that help people in distress

The Federal Government should take immediate action to boost the capacity of the community sector, so that the sector can help more people currently experiencing crisis and distress. Some providers are moving more services to online, or offering support in groups rather than individually, to keep up with demand. Others see wait lists increase or close entirely, referring people to other equally overstretched services, or turning people away altogether. Government must fund community organisations to both operate at full effectiveness and ably meet people's demand for help without burning out the workforce. This includes the following immediate investments:

Food relief: at least $50 million per year to help relief services better meet community need. This comprises $10 million for additional capacity, $20 million from each round of the Disaster Ready Fund, $20 million for emergency food relief following a crisis or natural disaster.

Financial counselling: Additional funding for financial counselling services of at least $10 million (taking the Commonwealth contribution to at least $60 million per year), to fill the funding gap in the industry-led funding model recently announced.

Community legal services: An additional $230 million per year for community legal centres, comprising $135 million for workforce needs and general services and $95 million for domestic and family violence services, less what is allocated to the sector from the Commonwealth's September 2024 announcement.15

Recommendation 2:

Provide an immediate funding boost to essential services that help people experiencing distress

---

13 Department of Finance (2018), *Grants, procurements and other financial arrangements: Resource management guide no. 411.* Australian Government, Canberra. Available: https://tinyurl.com/2sesezy5 p 5-7, 17-18.

14 Department of Social Services (2024), *op.cit.* p 15.

15 Community Legal Centres Australia (2024), *Pre-budget submission 2025-26*. Available: https://tinyurl.com/568xs2ph

and crisis, including but not limited to food relief, financial counselling and community legal services.

Budget impact in 2025-26: - $440 million

Provide immediate funding boost to expand the capacity of specialist domestic, family and sexual violence services

Victim-survivors of domestic, family and sexual violence (DFSV) urgently require universal access to essential services, including crisis support, information, referrals, court advocacy, case management, supported accommodation, legal advice and advocacy and income support. Demand for services is growing, along with acute workforce pressures, with more women needing help but experiencing greater difficulty in accessing support. DFSV services are reliant on government funding, with limited supplementation by fundraising and philanthropic efforts.

One of the major barriers to addressing service shortfalls and workforce issues in the sector is the prevailing view that these services are solely a matter for state and territory governments. Most services rely on a mixture of funding streams that are often short-term or fixed term. The Federal Government has demonstrated leadership in the development of the National Plan to End Violence Against Women and Children 2022-32, but more is needed to be done to ensure adequate, nationally consistent and fair funding, along with a national workforce strategy. Government spending should focus on fair funding for specialist services and on support for First Nations women, children and communities.

Recommendation 3:

Provide an immediate funding boost to expand the capacity of specialist DFSV services including the urgent prioritisation of support to Aboriginal and Torres Strait Islander women and children.

Budget impact in 2025-26: Not available

Provide quarantined funding to specialist services for Aboriginal and Torres Strait Islander people, including a focus on workforce

The Federal Government has strengthened certain frontline services supporting Aboriginal and Torres Strait Islander peoples, including via the National Access to Justice Partnership Agreement. However, more needs to be done to ensure that Aboriginal and Torres Strait Islander people across the country can equitably access specialist services designed, delivered and determined by Aboriginal Community-Controlled Organisations (ACCOs), including in the following key areas:

National Family Violence and Prevention Legal Services (FVPLS): increase the geographic spread and capacity of FVPLS by establishing a dedicated funding stream administered by Department of Social Services to include non-legal support services, early intervention and prevention programs. This funding stream must adequately address the lack of national coverage and unmet need of FVPLS for Aboriginal and Torres Strait Islander victims of DFSV.

Any specific funding to address gender-based violence that arises following the establishment of the standalone *National Aboriginal and Torres Strait Islander Family Safety Plan*, for Prevention, Early Intervention, Response, and Recovery and Healing Programs be quarantined for consideration by the FVPLS sector. This would demonstrate the government's commitment to Priority Reform 2 of the Closing the Gap Agreement (building capacity of the specialist DFSV ACCO sector) and would align the Safety Plan with the *National Plan to End Violence against Women and Children 2022–2032*.[16]

Aboriginal and Torres Strait Islander Legal Services (ATSILS): Immediately address the continuing funding crisis faced by ATSILS across the country. The recently announced funding under the new National Access to Justice Partnership was a missed opportunity to definitively redress the funding disparity for ATSILS. This funding would allow ATSILS to expand service delivery to all areas of law and across all locations so that choice to access culturally safe legal assistance and wraparound support is available to all Aboriginal and Torres Strait Islander people, regardless of postcode. Better funding of ATSILS will help shift the dial on the worsening justice target outcomes to lower incarceration rates for adults and young people and go some way to make good on governments' commitments under the National Agreement on Closing the Gap to build the Aboriginal community-controlled legal assistance sector.

Boosting investment in the above frontline crisis services requires a stronger focus on investing in First Nations workers, including enhanced coordination and clearer frameworks with the states and territories.

Recommendation 4:

Provide quarantined funding to specialist services for Aboriginal and Torres Strait Islander people, including a focus on workforce, to ensure that Aboriginal and Torres Strait Islander people across the country can equitably access specialist services designed, delivered and determined by ACCOs.

Budget impact in 2025-26: Not available

Safe and Supported: The National Framework for Protecting Australia's Children 2021-2031[17] has been negotiated and agreed by all states and territories, the Federal Government, and by Aboriginal and Torres Strait Islander leaders around the country.

Safe and Supported sets out a range of important priorities to keep children safe and to reduce the over-representation of Aboriginal and Torres Strait Islander children in the child protection system, including supporting increased investment in ACCOs, supporting the child and family services workforce, and improving data and full implementation of the Aboriginal and Torres Strait Islander Child Placement Principle.

16 Department of Social Services (2022), *National plan to end violence against women and children 2022-2032* Australian Government, Canberra. Available: https://tinyurl.com/8xrkbcbf

17 Department of Social Services (2021), *Safe and Supported: The National Framework for Protecting Australia's Children 2021-2031* Australian Government, Canberra. Available: https://tinyurl.com/mrx3fk7r

Safe and Supported represents an important opportunity to increase the capacity across Australia to keep children safe and to reduce over-representation of Aboriginal and Torres Strait Islander children in child protection.

However, most of the initiatives agreed by governments have not been backed up with funding commitments. The Federal Government must show leadership and commit the resources that are needed to keep Aboriginal and Torres Strait Islander children safe and with their families, and to ensure that the agreed priorities for Safe and Supported are progressed.

Recommendation 5:

The Federal Government must demonstrate national leadership and play a central role in initiating the transformational change that Safe and Supported has committed to, through resourcing the development of strategic policy frameworks, community-based initiatives, and supporting the development of Aboriginal and Torres Strait Islander community capabilities and cultural governance to lead in caring for children. The Federal Government should also lead development of key policy frameworks and national implementation initiatives.

Budget impact: -$243.3 million over 3 years

Map community need to inform future service funding reform

People's need for community services in recent years has increased significantly and grown more complex. Many community services are unable to meet community demand for care, support and crisis services. People experiencing poverty and inequality have endured the pandemic, a series of devastating natural disasters, as well as incredibly distressing economic hardship.

For community services to fully meet community need, government must develop a more sophisticated understanding of how the need for community services continues to change, and how to best meet these evolving needs. Undertaking such analyses is standard practice within state and territory governments, ensuring that responsible line agencies have a rigorous evidence base to identify and understand the level of community need for human services, and the geography of such need. Given the Federal Government's enhanced commitment to evaluation and measuring impact, it is unfathomable that it would not seriously undertake needs analyses across major portfolios. More information on current levels of need in the community sector is available here.

Recommendation 6:

Invest in national service needs mapping for community services to inform future services planning and investment.

Budget impact in 2025-26: -$10 million

Properly fund community peak bodies and advocacy groups

Peak bodies, policy and advocacy groups regularly offer essential policy advice and acumen to federal departments. For instance, the Department of Social Services convenes the Community Services Advisory Group every two months to help sharpen the government's policy development regarding Commonwealth grants management. The Blueprint Expert Reference Group was tasked by the Federal Government to deliver a ten-year reform roadmap via the Blueprint, an undertaking that could not have been done within the Australian Public Service (APS). The Economic Inclusion Advisory Committee meets frequently to develop major recommendations on social security reform. There is a range of other similar examples across other major portfolios. Peak bodies, policy and advocacy groups are critical stakeholders for the Federal Government.

Over the previous decade, core funding was cut to a range of peaks and advocacy organisations, including those representing people facing disadvantage. Other community peak bodies receive insufficient funding to enable them to do engagement, policy development and advocacy at a national level. Importantly, this includes the critical work of First Nations peaks, which require better investment in their core policy, advocacy and sector development functions to support the Aboriginal and Torres Strait Islander community-controlled sector and to meaningfully participate in shared decision-making with governments in line with the National Agreement on Closing the Gap.

ACOSS, the national peak for the community services sector, has had no real increase in the value of its core grant since 2011 (currently $998.527 per annum) and virtually no indexation until the last two years. Despite the breadth and depth of ACOSS's policy expertise and engagement across government, ACOSS only receives government funding from the Department of Social Services, with no ongoing funding for work on economic and tax policy, climate and energy policy, employment policy or climate and disaster resilience and recovery. ACOSS is seeking core funding of $6,200,000 per annum (indexed) to properly fund its work across key policy domains for a 5-year period from 2026.

As one of its immediate actions, the Blueprint recommended that the government fund NFP sector peak bodies to support policy research and related advocacy.[18] Community peak bodies ensure that the perspectives of affected groups are heard by policy makers. To support the ongoing participation of peak bodies in public policy processes, the Federal Government should invest properly in these vital organisations.

Recommendation 7:

Properly fund community sector peak bodies, including ACOSS, to effectively engage with people affected and with the Federal Government.

Budget impact in 2025-26: -$41.5 million

Establish a Services Quality Commission for all Commonwealth-funded social services

People deserve high standards of community care and effective service systems. Taxpayers deserve to know that government investment in services is money well spent and achieves positive, lasting outcomes for people. Recent independent inquiries into aged care, disability services and employment services have revealed yet again the broken nature of Australia's social service markets, especially the risk posed by for-profit providers in poorly regulated

18 Department of Social Services (2024), *op.cit.*, p 15.

markets.[19] What is needed now is a quality assurance body focused on improvement in daily service delivery to people in need. Such a body should set and enforce quality standards across different service systems, share and support best practice and improve the overall responsiveness of systems to the people accessing and using services. It would also ensure that service systems place the voice of the service user at the centre of design, delivery and evaluation. It could identify and benchmark providers achieving positive and lasting outcomes for people particularly in need, and in doing so, facilitate better innovation between providers within service systems.[20]

Recommendation 8:

Establish a Services Quality Commission for all Commonwealth-funded social services to improve daily service standards, support best practice and improve the service system's overall responsiveness to people accessing and using services.

Budget impact in 2025-26: -$20.5 million

See also Recommendation 28, Establish an independent statutory Quality Commission for employment services in Chapter 5.

Expand access to public dental services as a step towards universality

Oral health is an essential part of general health yet remains a gap in our universal primary health care system. Public dental waiting lists are long, and eligibility is tightly targeted. Too many people go without or defer necessary dental treatment because of prohibitive out-of-pocket-costs.

The Senate Committee Inquiry into the Provision of and Access to Dental Services in Australia noted that "around 40 per cent of Australians avoid or delay visiting a dentist, and around 23 per cent to forgo the recommended treatment when they do see a dentist".[21] The report also highlighted excessively long wait times for public dental services in most jurisdictions (up to two years and sometimes longer).

The National Oral Health Alliance has outlined a policy roadmap towards universal oral health access for all people living in Australia.

As a first step, we urge the Federal Government to expand access to public dental services and meet unmet need.

Recommendation 9:

Increase funding for public dental services.

Budget impact in 2025-26: -$500 million

---

19 See ACOSS submission to the draft National Strategy for the Care and Support Economy, 2023; see also ACOSS submission to House Select Committee on Workforce Australia, March 2023.

20 See also Recommendation 22 in Workforce Australia Inquiry Report.

21 Data from: Australian Research Centre for Population Oral Health (2019), *Australia's oral health: National study of adult oral health 2017-18.* The University of Adelaide, South Australia. Available: https://tinyurl.com/yc4afxaf

See also: 6. Make housing affordable for people on low incomes for recommendations on homelessness services.

4. Build a social security system that meets people's needs

Australia continues to deny people receiving income support payments an adequate standard of living where people can cover the cost of the basics of life. Income support payments for people of working age continue to be well below all measures of adequacy. People receiving these payments are 14 times more likely than others to go without a substantial meal each day, are at greatest risk of living in poverty and report the highest levels of housing stress with virtually no rental property in Australia being affordable for someone receiving JobSeeker.

At some stage of our lives, most of us will either receive income support or live in a household that receives income support. We should have confidence that when we need support, that support will be sufficient, and we will be able to get it without encountering major barriers.

ACOSS makes several recommendations to improve the social security system so that it meets need. The most pressing recommendation continues to be lifting rates of income support payments like JobSeeker, Youth Allowance and Parenting Payment Single to parity with pensions (at least $82 a day on current rates) so that people can cover basic costs. In addition to lifting base rates of income support, single parents, people with disability, and people living in remote Australia should receive adequate supplementary payments that recognise the additional costs they face.

In this year's submission, ACOSS recommends that the government develop and legislate poverty measures. This will enable Australia to ensure we meet our commitment under the Sustainable Development Goals to halve poverty for all adults and children by 2030 'according to national definitions'.

It is just as important to have an income support system that respects people who use it and treats them with dignity. Too many people receiving income support experience discrimination, poor service, and are denied support when they need it because the system is not designed with people at the centre. ACOSS calls for Services Australia to be appropriately resourced to meet demand, and for legislative reforms so that people in need of income support receive it when they need it. Our recommendations to reform or remove waiting periods, abolish mandatory income management, and boost Services Australia's resources seek to improve people's experience of the income support system.

Major recommendations

- Lift JobSeeker, Youth Allowance and related income support payments to parity with pensions (including pension supplement), at least $82 a day, and index payments to wages as well as prices.
- Establish or reform supplementary payments to cover additional costs faced by some people, including the Remote Area Allowance, Commonwealth Rent Assistance and disability and single parenthood supplements.
- Develop and legislate official poverty measures, with the Australian Bureau of Statistics sufficiently resourced to gather the necessary data.

Detailed recommendations

Lift base rates of JobSeeker, Youth Allowance, Parenting Payment and related working-age payments

Australia's income support system should provide enough to cover the basics. However, social security payments such as JobSeeker and Youth Allowance remain grossly inadequate against all benchmarks.

The Federal Government must build on the welcome $20 per week increase delivered in the 2023 Budget, and substantially lift base rates of JobSeeker Payment, Youth Allowance, Austudy, Abstudy, Special Benefit, Parenting Payment and Crisis Payment in the 2025 Budget.

These payments should be brought up to the same level as the pension plus pension supplement (currently $82 a day for a single person). This would require an increase of $26 a day to the single maximum rate of JobSeeker Payment and $43 a day for the single, maximum rate of Youth Allowance.[22] These payments should be increased twice per year in line with wages growth or inflation (whichever delivers the highest increase).

Recommendation 10:

Lift JobSeeker, Youth Allowance, Parenting Payment and related income support to parity with pensions (including pension supplement), at least $82 a day on current rates, and index payments to wages as well as prices.

Budget impact in 2025-26: -$10 billion

Increase and reform Remote Area Allowance

The Remote Area Allowance (RAA) is a small supplement for people living in remote parts of Australia to recognise the additional costs associated with residing in those areas. The payment is not indexed and is just $9.10 per week for a single person. The last time the payment was increased was in 2000, when it rose by 35 cents per week.[23] A 2020 analysis of remote store pricing by the National Indigenous Australians Agency found that prices in remote community stores were on average some 39% higher than those in major supermarkets elsewhere.[24] Although many people in remote areas live in public housing and therefore pay lower rents compared with people in private rentals, they would not receive Commonwealth Rent Assistance. Considering the excessive costs of food and other essentials in remote areas and the very high rates of poverty and deprivation among remote First Nations communities, the RAA is in urgent need of an increase, as well as ongoing indexation.

Recommendation 11:

---

22 As at 1 January 2024.

23 Department of Social Services (2022), '5.2.6.30 RAA - May 1984 to present date' *Social Security Policy Guide*. Available: http://tinyurl.com/3xnxh4nv

24 National Indigenous Australians Agency (2020), *Food prices and accessibility in remote communities: simple basket of goods' snapshot.* NIAA, Canberra.

Substantially increase remote area allowance. In the first instance, increase the payment in line with its loss in value over time through inflation and apply ongoing indexation, at least to the Consumer Price Index (lifting the single rate to $26.25pw). A review should also be conducted to benchmark the payment more appropriately to remote community living costs to improve adequacy.

Budget impact in 2025-26: -$30 million[25]

Develop and legislate official poverty measures

Despite being a signatory to the UN's Sustainable Development Goals, including the commitment to halve poverty by 2030 according to national definitions, Australia does not yet have an official measure or measures of poverty. Australia is out of step with the rest of the world in this respect – 156 countries have some form of poverty measurement, including the United States. It is difficult to design and evaluate the effectiveness of government interventions or reforms without an official measure of poverty and poverty measurement ensures that governments are held to account in terms of poverty alleviation.

We recommend that Australia adopt both a monetary poverty measure, which should be established first and without delay, and a multidimensional poverty measure to capture the broad experience of poverty, including across healthcare, education and other areas of people's lives. The Australian Bureau of Statistics should be funded to collect and report on the required data each year. The monetary measure could be developed relatively quickly and should factor in housing and other wealth that a person has in determining poverty rates. The multidimensional measure should be developed in partnership with key experts and in dialogue with the community.

Recommendation 12:

Develop and legislate official poverty measures, both a monetary measure and a multidimensional measure, which should be publicly reported on each year. The Australian Bureau of Statistics should be resourced to collect and measure the data required. We recommend that the monetary measure be developed and legislated as a first step, noting there is a high-level of consensus about the preferred approach. A process to design a multidimensional measure for Australia should then be undertaken.

Budget impact in 2025-26: **Not available**

Reform impairment tables to better support people with disability

The government has made some welcome improvements to impairment tables for assessing eligibility for the Disability Support Pension to better reflect people's experience of disability. However, some people with multiple disabilities and chronic health conditions continue to fail to meet eligibility criteria for the payment because they do not score 20 points in one impairment table. ACOSS calls for reform to the impairment tables so that people with disability and/or chronic ill health are eligible for

---

25 Assumes an average 188% increase (based on the rate of increase for the single payment once lifted in line with CPI since 1984) to average payment received of $387 per year, which equals about $30m for 90,000 ppl. Does not include cost of review.

the Disability Support Pension if they score at least 20 points across tables and meet other eligibility criteria. For more detail, see our submission to the inquiry on the purpose, intent and adequacy of the Disability Support Pension.

Recommendation 13:

Reform Disability Support Pension eligibility criteria so that people who score 20 points across impairment tables may be eligible for the payment.

Budget impact in 2025-26: Not available (noting that the cost would be negligible if all income support payments were lifted to the same level as the pension).

Ensure the additional costs faced by people with specific needs are met through supplementary payments

Improve the adequacy of payment supplements to meet additional living costs, including by lifting the maximum threshold for Commonwealth Rent Assistance (CRA) by 60% (resulting in a 100% increase in the payment).[26], establishing a $65 per week Disability and Illness Supplement, and a Single Parent Supplement benchmarked to the additional costs of single parenthood (to replace Family Tax Benefit (FTB) Part B, see below).

Recommendation 14:

Improve adequacy of supplements to cover extra costs.

Budget impact in 2025-26: Not available

Reform family payments to reduce child poverty

The current family payments system is unduly complex and should be reformed to provide greater assistance to very low-income families, particularly single parents, and support contemporary family structures and gender roles. Specifically, FTB Part A per child payments should be benchmarked to the real costs of children at different ages (using a budget standards or equivalent methodology) and indexed to wage and price movements, whichever is highest. FTB Part B payments should be replaced with a Single Parent Supplement to meet the additional costs of raising children alone and reduce poverty in single parent households. The role of the Part B payment for single-income couples should also be reviewed, in the context of the benchmarking of Part A, and to reflect contemporary care norms, with very low-income couple households benefitting from a boost to Part A payments and, if eligible, to allowance payments and increased rent assistance.

Recommendation 15:

- The Federal Government should index FTB payments to wages and prices, whichever is the higher.

---

26 ACOSS has calculated this increase by benchmarking the CRA maximum rent threshold (as at September 2024) to average, lowest quartile rents paid in outer Sydney, Brisbane and Melbourne across three dwelling sizes (one-bed unit, two-bed unit, three-bed house) as at June 2024.

Budget impact in 2025-26: -$0 million[27]

A review to assess adequacy of family payments should be conducted, including:

- recommending benchmarks for FTB Part A payments linked to the actual costs of raising children at different ages; and
- modelling changes to FTB Part B to reflect contemporary care norms and boost support to single parent families.

Budget impact in 2025-26: Not applicable

End mandatory income management

ACOSS applauded the Federal Government's abolition of mandatory cashless debit in 2022, which restricted a portion of people's incomes to an eftpos-style card that could not be used to purchase alcohol, gambling or be used to withdraw cash. We urge the government to do the same for mandatory income management, which restricts people's access to cash and prohibited goods. The Parliamentary Joint Committee on Human Rights recommended mandatory income management be abolished because of its discrimination against the estimated 25,000 people who are subjected to it. First Nations People comprise the majority of people subjected to this policy; a policy that continues to operate without a credible evidence base. The government should abandon this policy and redirect the savings into community-led programs that deliver positive outcomes.

Recommendation 16:

Abolish mandatory income management and invest savings in community-led programs that support communities.

Budget impact in 2025-26: $0 million (savings would be redirected into beneficial, community-led programs).

Reform unfair waiting periods

People should be able to receive income support when they need it. However, our income support system denies people support for various lengths of time by applying arbitrary waiting periods.

The Liquid Assets Waiting Period (LAWP) denies people unemployment payments for up to 13 weeks if they have cash assets of $5,000 or more. The result is that people erode modest savings to put food on the table while they wait for income support. Considering 68% of people receiving JobSeeker have done so for 12 months or more, denying people a critical cash buffer leads to deprivation and destitution that may have been avoided if they did not have to serve the LAWP.

A much fairer approach would be to replace the LAWP with a comprehensive means test so that people are not forced to whittle down modest savings to access our social safety

---

27 As costed using the Parliamentary Budget Office's 'Build your own budget' tool. Cost of this change in 26/27 estimated to be $20m.

net.

ACOSS also recommends the Newly Arrived Residents Waiting Period (NARWP) be substantially reduced so that people are not forced to wait for up to four years to receive income support. The NARWP applies to people who have attained permanent residency, and denies payment of JobSeeker Payment, Parenting Payment and other key supports for up to four years.

Many people subjected to the NARWP have already lived and worked in Australia for years on temporary visas before applying for permanent residency. Consequently, people who have contributed to our economy and communities are denied support if they suddenly lose their job or have a child for whom FTB would otherwise be payable.

Finally, the one-week Ordinary Waiting Period should be abolished. As with the LAWP, people eligible for income support should be able to receive it when their eligibility is confirmed and not be forced to wait one week before their payment starts.

Recommendation 17:

Abolish the LAWP and replace it with a comprehensive means test.

Budget impact in 2025-26: -$60 million

Recommendation 18:

Reduce waiting periods for newly arrived migrants, and abolish the waiting period for FTB, Paid Parental Leave, Special Benefit, Carer Allowance.

Budget impact in 2025-26: -$660 million

Recommendation 19:

Improve access to income support by removing Ordinary Waiting Period.

Budget impact in 2025-26: -$160 million

Improve financial assistance for people seeking asylum and temporary migrants

Migrants building their lives in Australia should be supported to cover the basics. At a minimum, ACOSS calls for the restoration of funding of the Status Resolution Support Service to support people seeking asylum, which was cut under the previous government. People who qualified for assistance under this scheme generally do not have work rights and are therefore often left without support. ACOSS also recommends the level of financial assistance provided under this program to be lifted to at least 100% of the JobSeeker Payment.

Federal Government should work with key experts to ensure that people in Australia with no other means have access to financial assistance.

Recommendation 20:

Restore funding previously cut from the Status Resolution Support Service and lift financial assistance payments to allowance rates.

Budget impact in 2025-26: Not available

Recommendation 21:

Ensure temporary migrants with no other means of assistance have access to crisis support and financial assistance.

Undertake a policy dialogue and development process with affected stakeholders, representative groups and relevant experts to develop an appropriate program of financial and other crisis assistance for temporary migrants who have no other means of support.

Budget impact in 2025-26: Not applicable

Improve the operation of our income support system

ACOSS proposes a range of measures to improve equity across payment types, enhance service delivery and remove unfair conditions.

Firstly, we recommend that the income test for Special Benefit be aligned with that of JobSeeker Payment. Special Benefit is the payment of last resort for people who do not qualify for other income support. It is received by only around 6,000 people. It is paid at the same rate as JobSeeker, however it has a dollar-for-dollar income test that includes in-kind goods and services. Consequently, some people who are eligible for Special Benefit hardly receive any financial support because of this archaic income test.

Aligning the income test with that of JobSeeker would improve equity in our income support system and reduce the deep poverty experienced by many people receiving Special Benefit.

Secondly, ACOSS recommends that the government urgently implement Recommendation 18.2 of the Robodebt Royal Commission and reinstate a statute of limitations for debt recovery. In 2017, the Coalition Government abolished the six-year statute of limitations as a cost-savings measure, allowing the Federal Government to seek alleged overpayments without a time limit. ACOSS understands Services Australia has alleged debts on its books from as far back as the 1970s. It would be near impossible for people to contest such an old debt because they would not have records from that time. It is standard practice to have a statute of limitations with respect to debts, and ACOSS calls for there to be a statute of limitations with respect to Centrelink debts, set from the time when the debt occurred (and not when it was discovered by Services Australia).

Thirdly, ACOSS recommends that Services Australia be adequately funded to meet demand. ACOSS welcomed the announcement of 3,000 extra permanent staff to improve service delivery as part of the 2023-24 Mid-Year Economic and Fiscal Outlook. Services Australia needs further investment to meet demand including to field calls, process claims, and review alleged debts.

ACOSS also recommends that the government waive unlawful income apportionment debts. Recent data released through Freedom of Information suggests that up to 5.3 million debts may have been affected by unlawful income apportionment. Considering the capacity challenges for Services Australia and that recalculation of these alleged debts can only be done through manual processing, ACOSS recommends they be waived.

Finally, Services Australia must also engage more social workers to support people experiencing domestic violence, trauma, poor mental health, and other issues commonly experienced by people needing income support.

Recommendation 22:

Align the Special Benefit means test to the JobSeeker means test.

Budget impact in 2025-26: -$20 million

Recommendation 23:

Reinstate a statute of limitations on debt recovery.

Budget impact in 2025-26: -$50 million

Recommendation 24:

Waive unlawful income apportionment debts.

Budget impact in 2025-26: unable to be calculated

Recommendation 25:

Boost Centrelink resources including social workers employed by Services Australia.

Budget impact in 2025-26: -$50 million

5. Employment opportunities for all, with no one left behind

Sustained full employment lifts people out of unemployment, reduces poverty, increases wages, improves the quality and security of employment, lifts productivity and reduces income and gender inequality. The government's commitment to genuine full employment outlined in the Employment White Paper– where people searching for employment or more paid hours can get them within a reasonable time – is very welcome. It should now set targets for full employment so that its commitment is achieved over time.

The labour market has stabilised in the latter half of 2024, with the unemployment rate recently falling to 3.9% as inflation has fallen back towards the RBA target range. While the overall labour market is stronger than many predicted, we have not reached full employment and excessive RBA rate rises have heavily reduced job growth in the private sector. The RBA view of excess demand in the economy looks increasingly at odds with the evidence, with inflation reducing substantially despite an unemployment rate below 4% for the overwhelming majority of the post-COVID era. The RBA should stop trying to increase unemployment unnecessarily and cut the cash rate to support incomes and grow employment.

Government investment in essential services has played a crucial role in this period, keeping unemployment lower than it otherwise would be. The government and the RBA should now seize a rare opportunity in 2025 to lock in a historically low unemployment rate, which would benefit hundreds of thousands of people, many of whom are currently relying on poverty-inducing JobSeeker payments.

Additionally, employment services require a complete overhaul to improve outcomes for people without paid work. The House of Representatives Inquiry into Employment Services (2023) found that Australia does not have an effective employment services system. It produced detailed recommendations for reform, many of which ACOSS supports. The government has agreed that reform is necessary and has taken some small initial steps, with the extension of the resolution time (during which payment suspensions are paused) and the announcement of two new trials of local Employment Hubs. [28] This contrasts with steps being taken in specialist employment services, with the recent announcement of the new Remote Employment Transition Program and the ongoing reforms in the Disability Employment Service.

However, a year after the Inquiry report was delivered, there has been little evidence of appetite for fundamental reform of Workforce Australia. There is an urgent need for government to ignite this reform agenda, with long term receipt of unemployment

28 Australian Government (2024), *Australian Government response to the House Select Committee on Workforce Australia Employment Services reports*. Available: https://tinyurl.com/5dfbfn34

payments rising and a punitive compliance system continuing to inflict misery on people receiving these payments.

As our recent *Faces of Unemployment* report reveals, there are 550,000 people stuck on unemployment payments for over a year – many of them people with disability or older people struggling to get a foothold in the labour market. These numbers have not substantially reduced for a decade and point to two structural problems – that many people receiving unemployment payments should receive other payments (for example, the Disability Support Pension) and that employment services are ineffective in supporting people into paid work. In the period from July 2022 to March 2024, only 11% of people in the Workforce Australia provider service moved into sustained employment of six months or more.[29]

As well as failing to support people into paid work, the Targeted Compliance Framework (TCF) in Workforce Australia is harming their financial security and causing large-scale psychological harms. Recent revelations about potentially unlawful payment cancellations demonstrate how flawed this system is, with the government currently reviewing four-week payment cancellation decisions affecting over 1,000 people over a two-year period from April 2022 to July 2024 due to this potential error.

This is in addition to the widespread harms of threats and automated payment suspensions in employment services, with automated payment suspensions affecting 240,000 people in the three months to September 2024. The constant threats to people's vital income support payments immiserate people using employment services and cause substantial harm to people's mental health.

Major recommendations

- Commit to full employment and full employment targets incorporating unemployment, under-employment and a ratio of job vacancies to people unemployed.
- Introduce a flexible Jobs and Training Offer for people unemployed long term, comprising a menu of subsidised temporary employment, substantial further education or training, and/or health and social supports to improve their employment prospects.
- Remove the TCF and introduce a new system informed by a human rights framework and natural justice principles.

Detailed recommendations

A commitment to full employment

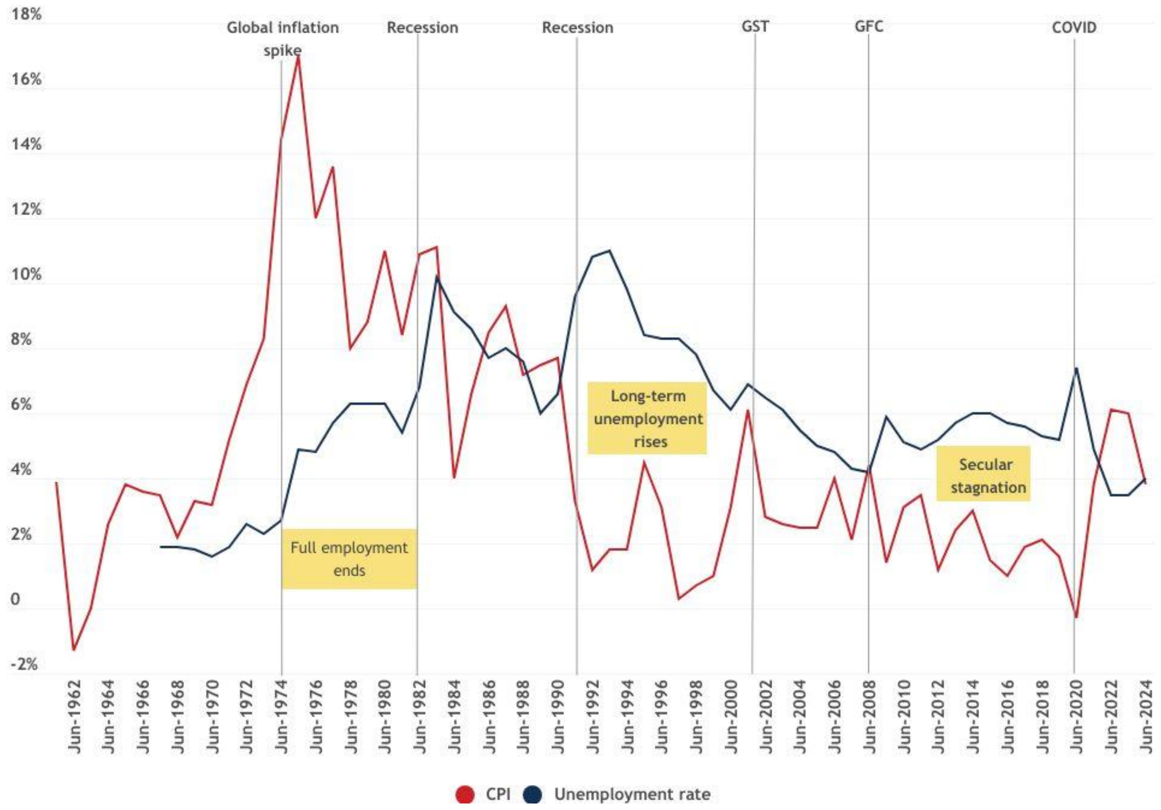
In our Jobs and Skills Summit position paper and submission to the RBA Review we called on the government to adopt a *full employment target* and for this to be included, along with a modified inflation target, in a new agreement between the government and the Reserve Bank. While there is no 'perfect' measure, we could be reasonably confident that we have reached full employment when unemployment falls to 2-3% of the labour force, under-employment declines to 4-5%, and there is an average of one job vacancy

29 Stainsby, J & Davidson, P (2024), *Faces of Unemployment 2024*, ACOSS, Sydney. Available: https://bit.ly/4ipzvjO

for each person unemployed.

Governments must take stronger action to curb inflation directly rather than relying on high interest rates. This would make room for urgently needed reductions in interest rates and other action to restore full employment.

Figure 1: Since the mid-1970s (and now), higher unemployment has been used to curb inflation



SOURCE: Australian Bureau of Statistics (various years), *Labour Force Australia*; *Consumer Price Index, Australia*

Recommendation 26: Adopt a full employment target

The government should set full employment targets (incorporating unemployment, under-employment and a ratio of job vacancies to people unemployed) and commit to restoring employment to that level over time.

Budget impact in 2025-26: Not applicable

A Jobs and Training 'Offer' to reduce long term unemployment

Too many people are stuck in prolonged unemployment. In September 2024, 60% of all people receiving unemployment payments - 557,000 people - had relied on income support for over a year. Many are people who often struggle to secure paid employment: 50% had a disability, 33% were 55 years or older, and 15% identified as

First Nations. 53% of people in Workforce Australia had school-level qualifications only.[30]

One of the reasons for entrenched unemployment is that the broken employment services system is unable to help people with these and other barriers to employment. We propose that the government make an annual *Jobs and Training Offer* to people unemployed long-term offering a range of options based on individual needs and local labour market conditions. A community-driven Jobs and Training Offer could, for example, include jobs in a range of temporary or ongoing roles in climate resilience, support for communities during disasters and recovery, retrofitting low-income housing, building social housing, and meeting the growing demand for care services.

The offer should be backed by expanded national employment programs, including the wage subsidy and paid work experience schemes recommended by the House of Representatives Inquiry, which should replace punitive or ineffective programs including Work for the Dole and Employability Skills Training.

Recommendation 27:

Introduce a Jobs and Training Offer for people unemployed long term.

1. A flexible Jobs and Training Offer should be made in each year of unemployment beyond the first 12 months for people enrolled in employment services.
2. The offer, worked out between people and their employment consultant to take account of individual needs and local labour market conditions, would comprise subsidised paid work experience, and/or vocational and foundational education and training and/or other assistance to connect them directly to a suitable job or health and social supports to improve their employment prospects.
3. To implement the offer, the following programs should be introduced, expanded or consolidated:
   - Wage subsidies and other properly paid work experience placements, replacing the Work for the Dole and Employability Skills Training programs which would be abolished;
   - A national social procurement framework preferencing employment of people unemployed long term;
   - Free vocational training and further education under 'fee-free TAFE' and the Skills for Education and Employment schemes; and
   - Annual credits to the Employment Fund.

Budget impact in 2025-26: -$500 million (-$1 billion in 2026-27)

An independent statutory Quality Commission for employment services

Unlike other community services, quality standards for employment services are not supervised by an independent quality assurance body. Instead, the Employment Department performs the dual role of purchaser and quality assurer, including licensing of providers. Given the under-funding of frontline employment services and over-emphasis on contract administration and compliance, this has not delivered a quality

30 *Ibid.*

service for people. In particular there is no robust set of professional standards for employment consultants and most do not have appropriate qualifications to perform this skilled work.

The House of Representatives Inquiry recommended that an independent statutory commission be established. This should be in place as soon as possible to work with providers and service users to set benchmarks for quality service, provide advice to government on how a reformed system can deliver this, and begin a process of cultural change in the sector.

Recommendation 28:

Legislate an independent quality commission for employment services.

1. The government should legislate to establish an independent quality commission for employment services as soon as practicable to develop quality standards in consultation with service users and providers, provide advice to government on how a quality employment service can be delivered in a reformed system including funding benchmarks, and to begin work with stakeholders to professionalise the role of employment consultants.
2. Over time, the commission should also take responsibility for licensing of providers, the newly established complaints process in Workforce Australia and promoting best practice in employment services based on continuous feedback from service users.

Budget impact in 2025-26: -$10 million

Trial new mechanisms for local coordination of employment and related services

The House of Representatives Inquiry identified a significant weakness in the way employment services are structured and governed – they are run from the top down with too little scope for local initiative and coordination among services and stakeholders. It recommended that the public sector role in employment services should shift from national arms-length commissioning of competing providers towards local assessment of the needs of people who are unemployed and employers, and to act as a referral and coordination point for the range of supports required by people with barriers to employment.

The government has recently announced trials of local employment hubs in Victoria and Tasmania, which is a good start to improving local coordination among employment and other services. These trials should be expanded to more states and employment regions, and the expansion should include employment hubs that are operated by the Commonwealth.

Further, a minority of people with entrenched social and health barriers to employment such as mental illness, homelessness, or living in communities with little or no access to employment need help beyond job search assistance, work experience or training. Ideally, local employment services would work closely with health, housing and/or social support services and employers to plot a path to employment for them.

Recommendation 29:

Conduct local employment development and coordination trials to assess the best service model to connect people in different regions with local employers, training and support services.

- Expand trials of local employment hubs which should include different models of local needs assessment, referral, service coordination and labour market planning including the Inquiry's proposal for a public sector agency to perform those functions.
  1. These models should inspire and support close collaboration between local employment services, employers and unions, TAFE and community colleges, State, Territory and local governments, and community organisations including through formal advisory bodies.
  2. In addition, a separate 'case management' program should be trialled in a number of regions, and for people facing entrenched social and labour market disadvantage, to coordinate the efforts of local employment, health, housing and/or social support services to achieve sustainable employment and other life-enhancing goals for those affected.
- Trials should be rigorously evaluated to assess their employment and social impacts, their scalability, and the effectiveness of different strategies to achieve the above goals.

Budget impact in 2025-26: -$20 million

Urgent removal of the Targeted Compliance Framework and replacement with a fair system based on natural justice and human rights principles

The Targeted Compliance Framework (TCF) is a harmful policy which inflicts misery on people using employment services through threatening and removing their vital income support payments.

ACOSS fundamentally opposes the widespread use of automated payment suspensions for breaches of activity requirements under the TCF, many of which are minor infractions such as missing a provider appointment. These suspensions affected 240,000 in the three months to September 2024, over a third of people in Workforce Australia. Payment suspensions undermine people's income security and the constant threat of them undermines the mental health of people receiving unemployment payments.

Furthermore, this framework has been subject to numerous errors in its operation, both with the TCF incorrect coding issue and the more recent issues regarding potentially illegal payment cancellations.[31,32] These issues are the result of a system which is so complex that the government cannot operate it properly, and which does not

---

31 Economic Justice Australia (2024), *The big little targeted compliance framework glitch you never heard of* Briefing note, 19 July 2024. Available: https://tinyurl.com/stke3e2p

32 ACOSS (2024), *ACOSS refers Federal Government to Ombudsman.* Media release, 7 December 2024. Available: https://tinyurl.com/mmrxaj4h

appropriately consider the wider circumstances of people in employment services when taking compliance action.

We seek the immediate suspension of the TCF (including all adverse action affecting income support payments) until a fair, workable alternative to the present harmful and unjust system is in place.

Recommendation 30:

Immediately suspend the TCF and replace it with a new system informed by a human rights-based approach and natural justice principles.

Budget impact in 2025-26: -$60 million

Support the participation of people with lived experience of unemployment in the Department of Employment and Workplace Relations (DEWR) policy development and reform processes

The Department of Employment has taken some positive steps in recent years to engage more directly with people with lived experience of unemployment in its policy development and reform processes, including via the Parents Advisory Group and in the context of the Client Councils recommended in the Inquiry. It is vital that as the government undertakes reform of employment services, it increases its engagement with people directly affected and uses formalised processes to do so.

Recommendation 31:

Funding should be allocated on a secure and ongoing basis to support policy engagement with people with lived experience of unemployment to ensure that policies and programs are designed in partnership with the people directly affected.

This should include resources for civil society organisations to support lived experience experts to engage in government processes, including the costs of recruitment for diversity, coordination and support, honorariums, travel and accommodation costs and access to psychological and emotional support for lived experience experts through the engagement process, as needed.

Budget impact in 2025-26: $750,000

See also:

- **'Properly fund community peak bodies and advocacy groups', in 3. Investing in quality community support, care and crisis services** DEWR should contribute funding to support civil society organisations and those representing people disadvantaged in the labour market to engage in employment policy development and reform processes.

6. Make housing affordable for people on low incomes

On the latest figures, current unmet housing need is assessed as 640,000 social and affordable homes, comprising 437,000 social homes and 203,000 affordable homes, with projected need of 1 million social and affordable homes over the next 20 years.[33] While the Federal Government's commitment to build 55,000 social and affordable homes by 2029 is a welcome increase, this amounts to less than 8,000 additional homes per year, which falls far short of need. To meet unmet housing need, an additional 50,000 social and affordable homes are needed each year.[34]

Between 2013 to 2023, social housing stock grew by just 3.5% compared to a 17.6% increase in the population by number of households.[35] The declining proportion of social housing as a component on total housing stock is also well-documented with public, community and First Nations housing declining from 5.8% of households in 1991 to 3.8% in 2023. In the same period, the annual number of lettings generated has declined from 52,000 to 32,000. Accounting for population growth, this represents a more than 58% reduction.[36]

Current homelessness service funding falls well short of meeting the increasing demand for services driven mainly by worsening housing unaffordability, with unacceptably high turn away rates, and limited funding being largely absorbed by crisis response work, leaving insufficient resourcing for effective homelessness prevention.[37]

Despite the proven benefits of culturally appropriate and First Nations community-controlled housing around the country, there is no dedicated Commonwealth funding for First Nations housing supply outside remote areas, with services increasingly mainstreamed. Government has not provided funding to implement plans to increase First Nations community-controlled housing, developed by peak body the National Aboriginal and Torres Strait Islander Housing Association (NATSIHA), such as the

---

33 See van den Nouwelant, R., Troy, L. and Soundararaj, B. (2023), *Quantifying Australia's unmet housing need: a national snapshot Community Housing Industry Association.* Available: http://tinyurl.com/2fmd7ptr

34 See Troy, L. and van den Nouwelant, R. (2023), *Costing social and affordable housing delivery across Australia,* 14. Available: https://tinyurl.com/mrxc5sp6

35 Australian Institute of Health and Welfare (2024), *Housing assistance in Australia 2024,* Table SOCIALSHARE.1. Available: https://tinyurl.com/29mxty2y

36 See Pawson, H. and Lilley, D. (2022), *Managing Access to Social Housing in Australia: Unpacking policy frameworks and service provision outcomes*. Available: http://tinyurl.com/yeyn3rdv. See also Australian Institute of Health and Welfare (2024), *Housing assistance in Australia 2024,* Table HOUSEHOLDS.10. Available: https://tinyurl.com/29mxty2y

37 See eg Pawson, H. et al (2024), *Australian Homelessness Monitor 2024*. Available: https://tinyurl.com/3w4jzy2k; Angela, J. and Blane, N. (2024), *Call Unanswered: Unmet demand for specialist homelessness services*. Available: https://tinyurl.com/3xy2vyd6

Closing the Gap Joint Council Housing Sector Strengthening Plan.

At the time of writing, the Federal Government is still developing and has not yet released a new national housing and homelessness plan which should provide a framework for reform and investment for the next decade. It is vital that First Nations organisations and communities are empowered and resourced to develop a specific First Nations housing and homelessness strategy and oversee its implementation. In the upcoming Federal Budget, the government should make significant investments to deliver a transformative, 10-year national housing plan, which must:

- Be ambitious, set clear targets and respond to the scale of the challenge.
- Be underpinned by a package of substantial funding to boost supply and enhance service capacity and sustainability.
- Span the housing continuum, address all major policy levers and provide a framework for effective inter-governmental collaboration.
- Prioritise those with greatest housing need.
- Be supported by aligned tax and social security policy settings.
- Include supply and demand side assistance for low-income renters.
- Further strengthen rental tenancy protections.
- Shift from crisis to homelessness prevention.
- Support the development of climate-resilient and energy-efficient homes.
- Be informed by input from people directly affected by housing stress, insecurity and homelessness.[38]

Major recommendations

- Empower and resource the development of a First Nations-led housing and homelessness plan.
- Substantially boost social housing investment through a 10-year funding pipeline calibrated to meet unmet social housing need.
- Increase homelessness service funding by $450 million per annum, with indexation to wage and price movements and benchmarking to community need, and allocate $500m to homelessness prevention and early intervention.

Detailed recommendations

Empower and resource a First Nations-led national housing and homelessness plan

The National Aboriginal and Torres Strait Islander Housing Association should be empowered and resourced to lead the development and implementation of a First Nations national housing and homelessness plan. The plan should include expanded,

38 For ACOSS' submission to the national plan, see: ACOSS (2023), *Developing the National Housing and Homelessness Plan*, ACOSS, Sydney. Available: http://tinyurl.com/yc6hr7tw.

dedicated funding for First Nations-led housing and homelessness organisations, and support their capacity to take advantage of new financing options including partnerships with government, mainstream housing organisations, and private industry. The plan should be designed to be coordinated with other relevant policy frameworks including the Closing the Gap Housing Sector Strengthening Plan. It should also consider leveraging mainstream housing investment vehicles where appropriate, such as a distinct funding round under the Housing Australia Future Fund for First Nations-led organisations with appropriate supports in place to support accessibility and resource smaller providers through their application process. The plan should emphasise community-led, self-determined approaches, and provide for culturally appropriate supports for the intersectional needs of First Nations people experiencing multiple disadvantage and housing need, including women and children experiencing violence, or at risk of contact with child protection.

Recommendation 32:

Empower and resource a First Nations-led national Housing and Homelessness Plan, and implementation of the Closing the Gap Housing Sector Strengthening Plan.

Budget impact in 2025-26: -$1 billion (recurrent)

Boost social housing investment to meet housing need

The Federal Government should commit to a 10-year social housing growth investment to support the 10-year national housing plan and meet social housing need through a pipeline of climate-resilient and energy-efficient dwellings, including by leveraging the Housing Australia Future Fund (HAFF) and Accord.

Recommendation 33:

Substantially boost social housing investment to meet unmet social housing need.

Budget impact in 2025-26: Not available[39]

Increase support to homelessness services

Homelessness service funding should be boosted to enable services to meet community need, with indexation both to price and wage movements.[40] This includes an additional $450 million per year to address current unmet need and projected demand growth,[41] and a separate, initial $500 million investment in a Prevention Transformation Fund to

39 While the total government cost of 50,000 social and affordable homes per year to meet unmet need would be approximately $20 billion p.a. if funded by upfront capital grants, delivered not-for-profit, with low-cost finance through Housing Australia, the Federal Government contribution would depend on the funding and finance model and the contributions of state and territory governments.

40 See, for example, ACOSS (2021), *Valuing Australia's community sector: Better contracting for Capacity, Sustainability and Impact* ACOSS, Sydney. Available: http://tinyurl.com/2s3frb4v

41 See Homelessness Australia (2023), *National Housing and Homelessness Plan Submission*. Available: http://tinyurl.com/44xtxeaj.

create a separate pool of funding for prevention and early intervention programs in line with Productivity Commission recommendations.[42]

Recommendation 34:

Increase homelessness funding, index appropriately and benchmark to community need.

Budget impact in 2025-26: -$950 million

See also: Proposals for reform of housing taxation (7. A fairer tax system that supports services, safety nets and economic development) and CRA (4. Build a social security system that meets people’s needs).

42 *Ibid.*

7. A fairer tax system that supports services, safety nets and economic development

Comprehensive taxation reforms are needed to strengthen the revenue base to meet pressing national needs. This includes ensuring people and companies with the ability to pay their fair share of taxation actually do so, reducing reliance on fossil fuels and removing counterproductive incentives to speculate in assets values (especially housing).

ACOSS welcomed the government's decision to restructure the regressive and wasteful Stage 3 tax cuts so that more of the benefits flowed to people on modest incomes but we remain concerned that their high cost - $23 billion a year - adds to the Federal Budget pressures that will face the next government.

Australia is the ninth-lowest taxing among 40 OECD nations (raising 29.5% of Gross Domestic Product (GDP) in tax compared with an average of 34.2%). Bold action is needed to shore up the revenue base to close gaps in essential services, income supports and drive action on climate change, as proposed in the Community Sector Statement on Budget Policy.[43]

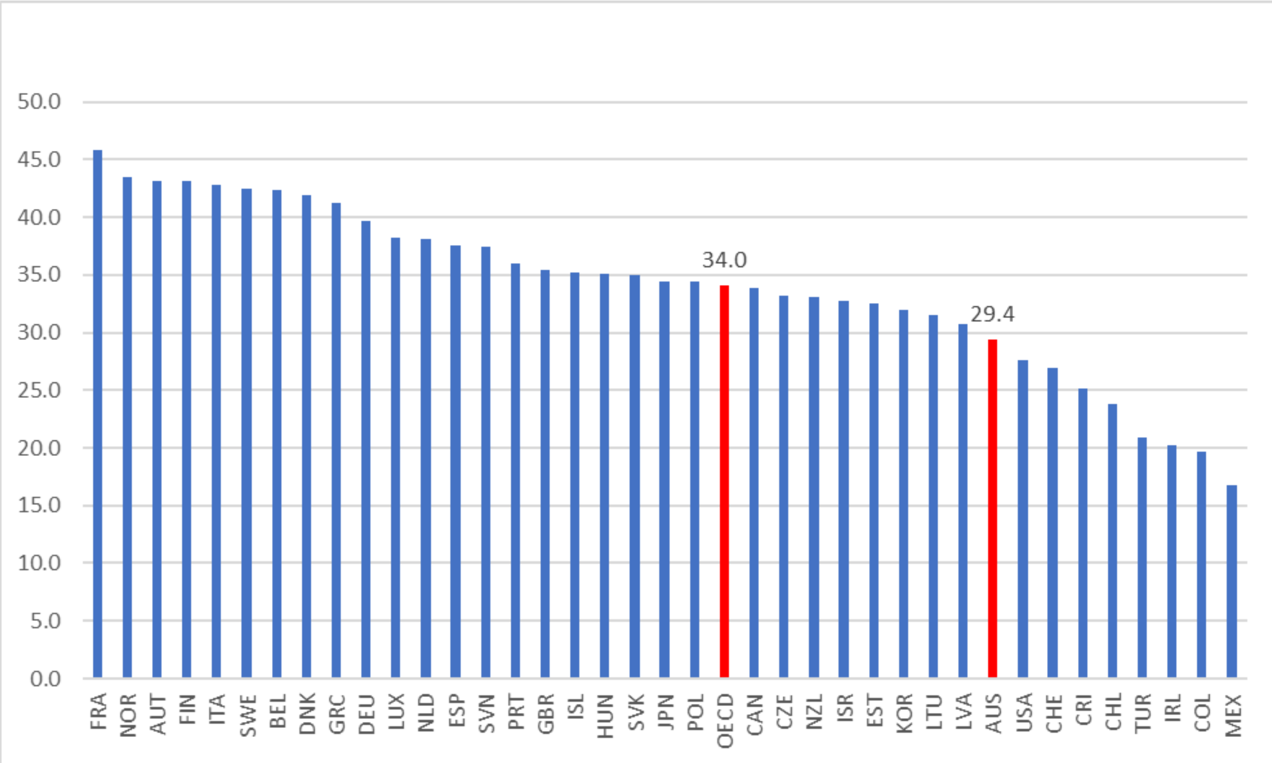
Under current policy settings, expenditure on most Commonwealth programs is projected to decline over the next decade as a share of GDP, despite persistent unmet need for health services such as dental and mental health and other important care and support services and despite the income support safety net failing to shield people on the lowest incomes from poverty.[44] This is the legacy of decades of investment neglect in these programs, and the government must directly address this longstanding structural problem.

---

43 ACOSS (2021), *A Guarantee to the Nation – Community organisations' call to the Parties*. ACOSS, Canberra. Available: http://tinyurl.com/2sfpuv7h

44 Parliamentary Budget Office (2024), *Beyond the Budget 2024-25: Fiscal outlook and sustainability.* Parliamentary Budget office, Canberra. Available: http://tinyurl.com/3h65wbt5

Figure 2: Public revenue as a % of GDP (2021)



Source: OECD (2024), *Revenue statistics*.

Our taxation system continues to offer overly generous concessions and incentives for those who have already accumulated wealth. Tax incentives for speculation in property investment are contributing to inflation in housing costs. In addition to reduced Capital Gains Tax 'discounts' and curbs on negative gearing, we recommend immediate action to encourage landlords to lift the supply of homes for rent by removing deductions for any part of the year a dwelling is not leased on a long term basis (as distinct from short-term holiday lettings).

Personal income tax is our main progressive tax, yet Australia raises less revenue from that source (18% of GDP) than the OECD average (21%).[45] Tax shelters and loopholes including private trusts and companies, fringe benefits and concessions for capital gains are widely used by people with high incomes to reduce their effective tax rates below those of the average worker. Further, profitable businesses can also avoid billions of dollars in tax due to gaps in the tax base, such as fuel tax credits and the absence of royalties on offshore gas mines.

The government must develop a clear, bold and credible plan to address the structural inadequacies embedded in our taxation system.

---

45 OECD (2024), *Revenue statistics 2024.* Available: https://tinyurl.com/uvbdttf3

Major recommendations

- Reduce the Capital Gains Tax discount by half and restrict deductions for investment expenses for assets yielding capital gains, so that they can only be offset against income from the same class of assets (e.g. investment housing or shares).
- Restrict deductions for residential investment properties to periods during which they are actually rented on a long-term lease.
- Broaden the income definition for the Medicare Levy to stop people from sheltering their income from the levy.
- Remove fuel tax credits for off-road non-agricultural uses, including mining.

Detailed recommendations

Strengthen the Medicare Levy

The income definition for the Medicare Levy is taxable income, which opens opportunities for taxpayers to avoid paying it by taking advantage of negative gearing arrangements, salary sacrifice, or the use of private trusts. The broader income definition for the high-income Medicare Levy Surcharge ('MLS income') restricts these tax avoidance opportunities. To strengthen revenue for health services, this broader definition should extend to the Medicare Levy itself.

Recommendation 35:

Prevent avoidance of the Medicare Levy using tax shelters.

From 1 July 2026, the income definition for the Medicare Levy should be broadened from 'taxable income' to 'Medicare Levy Surcharge income' to prevent people from avoiding the levy using tax shelters such as private trusts, negative gearing or salary sacrifice arrangements.

Revenue raised from this change should be earmarked for public expenditure on essential health and disability services.

Budget impact in 2025-26: $0 ($1.3 billion in 2026-27)

People with high incomes should make a fair contribution to the costs of public health care services through the tax system, regardless of whether they hold private hospital insurance. The Medicare Levy Surcharge should be abolished and replaced by a higher Medicare Levy rate for people with high incomes.[46] The exemption for individuals and families with low incomes should be retained, but the higher rate should apply to high individual incomes rather than family incomes and only to that portion of their income above the new high-income threshold. This would remove the need for most people to declare their partner's income in tax returns.

Recommendation 36:

[46] This would be implemented in conjunction with Recommendation 35 so that the income definitions for the Levy and Surcharge are consistent.

Restructure and simplify the Medicare Levy.

From 1 July 2026, the Medicare Levy Surcharge should be abolished and the Medicare Levy should have a three-tier rate scale as follows:

- 0% for individuals and families with incomes below existing Medicare Levy low-income thresholds
- 2% of all individual income up to $120,000 and
- 4% for each additional dollar of individual income above $120,000.

Budget impact in 2025-26: Not available

Tax investment income more fairly and consistently

As we argue in 6. Make housing affordable for people on low incomes, we are in the midst of a long-running housing affordability crisis which deeply impacts people on the lowest incomes who rent their homes. A major cause is a tax system which privileges speculative investment in housing and other assets that increase in value over more productive investments. As ACOSS warned at the time, the reduction in Capital Gains Tax (CGT) on short-term gains in 2000, together with negative gearing arrangements, turbo-charged a housing price boom that lifted home prices well above growth in average earnings.[47]

Capital gains from investment in housing, shares and other assets are taxed at half an individual's marginal tax rate, and these increases in personal wealth are only taxed when the assets are sold. The 50% CGT discount overwhelmingly benefits the top 10% of taxpayers, who receive two-thirds of all capital gains.[48] We propose that this concession be halved, so that three-quarters of capital gains are taxed. Rather than grandfathering this change (which would lock in existing investments), we propose that from July 2025 the tax rate on capital gains be progressively lifted from 50% of the marginal tax rate to 75% over a five-year period. Existing investors should have the funds to pay the higher rate of CGT as it only levied once an asset is sold.

In addition, avoidance of CGT would be curbed by our recommendation to tighten the tax treatment of superannuation fund earnings post-retirement (see 10. Decent retirement incomes and services). Ideally, the delay in taxing capital gains would be eliminated by taxing them annually as they accrue. This is impractical as it would require annual valuations, and many long-term investors would not have the cashflow to pay annually. Instead, the government should ensure that the tax treatment of investment expenses (including interest payments on borrowings to purchase an asset) is consistent with the (delayed) taxation of capital gains.

From January 2026, investors should no longer be able to 'negatively gear' - claim deductions on those expenses until the investment yields a positive return (often

---

47 Kohler A (2023), 'The great divide.' *Quarterly Essay*, Issue 92. Available: http://tinyurl.com/564kfrtj

48 Australian Taxation Office (2024), *Taxation Statistics 2021-22.* Available: https://tinyurl.com/2kv85v32

through sale of the asset years later).[49] This restriction should apply universally to passive investments in assets yielding capital gains, but not to active businesses. Small property investors should not be excluded – indeed tenants are often better served by landlords who have more resources to keep the dwelling in good condition. Investors could still claim deductions, but they would be properly matched with investment income. Assets acquired before January 2026 would be grandfathered so that deductions can still be claimed by the present owner under the current rules.[50]

Recommendation 37:

Reduce the CGT discount for individuals and trusts.

From 1 July 2025, the exemption of 50% of personal capital gains from CGT should be reduced from 50% to 25%, phased in over five years (reduced by 5% per year).

Budget impact in 2025-26: $600 million ($1.2 billion in 2026-27)

Recommendation 38:

Restrict deductions for personal investment expenses (negative gearing) so they can only be offset against income from the same class of investments.

- Income tax deductions for expenses (such as interest payments on debt) relating to passive investments in assets yielding capital gains (such as housing, shares and collectables) should be limited to income received from the same asset class, including capital gains realised on subsequent sale.
- This should apply to all new investments of this type entered into after 1 January 2026. Subject to appropriate anti-avoidance rules, existing investments would not be affected.

Budget impact in 2025-26: $0 ($700 million in 2026-27)

Too many rental properties lie vacant for much of the year, and a growing share is rented to tourists (for example through Airbnb) as this often yields higher returns than long-term leases.

Landlords can claim income tax deductions for expenses (e.g. interest payments on housing loans) for the portion of each year that a rental property is 'genuinely available for rent'. This is notoriously difficult to enforce when the dwelling is used as a holiday home by the owner. The law was recently tightened to deny deductions for vacant land on which the owner planned to build a dwelling for rent. The same logic should apply to dwellings that are purportedly 'available for rent' but not currently leased. This would both ease the rental housing crisis and simplify and improve compliance with the income tax law. Further, as a temporary measure to ease the crisis (especially in coastal tourist regions), deductions should be denied for any portion of a year in which an entire dwelling is rented on a short-term lease as tourist accommodation.

---

49 A more detailed explanation of this reform, including our responses to claims that it would mainly affect people on low or modest incomes, is in ACOSS (2016), *Fuel on the fire: Negative gearing, capital gains tax & housing affordability*, ACOSS, Sydney. Available: http://tinyurl.com/4u9yedh5

50 Unlike the above change to CGT, grandfathering is appropriate here because otherwise some existing investors would lack the cashflow to pay the extra tax.

Recommendation 39:

Ease the rental housing shortage and improve compliance with tax law by restricting deductions for investment properties while they are not on long-term leases.

- From 1 July 2025, restrict deductions for rental property investment expenses to portions of the year when the property is rented on a long-term lease (not only 'genuinely available for rent').
- This includes portions of the year in which an entire dwelling is rented out for short-term tourist stays rather than long-term tenancies or short-term accommodation for local workers.

Budget impact in 2025-26: Not available.

Curb personal tax avoidance through private trusts and companies

Private (closely held) trusts, especially discretionary trusts, are used to avoid income tax by splitting income with a family member, delaying or avoiding payment of CGT, and by passing on the benefits of investment tax breaks from the trust to its beneficiaries (unlike the tax treatment of companies). Although the policy intention is that any income that is not taxed in the hands of beneficiaries is instead taxed in the hands of the trust, this is not consistently applied.

Private trusts and companies are also used to (illegally) evade tax and launder money by shifting funds through complex chains of entities or to 'tax havens' such as Panama, Bermuda, or Switzerland.

One solution is to tax private trusts as companies, as recommended in 2000 by the Review of Business Taxation (Ralph Review).[51] This would also improve consistency in the tax treatment of trusts and companies, especially the treatment of tax-preferred income (tax concessions), which would no longer 'pass through' to the beneficiaries of private trusts. On the other hand, it would enable high income-earners to exploit the gap between the company tax rate and higher personal tax rates by retaining income in the trust, so that weakness in the tax treatment of private companies should also be overcome as proposed below.

An alternative way to curb tax avoidance through discretionary trusts is to apply CGT to untaxed or concessionally taxed income (for example, where taxable income is reduced by building works deductions) of private discretionary trusts when it is distributed to beneficiaries. Currently, these distributions do not attract CGT, including where capital gains are realised through asset revaluations within the trust. This would bring the tax treatment of discretionary trusts into alignment with that of fixed trusts, and curb avoidance of CGT.

The proposed changes would apply to private express trusts (both fixed and discretionary trusts), with exemptions like those recommended in the Ralph Review including complying superannuation funds and disability trusts.

A related policy challenge is the widespread use of private companies and trusts to evade

---

[51] Review of Business Taxation (1999), *A tax system redesigned: More certain, equitable and durable.* Treasury, Canberra.

tax and launder money through secrecy jurisdictions or 'tax havens', as revealed by revelations from 'Operation Wickenby' (Switzerland), 'Panama Papers' (Panama), 'Paradise Papers' (Bermuda), and 'Pandora Papers' (Cayman Islands and Samoa). In 2014, Australia promoted the G20 initiative to curb these practices by improving the transparency of beneficial ownership of companies and trusts. Yet independent progress reviews have found Australia has not complied with its commitments to improve transparency in beneficial ownership of companies and trusts.[52]

Information on private trusts should be published by the Australian Taxation Office (ATO) on a public register similar to the register for companies. The privacy of beneficiaries of family trusts registered as such could be protected by exempting those trusts (but not related entities that are not themselves family trusts) from requirements to publicly list their beneficiaries.[53]

Private companies are also widely used to avoid tax, often in conjunction with discretionary trusts. These arrangements take advantage of the gap between the top marginal rate of personal income tax and the company tax rate. The use of 'cashbox companies' to avoid personal income tax by retaining income in a private company should be curbed by taxing retained earnings (minus a reinvestment allowance for active businesses) in private companies at the top marginal personal tax rate plus Medicare Levy. This tax treatment would also apply to private trusts taxed as companies under the reform proposed above. Where the owner of the private company would ordinarily face a lower personal tax rate, they could distribute company income to themselves as dividends or wages so that they are taxed at their personal tax rate.

Recommendation 40:

Curb the use of private trusts to avoid personal income tax and conceal income.

  - From 1 July 2026, closely held express trusts (both discretionary and fixed) should be taxed as companies. This would not apply to certain categories of trusts including collective investment vehicles, complying superannuation funds, disability trusts, and trusts established pursuant to court orders.
- Alternately, CGT should apply to untaxed and preferentially-taxed distributions to the beneficiaries of closely held discretionary trusts, including distributions arising from asset revaluations.
  - By July 2026, a public register should be established by the ATO to hold the following information in regard to trusts that are required to lodge tax returns: the names and tax file numbers of the trustee, controller, any beneficiaries that are not natural persons (for example other trusts or companies), annual financial statements, and (where the trust is not a family trust) all other beneficiaries together with a declaration from the trustee identifying all beneficial owners.

---

52 Group of 20 (2014), *High-level principles on beneficial ownership transparency* G20, Brisbane. Available: http://tinyurl.com/snhyexzw; Financial Action Task Force (2024), A*nti-money laundering and counter-terrorist financing measures - Australia, 43rd Enhanced Follow-up Report & Technical Compliance Re-Rating.* Paris. Available: http://tinyurl.com/hx753n2v

53 In a family trust election, the transfer of income or losses beyond beneficiaries who belong to the family that owns the trust is discouraged by a penalty tax. Private companies exempted from disclosure requirements by previous grandfathering arrangements should be included.

Budget impact in 2025-26: $0 (*$1.5 billion in 2026-27*)

Recommendation 41:

Curb the use of private companies to avoid personal income tax:

From 1 July 2025, income retained in private companies, apart from a reinvestment allowance for companies engaged in active business (comprising a fixed proportion of the assets of the company), should be taxed at the top marginal rate of personal income tax plus Medicare Levy.

Budget impact in 2025-26: $0 (*$1.5 billion in 2026-27*)

A royalty on offshore gas resources

Australia is not getting the economic benefit we deserve from exploitation of our gas resources. Although we are largest gas-exporter in the world, our governments collect taxes and royalties from petroleum and gas mining at much lower rates. In 2018, Australia's tax revenue from gas mining was around A$1 billion, compared to over $50 billion for Qatar and $20 billion for Norway.[54]

We get the least value from offshore gas resources since no state government royalties apply. Instead, the Commonwealth levies a Petroleum Resource Rent Tax (PRRT) on above-normal profits from petroleum and gas mining, but despite recent reforms that tax is still dysfunctional, raising very little revenue in the short to medium term.[55]

We propose that, in addition to the PRRT the government should introduce a 10% royalty on existing and future offshore LNG projects which are not subject to state government royalties. This would better align their tax treatment with that of onshore oil and gas projects (including the North-West Shelf Project) which are already subject to royalties of 10% or more. It would also bring forward revenues from offshore gas production and improve revenue certainty, noting that royalties offset against future PRRT liabilities.

Recommendation 42:

A fair return for exploitation of offshore gas reserves:

- From 1 July 2024, introduce a 10% Commonwealth royalty on offshore gas resources.

Budget impact in 2025-26: $4 billion

54 Kraal D 2024, Is Australia 'giving away' its natural resources? The Conversation, August 14, 2024. Available: https://tinyurl.com/y9au82dx; Burke P 2023, *On the way out: Government revenues from fossil fuels in Australia*, TTPI Working Paper 16/2022 December 2022.

55 Chalmers J (2023) *Changes to the PRRT*. Media release, 7 May 2023. Available: http://tinyurl.com/ymwvxfp8. These changes are only expected to raise an additional $2.4 billion over 4 years. Foley & Toscano (2023), 'They're getting the gas for free: government dodges tougher tax reform.' *Sydney Morning Herald* 8 May 2023. Available: http://tinyurl.com/yc233pcp

Remove fossil fuel subsidies

The fuel tax offset for off-road use refunds the excise paid by businesses for fuel not used to transport goods or people on Australian roads. Its rationale is that the fuel excise is a user charge to fund public roads. However, fuel taxes have another purpose – to reduce our reliance on environmentally harmful fossil fuels. Fuel tax credits for off-road use increase carbon emissions and dampen incentives for business to improve energy efficiency and switch fuels.

Recommendation 43:

Abolish fuel tax credits for off-road use.

From 1 July 2025, fuel tax credits for off-road non-agricultural uses should be abolished and tax credits for agricultural use should be reviewed.

Budget impact in 2025-26: $5 billion

Remove tax concessions for motor vehicles subject to Fringe Benefits Tax (FBT)

Public subsidies provided through the tax system, or 'tax expenditures' are a poorly regulated 'shadow budget' that disproportionately benefits people with high incomes. We welcome the government's commitment to increase the visibility and transparency of the annual Tax Expenditures and Insights Statement, especially through detailed distributional analysis (by income and gender) of major tax concessions.[56]

As a first step in curbing revenue wastage moving waste from tax expenditures, we recommend that the formula for calculating the value of motor vehicle fringe benefits for FBT purposes be tightened to remove concessional tax treatment for 'company cars'. This was announced, but not implemented, in the 2013 Economic Statement.

ACOSS did not support the overnment's decision in the October 2022 Budget to remove FBT from salary-sacrificed Electric Vehicles (EVs) as this is an inequitable and inefficient way to encourage their purchase. However, if the FBT formula for calculating the value of motor vehicle fringe benefits was tightened there would be more incentive to purchase EVs.

Recommendation 44:

Remove FBT concessions for motor vehicles subject to Fringe Benefits Tax.

From 1 July 2025, tighten the statutory formula for calculating motor vehicle fringe benefits to remove the tax benefit from salary packaging of cars, apart from electronic vehicles and those provided by charitable organisations.

Budget impact in 2025-26: $0 ($800 million in 2026-27)

56 Commonwealth of Australia (2024*), Tax expenditures and insights statement*. Canberra. Available: https://tinyurl.com/ck7vapwh

8. Fair, fast and inclusive action on climate change

Climate change threatens people's health and wellbeing, their quality of life, employment, livelihoods, homes and life itself. People experiencing financial and social disadvantage are impacted first, worst and longest. To protect people and the planet, we need a fast transition to a clean economy and to do our fair share as a wealthy country to limit global warming to 1.5°C.

In the past 12 months we have seen important Federal Government initiatives to act on climate change and accelerate the energy transition, including:

- An additional $500 million to distribute to states and territories to invest in home energy upgrades for social housing.
- Creation of the First Nations Clean Energy Strategy with an initial $70 million in funding for implementation.
- Legislation to create new Vehicle Efficiency Standard.
- Establishment of Net Zero Economic Authority to ensure communities as well as workers are supported to manage the impacts of the energy transition and share in its benefits.
- Future Made in Australia plan and investment framework to support Australia's transition to a net zero economy, which requires the application of community benefit principles.
- Billions of dollars of investment in clean energy infrastructure and projects through *Rewiring the Nation* program, *Future Made in Australia*, *Capacity Investment Scheme* and the *Accelerated Connections Fund.*

Unfortunately, some of this important work is being offset by approvals of coal and gas projects and significant subsidies for fossil fuels. While the tens of billions of dollars the Federal Government invests in clean energy and industry is important for the transition and jobs of the future, most people and communities are not seeing the immediate and direct benefits of the energy transition. Given that, recent polling finds we are losing social licence for fast action on climate change as cost of living dominates people's concerns.

People and communities will not support a faster transition if we do not simultaneously address the cost of living and ensure the transition is fair, equitable and inclusive. Unfortunately, many existing emissions reductions policies are poorly targeted and inequitable, benefitting people with wealth, choice and control. People on low incomes spend on average five times more of their income on energy bills compared to people on high incomes.[57] They pay disproportionately more towards the energy transition and are

---

57 Energy Consumers Australia (2023), *How to close the Energy Divide.* Available: https://tinyurl.com/4z4wamfk

missing out on its benefits, including more energy-efficient homes, rooftop solar, household batteries, and EVs.

Energy price rises, combined with the ongoing cost of living crisis are pushing people and communities to breaking point. Too many people are depriving themselves of energy, taking fewer showers, cooking less and avoiding heating or cooling their homes to pay energy bills. Others are going without food, medicine, and other essentials but are still finding themselves in energy debt with no way to pay down debt. According to the Australian Energy Regulator, energy equity (particularly affordability) remains a significant concern in energy markets.[58]

Policies should prioritise people and communities with the least resources, as well as affected workers and communities hardest hit by the transition to a zero-carbon economy.

Energy market costs and incentives to drive the transition should be fair and equitable, and not distributed across all energy bills. One-off subsidies to reduce energy bills should be avoided. Instead, government incentives should be targeted to people and communities experiencing financial disadvantage, creating permanent and systemic benefits, and meeting the government's climate change, equity and wellbeing goals.

If we get the policy settings right, we will increase community support for faster emissions reductions, improve the lives of people and communities experiencing disadvantage, and reduce poverty and inequality.

Major recommendations

- Invest in energy efficiency, electrification and solar upgrades for low-income housing, to cut emissions, reduce energy bills, improve health, and create thousands of local jobs.
- Remove the costs of the Small-Scale Renewable Energy Target (SRES) and the Large-Scale Renewable Energy Target (LRET) from energy bills and put on government budgets to reduce energy bills by 6.5%.
- Fund a First Nations-led community clean energy and diesel reduction initiative to invest in clean and reliable energy for remote First Nations communities.

Detailed recommendations

Affordable, low-emissions low-income housing

Research shows that a program to electrify, improve energy efficiency of and add solar to low-income housing would deliver significant ongoing energy bill savings of $3,350 on average, add more than $17 billion to our economy and create an average of 12,700

58 Australian Energy Regulator (2023), *State of the Energy Market 2023.* Available: https://tinyurl.com/6p2rbk52

fulltime equivalent jobs annually.[59]

In addition, home energy upgrades provide physical and mental health benefits to the occupants and reduce poverty and inequality. Prioritising home energy upgrades for low-income housing would build the market capacity and economies of scale to reduce the costs of upgrading other housing. We welcomed the Federal Government's $300 million investment, to be matched by states and territories, to retrofit 60,000 social housing dwellings,[60] and recent announced agreement from the Federal Government to provide an additional $500 million in unmatched funding.[61] This investment is a good start, however, investment must be scaled up now across all low-income housing to meet emissions reductions targets, build climate resilience and reduce disadvantage.

Recommendation 45:

The Renew Australia for All Campaign, of which ACOSS is a member, is calling for at least $50 billion over 10 years to fund the *Repower Our Homes: Energy Bill Savings Plan*[62] to invest in energy retrofits to homes and community buildings to cut energy bills, climate change emissions and improve health and wellbeing, prioritising people and communities with the least.

Key parts of the package include:

1. A program to accelerate home energy upgrades (energy efficiency, electrification and rooftop solar), by establishing a Special Purpose Funding Vehicle (SPV) with a Federal Government injection of $1.5 billion now.[63] This must be scaled up each year with contributions from other sources to expand home energy upgrades, tailored to different low-income housing tenures. This should comprise:
    - Public housing – Contribute to fully funding energy efficiency, electrification and solar retrofits to all public housing over the next 6 years. Prioritise First Nations public housing, with the Federal Government fully funding upgrades to First Nations Housing in the Northern Territory.[64]
    - Community housing - Establish a grant and finance mechanism administered through Housing Australia to enable community housing providers to undertake home energy upgrades to their housing stock over the next 6 years.
    - Low-income owner-occupier - Provide subsidies, access to no-interest loans

---

59 ACOSS (2024) *Funding and Financing Energy Performance and Climate resilience Retrofits for Low-income Housing.* Available: https://tinyurl.com/2ad7u9mj

60 Department of Climate Change, Energy, the Environment and Water (2024), *Social housing energy performance.* Webpage, accessed 23 December 2024 Available: https://tinyurl.com/3uw5epeh

61 Australian Greens (2024), *Greens secure $500 million for social housing upgrades.* Media release, 28 November 2024. Available: https://tinyurl.com/2pptmp9s

62 Renew Australia for all (2024), *Repower our homes.* Webpage, accessed 23 December 2024. Available: https://tinyurl.com/chvw8ep5

63 This figure takes into account the $500 million for social housing already announced in MYEFO FY24-25.

64 Full proposal available on request.

and tailored and culturally appropriate services to deliver home energy upgrades over the next 7 years.[65]

- Private rental properties – the Federal Government providing conditional and targeted funding and finance to support 'enabling' mechanisms that will incentivise states and territories to implement mandatory energy performance rental standards. This could include:
    - Targeted and conditional subsidies to landlords alongside measures to protect renters (limit on rent increases and no evictions for a defined period of time), and fund appropriate services to assist landlords access energy efficiency audits, available financial support, and trades (see footnote 65).
    - Amending tax laws so that capital works deductions for new or replacement appliances for rental properties are only available for accredited energy-efficient and electric appliances.

2. Funding for a federal agency to coordinate investment, policy, standards and regulations for demand side and energy performance measures. Provide oversight functions for delivery partners, and enable education and communication, as well as coordination across states.
3. Workforce and Industry package.[66]

Budget impact in 2025-26: -$5 billion (-$5 billion in 2026-27)

First Nations-led community clean energy and diesel reduction initiative

Remote First Nations communities rely on expensive carbon-intensive diesel, are subject to pre-paid meters and live in homes with poor energy performance. Investing in First Nations-managed renewable energy and battery storage to replace diesel would not only reduce carbon emissions, but also energy bills. It would create local jobs and improve health and wellbeing, contributing to several Closing the Gap metrics. The program should be implemented in conjunction with retrofitting First Nations housing (via energy efficiency measures, electrification and small-scale renewables), as per Recommendation 21, which will reduce the amount of energy needing to be generated.

Recommendation 46:

Establish a First Nations-Remote Communities Clean Energy Program to replace diesel with First Nations-led community energy solutions like solar and batteries. The program should be developed and implemented in partnership with First Nations communities, should support community-ownership and lead to secure First Nations jobs.[67]

Budget impact in 2025-26: -$500 million (-$510 million in 2026-27)

---

65 The 'services' would be like a one-stop-shop to help households to access energy efficiency audits, financial support, and trades. The 'service' could be delivered via one or a mix of third parties such as like local councils, private certified providers, community organisations, or state agencies.

66 See Repower our Homes proposal for further information https://tinyurl.com/chvw8ep5

67 See, for example, the Ngardara project, available at: http://tinyurl.com/yehf63y5

Shift subsidies off energy bills

People on low incomes pay disproportionately more towards the energy transition, as several national and state 'green' subsidies (including the LRET and SRES) are recovered through electricity bills. Green subsidies currently account for 10% of electricity bills. The costs are recovered as a percentage of consumption, with GST charged on top. Given that people on low incomes are already spending disproportionately more of their income on energy, they are disproportionately contributing more to these subsidies. ACOSS has consistently called for green subsidies to be shifted off energy bills and on to government budgets as a more progressive way to cover the costs of the transition.

The SRES is particularly problematic. It subsidises the costs of installing small-scale renewable energy sources (such as rooftop solar and hot water heat pumps) to households which can afford and access them. As a result, solar households pay significantly less for their energy bills and therefore contribute less to the SRES, and non-solar low-income households contribute disproportionately more to the costs of the SRES. The Australian Consumer and Competition Commission (ACCC) has previously called for the SRES to be scrapped because of this inequity.[68]

Energy Intensive Trade Exposed Industry are already exempt from contributing to cost of the LRET and SRES, pushing greater cost on to small consumers.

The average SRES across the National Electricity Market (NEM) is 3.2% of the bill (excluding GST), and the average LRET across the NEM is 3.3% of the bill (excluding GST).[69]

Directly funding green subsidies like the SRES and LRET would provide permanent energy bill relief and cost of living relief for everyone, put downward pressure on inflation, and improve equity by removing a regressive subsidy.

Recommendation 47:

The Federal Government should fully fund the LRET and SRES rather than transferring costs to consumers.

Budget impact in 2025-26: -$ 3 billion (-$3 billion 2026-27).[70]

Accelerate access to affordable EVs for people on low incomes

People experiencing disadvantage face significant transport inequality. They are less likely to live close to public transport and community hubs and are often time-poor and reliant on

---

68 Australian Consumer and Competition Commission (2018), *Restoring electricity affordability and Australia's competitive advantage*. Australian Government, Canberra. Recommendation 24. Available: https://tinyurl.com/49r8wucd

69 Australian Consumer and Competition Commission (2023) *Inquiry into the National Electricity Market report – December 2023.* Available: https://tinyurl.com/2bpnxvv8

70 Calculations based on small-scale technology certificate (STC) forecast modelling produced for the Clean Energy Regulator, published in Starkey, S and Ablaza, J (2021), *SRES and Small-scale PV Projections* Jacobs, Melbourne. Available: http://tinyurl.com/5drju9r6. We have assumed similar costings for LRET given there is no data available to estimate costs.

private transport. The current fuel crisis is exacerbating this inequality. For these reasons, people on low incomes could greatly benefit from access to low-emission and EVs, which have significantly lower running costs. Some international modelling has shown that a household in the lowest quintile could achieve savings of up to 7% of total household income by 2030 through switching to EVs, if the barriers to access could be addressed.[71] The introduction of fuel efficiency standards, to commence in 2025, will benefit people on low incomes in the long term, but complementary measures are needed to ensure people on low incomes can access the benefits now, and not be the last to benefit. Existing electric vehicle incentives are regressive and should be replaced with measures to quickly increase the supply of second-hand EVs. We welcome recent Clean Energy Finance Corporation (CEFC) funding to the Commonwealth Bank to provide lower interest loans to people earning less than $100,000 to purchase new or second-hand EV and install charging infrastructure,[72] but more is needed to help low-income households to access EVs.

Recommendation 48:

Accelerate access to affordable EVs for people on low incomes.

1. Replace the FBT incentive with more equitable mechanisms to support access to EVs and low-emissions cars and charging infrastructure, including:
   a) Accelerate the creation of a second-hand EV market by:
      - Working with state and territory governments and local councils to match the Commonwealth's target of 75% of new purchased and leased vehicles in the Commonwealth fleet to be EVs by 2025.
      - Providing financial incentives to the community services sector to purchase EVs.
      - Allocating at least 50% of Federal Government second-hand EVs for subsidised purchase by people on lower incomes.

   b) Provide targeted financial support to people on low incomes though access to no-interest loans and targeted means-tested subsidies on new and second-hand cars and charging infrastructure.

Budget impact in 2025-26: Not available

Provide emergency energy debt relief

The Australian Energy Regulator's annual retail markets report found the proportion of both electricity and gas customers in hardship programs increased. Electricity hardship went up to 1.9% of customers and gas hardship to 1.3% of customers. Further, the average debt on entry to a hardship program also increased. For electricity it went up by

---

[71] Bauer, G., Hsu, C. W., & Lutsey, N. (2021), 'When might lower-income drivers benefit from electric vehicles? Quantifying the economic equity implications of electric vehicle adoption.' *Work. Pap*, *6*, 1-21.

72 CEFC (2024), *CEFC and CBA cut cost of EVs for essential workers and Australians on lower incomes.* Media release, 19 December 2024. Available: https://www.cefc.com.au/media/media-release/cefc-and-cba-cut-cost-of-evs-for-essential-workers-and-australians-on-lower-incomes/

23.7% to $1,476, and for gas it went up by 33.5% to $736. The average overall energy debt on such programs now stands at $1,687 for electricity and $812 for gas.[73] The number of people completing hardship programs has declined, with almost 70% of people leaving because of non-payments, indicating people doing it the toughest are losing access to safety nets because they cannot afford to pay their energy bills. Direct assistance by government and retailers is needed before debt spirals out of control and becomes more unmanageable.

Recommendation 49:

The Federal Government should provide debt relief payments of up to $2,000 per household for households in energy hardship programs. The government should also work with retailers to provide additional relief to those customers with debts greater than $2,000, and help customers reduce their bills going forward.

Budget impact in 2025-26: -$350 million

See also: Phase out fossil fuel subsidies and increase royalties on fossil fuels (see 7. A fairer tax system that supports services, safety nets and economic development) and 'Properly fund community peak bodies and advocacy groups', in 3 Investing in quality community support, care and crisis services. The Department of Climate Change, Energy and Water should contribute funding to support civil society organisations and those representing people otherwise disadvantaged in the clean energy transition to engage in climate and energy policy development and reform processes.

73 Australian Energy Regulator (2024), *Annual retail markets report 2023-24*. Available: https://tinyurl.com/mvahawnp

9. Building thriving, climate-resilient communities

Australia has entered an era of 'concurrent, consecutive and compounding' disasters and severe weather that occurs throughout the year.[74] During July 2023 and June 2024 there were 30 significant events requiring states, territories and federal governments to enact measures before, during and after emergencies.[75]

These disasters are having a significant economic, health and social impacts on millions of people. Analysis by Deloitte Access Economics finds that the social costs of disasters are equal, and sometimes higher, than the physical costs.[76] Their report, *The economic costs of the social impact of national disasters,* finds that the social costs of a disaster may persist over a person's lifetime and have profound and long-term effects on communities.[77]

People experiencing financial disadvantage are impacted first, worst and longest by disasters and severe weather events because they do not have the means to cope, adapt and recover. There are disproportionate impacts on First Nations people, people living with disabilities, as well as culturally and linguistically diverse communities.

The science is clear that climate-induced disasters and extreme weather is only set to worsen and grow more constant in the immediate future.

In addition to recommendations made in the Independent Review of Commonwealth Disaster Funding, additional policies and funding are needed to build resilience of community sector organisations, and people experiencing poverty and disadvantage, to the effects of climate change. Measures are needed to support and empower people and communities to build their resilience and lead recovery efforts on their terms. Genuine community partnership, including with First Nations people, communities and organisations is essential to improve the nation's preparedness and responsiveness to disasters and recovery efforts. Without appropriate policies to support resilience, response and recovery, it is likely we will entrench and drive greater poverty and inequality in Australia.

---

74 Australian Institute for Disaster Resilience (2022), *Major Incidents Report 2021-22* Australian Institute for Disaster Resilience, Melbourne p 4. Available: http://tinyurl.com/mr2trffb

75 *Ibid,* p 13

76 Deloitte Access Economics (2021), *Special report: Update to the economic cost of the social impact of natural disasters* Available: https://www.deloitte.com/au/en/services/economics/perspectives/building-australias-natural-disaster-resilience.html

77 Ibid., *The economic costs of the social impact of national disasters* Available: https://www.deloitte.com/au/en/services/economics/perspectives/building-australias-natural-disaster-resilience.html

Major recommendations

- Empower communities to build their resilience and manage recovery investing in local community resilience hubs, local council community resilience committees, and vulnerability data.
- Increase in financial, housing, food, and other essential supports to better meet the needs of people affected by disasters.
- Strengthen the capability of community sector organisations to respond and build resilience to disasters.

Detailed recommendations

Empower communities to build their resilience to disasters and lead recovery efforts

The needs and strengths of communities must be at the heart of extreme weather preparedness, response, and recovery. All government initiatives must support and empower communities to build their resilience and recovery efforts on their terms. Genuine community partnership, including with First Nations People, communities, and organisations, is essential to improve the nation's preparedness, responsiveness and recovery efforts regarding extreme weather events.

Recommendation 50:

Support and empower local communities to build their resilience and lead disaster recovery efforts, including:

1. Create and fun local community resilience hubs that are community-led, engage in building community resilience and assist the community in planning, response and recovery.

Budget impact in 2025-26: -$590 million.[78]

2. Fund local councils to form local community resilience committees to support the development and implementation of resilience plans, and to promote collaboration and joint planning between government, community organisations and local businesses.

Budget impact in 2025-26: -$80 million.[79]

3. Support the development of an online tool that includes a social vulnerability index (such as the Australian Natural Disaster Resilience Index) and a mapping feature to help identify where communities may need additional support to build resilience, prepare, respond and recover from disasters.

Budget impact in 2025-26: -$2 million.

---

78 ACOSS has estimated costings based on an initial investment of, on average, $2.2 million per annum outlay per community hub, to staff, accommodate and resource the hub. There are approximately 537 local councils across the country, bringing the total estimated cost to $1,181 million ($1.2 billion). The Federal Government would contribute half the costs, matched by the states.

79 ACOSS has estimated costings based on there being 537 local councils, with the Federal Government contributing a minimum $150,000 to each council.

4. Provide funding to support First Nations peoples and communities to participate in whole-of-community responses to build climate resilience and to better prepare for, respond to and recover from disasters, that builds on traditional and local knowledge.

Budget impact in 2025-26: - $25 million.

5. Resource community service organisations to build the resilience of their clients and meet contract requirements, by:
   - Delivering 'personal emergency plans', such as the emergency RediPlan to community sector clients
   - Implementing plans to ensure vulnerable people are protected during emergencies

Budget impact in 2025-26: -$350 million[80]

TOTAL BUDGET IMPACT IN 2025-26: -$1.1 billion

Better meet the needs of people affected by disasters

Feedback from community sector organisations on the ground during extreme weather events, such as bushfires, floods, and storms, suggests that the amount, timeliness and accessibility of support has not adequately met the needs of affected communities. It is important that we have adequate support measures and processes in place to reduce trauma and facilitate a speedy recovery from disasters.

Recommendation 51:

Better meet the needs of people affected by disasters by:

1. Increasing the Australian Government Disaster Recovery Payment from $1,000 to $3,000, and from $400 per child to $1,000 per child. These payments have not been increased since 2006 and the cost of living has increased substantially in that time. The $20,000 asset limit should be removed.
2. Increasing the amount and duration of Disaster Recovery Allowance to $82 a day, indexed to wages. The allowance is paid at the same rate as JobSeeker, just $56 a day for a single person. This is clearly inadequate for anyone, let alone someone who has lost everything in a disaster.
3. Supporting access to affordable housing by:
   a) providing rent and relocation assistance for the period of the recovery.
   b) assisting with providing and identifying short-term accommodation.
   c) developing a national temporary housing program.
4. Expanding mobile recovery centres and outreach clinics.
5. Providing additional funding to meet increased demand for social support services post disaster, including:

---

80 ACOSS has estimated costings using a figure of 14,000 community service organisations under DSS service provision. ACOSS has allowed for up to 25% of community sector organisations to access the fund per year, at an average cost of up to $100,000 per organisation to deliver Red Cross RediPlan for clients and other relevant plans.

- food relief
- legal and social support services
- adequate mental health support over the short, medium and long term
- specialist domestic and family violence services, particularly in the recovery period after a disaster
- other additional support tailored and responsive to community needs, particularly in regional and rural areas.

Budget impact in 2025-26: Not available[81]

Strengthen the community sector's capacity in response, recovery, and resilience

Responding to disasters is now a core responsibility for community services. Organisations provide goods, equipment, clothing, shelter, counselling and advisory services for people navigating trauma. Demand for these services remains high and not just in the initial aftermath of an event but for months and years to come. The sector's core services, which enable it to respond to emergencies and disasters, are badly underfunded. Organisations are also directly affected by disasters, with workers and volunteers themselves being survivors (or disaster-impacted) and local offices suffering damage. As such, providers face widespread staff burnout and exhaustion. Deloitte Access Economics estimated that the 2019 Queensland floods cost at least $2.3 billion in health, social and community impacts, which included hardship applications, calls to recovery hotlines, mental health supports, and outreach services.[82] Current funding arrangements via the Disaster Recovery Funding and Disaster Ready Fund do not meet the needs of the community sector. We believe community sector funding streams are a missing piece in the government's emergency and disaster readiness strategy and would ensure those responding on the ground are enabled to do so more efficiently, effectively and cohesively.

Recommendation 52:

Strengthen capability of community sector organisations to respond and build resilience to disasters.

1. Strengthen capability of community sector to be better prepared and resilient to disasters by creating a permanent enabling fund - Community Sector Disaster Resilience Fund - to complement or be integrated with the Disaster Ready Fund, so community services have core funding to improve disaster preparedness, response and recovery. This should include funds to participate in planning, response and recovery at appropriate levels, provide training for staff, volunteers, and local communities, undertake risk assessments and service continuity plans, and undertake adaptation and preparedness benchmarking.

---

[81] Costs are challenging to quantify, as they will be dependent on frequency of extreme weather events and numbers of people impacted.

82 Deloitte Access Economics (2019), *The social and economic cost of the North and Far North Queensland Monsoon Trough*, p 26-27. http://tinyurl.com/3vh3fupy

Budget impact in 2025-26: -$260 million[83]

2. Provide funds to social sector peaks to strengthen the community sector disaster management tool, including establishing a community of practice and providing training to community sector organisations to implement the disaster management tool, and to conduct sector specific risk assessments and develop disaster management and service continuity plans.

Budget impact in 2025-26: -$4 million

3. Strengthen the capability of the community sector to respond to disasters and better support recovery by creating a permanent flexible contingency fund - Community Sector Disaster Contingency Fund – complementary to or integrated with the Disaster Recovery Funding Arrangements, so community services in disaster areas can quickly replace equipment, address workforce constraints, and meet increased demand during disaster response and recovery efforts.

Budget Impact in 2025-26: -$350 million[84]

TOTAL BUDGET IMPACT IN 2025-26: -$620 million

83 ACOSS has estimated costings utilising an estimation of 14,000 community service organisations under DSS service provision. ACOSS has assumed up to 25% of these organisations a year would aim to access the funds to support costs of participating in local area planning, update and provide disaster training for staff and volunteers, update risk assessments and continuity planning, and benchmarking at a cost of $75,000.

84 ACOSS has estimated costings utilising an estimation of 14,000 community service organisations under DSS service provision. ACOSS has assumed up to 20% a year may be affected by extreme weather events and estimate an average of up to $100,000 per organisation would be required to manage impacts from disaster, manage surge capacity, and compensation for additional service provision.

10. Decent retirement incomes and services

Security in retirement depends on pensions that prevent poverty, fair superannuation that cushions the loss of employment income, affordable housing, and universal access to quality health and aged care services.

Tax concessions for superannuation cost $58 billion in 2024, almost as much as Age Pensions ($62 billion).[85] The tax treatment of superannuation is parsimonious for people on low incomes and most women, and too generous for people with high incomes, mainly men. This entrenches inequality in retirement and deprives governments of the revenue they need to fund decent health and aged care for an ageing population. Tax concessions for contributions should be replaced with an annual rebate that is simpler and fairer.

To guarantee free quality aged care for all, a 15% levy should apply to superannuation fund investment incomes after retirement.

Major recommendations

- Replace tax concessions for superannuation contributions with a fairer and simpler annual rebate.
- Introduce a 15% levy on superannuation fund earnings after retirement to guarantee free universal access to quality aged care services.

Detailed recommendations

Make superannuation fairer for women and people with low incomes

People on low and modest incomes presently receive little or no support from tax concessions for superannuation contributions that cost the Budget $29 billion annually. A worker earning $20,000 annually (more likely to be a woman) receives no tax support for employer contributions while another worker on $200,000 annually (more likely to be a man) saves 32 cents in tax per dollar contributed. This is due to the way their marginal tax rates interact with the unfair flat 15% tax on employer contributions. Further, individuals (again mainly women) earning less than around $30,000 annually generally receive no tax benefit from super contributions, since their incomes are too low to pay income tax and the Low Income Superannuation Tax Offset merely offsets the 15% tax deducted from their employer contributions.

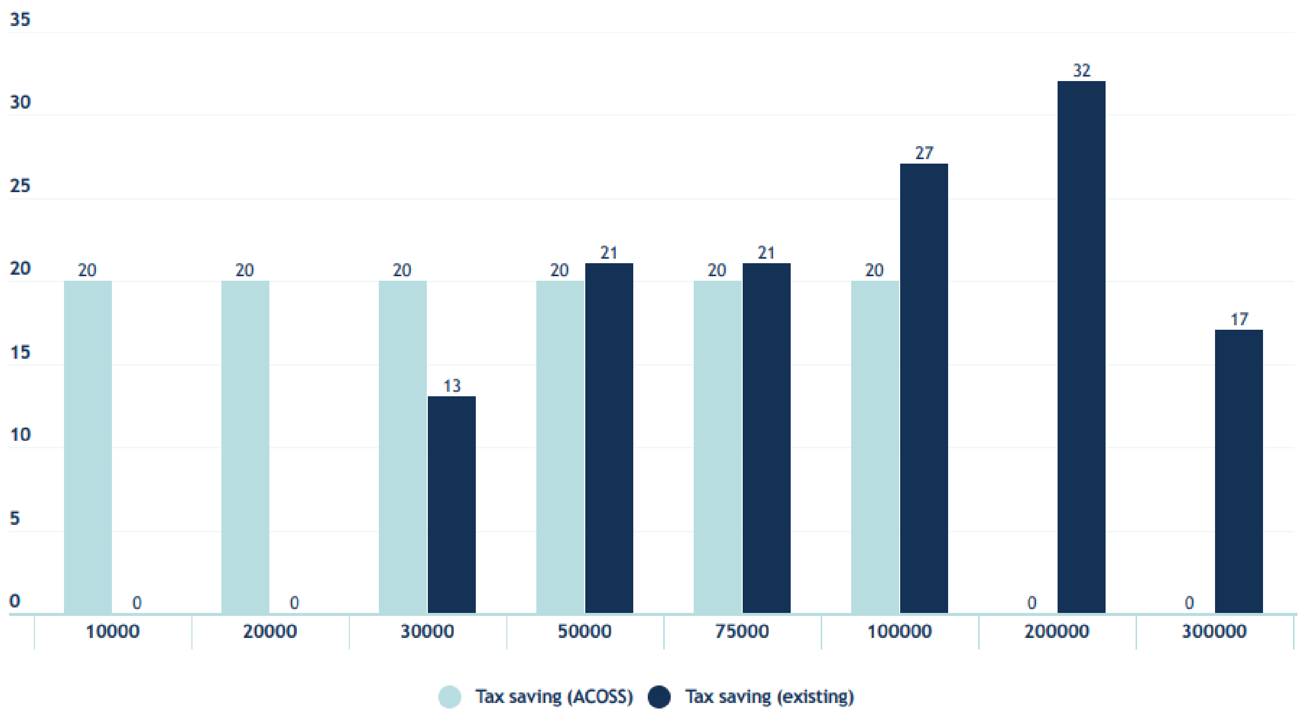
The flat 15% superannuation contributions tax should be replaced with a refundable rebate (for example, 20% of contributions from all sources) that provides the same or greater support for each dollar of contributions for people with low incomes as that provided to

85 Commonwealth of Australia (2024), *Tax expenditures and insights statement 2024*, Canberra.

middle- and high-income-earners. To make super worthwhile for people with very low incomes and small contributions, a higher refundable rebate (for example equal to 100% of contributions) could be paid for the first $500 a year contributed, regardless of income.

The rebate should be fully funded by taxing contributions at each person's marginal tax rate (in the hands of the fund) and lowering the annual cap on concessional contributions from $25,000 to $15,000 (thus reducing tax breaks for people with high incomes). There should be no concessions for 'catch-up contributions' above the annual cap. The impact of this reform on the marginal tax rate applied to contributions just above the Superannuation Guarantee is illustrated in Figure 3.

Figure 3: Tax saved, in cents per dollar contributed above the Super Guarantee, at different income levels (existing system compared with ACOSS rebate)



Note: Marginal tax rate of additional employer contributions above the Superannuation Guarantee. The existing 15% tax is offset by a rebate for those below the tax-free threshold, so that the tax concession in those cases is effectively zero.

The proposed rebate is more generous for compulsory contributions for middle-income-earners than the present 15% tax rate, so most middle-income-earners would be financially better off.

Recommendation 53:

Fair and simple tax concessions for superannuation contributions:

- From 1 July 2026, all tax concessions for superannuation contributions (including the 15% employer contributions tax rate, deductions for contributions, and rebates for contributions by low-income earners and for spouses) should be replaced in a revenue-neutral way by an annual two-tier refundable rebate paid into the fund, capped at a contribution level sufficient to support (along with the Age Pension) an acceptable retirement income for a typical worker.

1. Subject to revenue-neutrality, the rebate for concessional contributions should be structured as follows:
   - 100 cents per dollar contributed from any source up to $500 per year (not income-tested, indexed to movements in average fulltime earnings), to support retirement saving by low paid part-time workers and replace the Low Income Superannuation Tax Offset;
   - Plus 20 cents per additional dollar contributed from any source up to $15,000 (indexed to movements in average fulltime earnings), with no higher cap for 'catch-up' contributions;
   - For this purpose, contributions would be calculated as net contributions, that is all contributions made to a person's superannuation accounts in a given year minus any benefits paid, in order to curb tax avoidance through re-contribution strategies.
2. The annual non-concessional contributions cap should be reduced to three times the concessional cap ($45,000), and people should no longer be able to make up to three years' contributions within the cap in a single year.
3. The exception to the general prohibition on direct borrowing by super funds for limited recourse borrowing by self-managed funds should be removed.

Budget impact in 2025-26: $0

A levy on superannuation fund income post-retirement to fund a commitment to free, quality aged care

As the Aged Care Royal Commission recommended, aged care services at home or in aged care homes should be available to all free of charge. The recent Budget decision to increase fees (subject to income) for care services takes aged policy in the wrong direction, jeopardising the universality of essential care services.[86] ACOSS believes that aged care services, whether provided at home or in aged care homes, should be available to everyone free of charge. Accommodation and other ancillary services could still attract charges, but the care component of aged care services should be free, as is the case for public hospital treatment and care. Substantial user charges for aged care raise the risk that people avoid seeking the care they need (especially at home) and that a 'two tier' system of care services will emerge with good quality services restricted to those who can pay more. The burden of user charges will not fall mainly on people with substantial wealth, as they rely less on publicly funded aged care services.

It will not be possible for future governments to properly fund universal, quality aged care and health services for an ageing population without relying on large user charges

86 ACOSS (2024), *Submission on the Aged Care Bill 2024*. ACOSS, Sydney. Available: https://tinyurl.com/594ae9hb

while only 16% of older people pay income tax.[87] Concerns about the cost of care in later life have led many people to avoid drawing down their retirement savings, reducing their enjoyment of retirement while they are still healthy. The outcome is larger bequests instead of better living standards in retirement.[88]

As with health care generally, the best solution to the aged care funding challenge is collective funding through the tax system.

The tax treatment of superannuation after retirement is extraordinarily generous, especially for people with substantial wealth. It is not widely understood that in addition to the exemption from income tax of superannuation benefits (lump sums and pensions), the *investment income* of a superannuation fund is no longer taxed once it pays a pension to a fund member. In contrast, during the so-called 'accumulation phase' interest, dividends and capital gains accruing to super funds are taxed at 15% (10% for capital gains). This tax exemption gives rise to manifold tax avoidance opportunities, especially the avoidance of tax on capital gains accrued through working life by transferring or retaining assets in a self-managed superannuation fund. Further, the 17% tax on superannuation assets transferred to a deceased estate can be avoided by shifting savings from pension to accumulation accounts.

As the Henry Report on tax reform recommended in 2009, the artificial distinction between 'accumulation' and 'pension' phases of superannuation should be removed and the same tax rate should apply to super fund earnings before and after retirement.[89] To contribute to the cost of a guarantee of universal, quality aged care, a 15% aged care levy should apply to the investment income of superannuation funds after retirement. Once fully phased in, this would raise around $10 billion a year. This new revenue stream would mirror growth in the cost of aged care services as the population ages.

Recommendation 54:

Introduce a 15% levy on superannuation fund investment income post-retirement to fund an aged care service guarantee:

1. The government should commit to an *aged care service guarantee* by which good quality aged care services, whether at home or in aged care homes, are available to all free of change while accommodation and other ancillary services would still attract appropriately regulated charges.
    - This should be financed by a 15% levy on the investment income of superannuation accounts in 'pension phase' (effectively removing differences in the tax treatment of 'accumulation' and 'pension' accounts), progressively

87 Daley, J; Coates, B; Young, W (2016), *Age of entitlement: age-based tax breaks* Grattan Institute. Available: http://tinyurl.com/2rf855jy The fiscal cost of tax concessions for superannuation, especially for fund income, is projected to rise from 2.1% of GDP in 2020 to 2.6% in 2060 (Treasury (2020), *Retirement Income Review, Final Report, July 2020* Australian Government, Canberra. Available: http://tinyurl.com/5bxk67rk

88 Treasury (2020), *op cit.*

89 Henry K et al. (2009), *Australia's future tax system review final report* The Treasury, Canberra. Available: http://tinyurl.com/58nnd3um

introduced over a three-year period from 1 July 2026 (with a 5% increase each year).

2. The levy should be offset by a 15% rebate (minus any imputation credits) for people over preservation age whose income (including Age Pension, earnings, superannuation and other investment income) falls below their tax-free threshold. The rebate would be calculated each year by the ATO and transferred to a superannuation fund chosen by the taxpayer.
3. Opportunities to avoid or reduce tax on capital gains accrued during working life by holding assets in a self-managed super fund should be curtailed.
4. Transfers from superannuation accounts to the estates of deceased fund members should be taxed at the statutory rate of 17% without exception apart from transfers to spouses and dependent children.

Budget impact in 2025-26: $0 ($2.8 billion in 2026-27)