



Youth Allowance

FACTSHEET 2

STUDENT INCOME SUPPORT— PARENTAL INCOME TEST

A key component of the proposed reforms to student income support in response to the Bradley Review of Australian Higher Education, are planned changes to the Parental Income Test (PIT). These proposed changes would increase the threshold for access to the maximum rate of Youth Allowance or ABSTUDY (currently \$32 800) to align with the Family Tax Benefit A (FTB) income test (which increased to \$44 165 on 1 July 2009).

The current per child taper arrangements for calculating benefits for incomes above the threshold would be replaced with a 20 per cent per family taper consistent with FTB arrangements.

This would mean that parental income test cut off points will rise significantly, providing substantial support to many new families — for example, a family with two children aged 18 and 20 at home would receive support with a family income of up to \$107 709 and a family with two children aged 18 and 20 living away from home would receive support with a family income of almost \$141 000.

See Table A for further details.

As a result of this proposed reform, many students who would not be eligible for support because of tightening of the workforce participation criterion will become automatically eligible due to increases to the parental income test.

This proposed measure was costed at \$559.9 million over four years.

Removing financial barriers

Subject to the passage of legislation, this reform aims to provide better access to support for students. Consistent with the proposed reforms to student income support, the measure aims to ensure that financial barriers are removed to the participation in education and training of students from low socio-economic status (SES) backgrounds, including those from regional and remote areas and Indigenous students.

Increases to the Youth Allowance and ABSTUDY PIT are central to the Australian Government's objective of lifting the proportion of 25 to 34 year olds with at least a bachelor level qualification from 29 per cent to 40 per cent by 2025.

The proposed changes to the Youth Allowance and ABSTUDY PIT would improve access and lift the coverage of students receiving income support by over 17 per cent. They are critical to meeting the Government's target of 20 per cent low SES undergraduate enrolments in higher education by 2020.

What will this proposed measure deliver?

Subject to the passage of the enabling legislation, this reform will allow 67 800 young people to access Youth Allowance or ABSTUDY to support their participation in post-compulsory secondary, vocational education and higher education, Australian Apprenticeships and a combination of activities. In addition, 34 600 existing recipients who currently receive a part payment would receive an increase in their payment, often to the full payment rate.

The parental income cut-out points for access to payment would be much higher than at present. For example, the cut-out point for a family with one child aged 18 and at home would increase from around \$58 000 to almost \$76 000. The parental income cut-out for a family with two children aged 18 and 20 at home would increase from around \$62 000 to almost \$108 000.

Table A: Examples of Family Situations and Parental Income Test Cut-out Points

Family Situation: Number of children on Youth Allowance by Age	2009 Parental Income Cut-out Points	
	Current Arrangements	New Arrangements
1 Child aged 18 at home	\$58,288	\$75,937
1 Child aged 18 away from home	\$71,532	\$92,447
2 Children aged 16 and 17 at home	\$57,794	\$97,023
2 Children aged 18 and 20 at home	\$62,080	\$107,709
2 Children aged 17 and 21 away from home ¹	\$75,324	\$140,729
2 Children aged 19 and 23 away from home	\$79,117	\$140,729

NOTE:

1. Assumes 17 year old at school and 21 year old at university

The commencement date for this measure is subject to the passage of the legislation. The measure would apply to students on income support, including Youth Allowance and ABSTUDY. It would also extend to Youth Allowance (other).

Next steps

While legislation to give effect to the proposed reforms has already passed the House of Representatives, the Senate has not passed the legislation. The Government has indicated that it intends to again seek passage of the reforms by the Senate in early 2010. Commencement dates are subject to the passage of the legislation.