



Incentivising Pensioners to Downsize

Party:

Australian Labor Party

Summary of proposal:

The proposal would:

- Extend the assets test exemption for principal home sale proceeds from 12 months to 24 months for income support recipients.
- Change the income test, to apply only the lower deeming rate (0.25 per cent) to principal home sale proceeds when calculating deemed income for 24 months after the sale of the principal home.

The Department of Social Services and the Department of Veterans' Affairs (DVA) are to absorb all departmental expenses.

The proposal would be ongoing and have effect from 1 January 2023.

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by around \$61.4 million over the 2022-23 Budget forward estimates period. The impact reflects increases in administered expenses, partially offset by increased revenue.

The proposal would have an impact beyond the 2022-23 Budget forward estimates period.

A breakdown of the financial implications (including separate PDI tables) over the period to 2032-33 is provided at Attachment A.

The estimates in this costing are based on Services Australia administrative transfer payment data and DVA population statistics. However, the results of this analysis are sensitive to a range of factors such as the number of newly eligible recipients resulting from this proposal and the behavioural response of pensioners in response to the proposal.

Table 1: Financial implications (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	-9.2	-17.9	-16.7	-17.6	-61.4
Underlying cash balance	-9.2	-17.9	-16.7	-17.6	-61.4

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

Methodology

The financial implications of this proposal were based on costing models provided by the Department of Finance and the Treasury for the Coalition's commitment – *Incentivising Pensioners to Downsize* (ECR007).

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.¹

Data sources

Department of Finance provided costing models for the Coalition's commitment – *Incentivising Pensioners to Downsize*.

The Treasury provided payment recipients' projection as at 2022-23 Budget.

Department of Veterans' Affairs (DVA) (2021), [Population projections June 2021](#), DVA, accessed 31 May 2022.

¹ https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

Attachment A – Incentivising Pensioners to Downsize – financial implications

Table A1: Incentivising Pensioners to Downsize – Fiscal and underlying cash balances (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Revenue													
<i>Revenue</i>	-	1.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0	7.0	32.0
Total – revenue	-	1.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0	7.0	32.0
Expenses													
<i>Expenses</i>	-9.2	-18.9	-19.7	-20.6	-21.7	-22.9	-24.1	-25.3	-26.5	-27.8	-29.1	-68.4	-245.8
Total – expenses	-9.2	-18.9	-19.7	-20.6	-21.7	-22.9	-24.1	-25.3	-26.5	-27.8	-29.1	-68.4	-245.8
Total (excluding PDI)	-9.2	-17.9	-16.7	-17.6	-18.7	-19.9	-21.1	-21.3	-22.5	-23.8	-25.1	-61.4	-213.8

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

Table A2: Incentivising Pensioners to Downsize – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<i>Fiscal balance</i>	-0.1	-0.4	-0.8	-1.2	-1.7	-2.2	-2.9	-3.6	-4.4	-5.3	-6.4	-2.5	-29.0
<i>Underlying cash balance</i>	-0.1	-0.4	-0.8	-1.2	-1.6	-2.2	-2.8	-3.5	-4.3	-5.2	-6.3	-2.5	-28.4

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the table above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary².
- (b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

² [Online budget glossary – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)