

4 Concessions

The provision of concessions is an important form of expenditure on welfare services in Australia. In the analysis that follows, two types of concession are considered. These are concessions to households (individuals) and concessions to service providers (in the form of tax expenditures).

In the case of concessions to households, they are further divided into 'core' concessions and 'non-core' concessions. The core concessions are those that apply generally across all States and Territories and are supported by State or Territory government subsidies to the concession providers. These core concessions are included as forms of State and Territory government funding in the estimates of welfare services expenditures. Non-core concessions to households are not included in the welfare services expenditure estimates.

The concessions to service providers (tax expenditures) are also not included as government funding for welfare services.

4.1 Concessions to households

Concessions to individuals are those available to social security recipients, and these relate to services and facilities that clients access. These include reductions in charges by public utilities – for example, electricity suppliers, water and sewerage services providers, and public transport. They also include reductions in local government rates and in service charges by telephone and postal service providers. There are also concessions on fees for motor vehicle registration and driving licences for some social security recipients.

Recipients of social security payments mostly gain eligibility for these types of concessions through holding either a health care card or a pensioner concession card (PCC). Veterans and their dependants gain eligibility to similar concessions through their Department of Veterans' Affairs (DVA) white or gold card.

These cards have different eligibility criteria and conditions. Access to the associated concessions depends on a client meeting those criteria. Health care cards, for example, are short-term and subject to review every three months, while the PCC is only available to clients who have received the income support payment for at least 39 weeks. DVA card holders have ongoing eligibility for concessions of the type that are available to the other social security recipients.

The concessions to individuals that are considered core concessions in this report are subsidies on charges for:

- electricity
- public transport
- water/sewerage services
- local government rates.

Core concessions were valued at \$820.9 million in 2000–01, up from \$771.5 million in 1998–99 (Table 4.1). On average, they represented the equivalent of about 17% of total expenditure on welfare services by State and Territory Governments between 1998–99 and 2000–01 (calculated from Table 3.4 and Table 4.1).

Across the States and Territories, the aggregate value of core concessions was positively related to population size (i.e. States with larger populations incurred more in the way of aggregate concessions than did States with smaller populations).

In 2000–01, concessions for older people and people with disabilities represented 79.3% of total core concessions. Concessions for families and children accounted for 15.3%, while concessions for recipients of other welfare services, which included concessions to widows and unmarried persons who are neither old nor disabled, accounted for 5.4%.

The non-core concessions to individuals vary across jurisdictions and can include reduced fees for motor vehicle registration, driving licences and pet registrations. They also include reduced telephone and postal charges (see ‘Technical notes’ for a fuller listing of the major non-core concessions).

The AIHW has begun developing preliminary indicators for the likely value of these non-core concessions. For example, concessions granted to eligible telephone users in 2000–01 were valued at about \$217 million. Concessions granted in respect of motor vehicle registrations during the same year were valued at \$135 million. The AIHW intends to undertake further work to expand its evaluation of the contribution of non-core concessions in future issues of *Welfare Expenditure Australia*.

Table 4.1: State and Territory core concessions by welfare services category, 1998–99 to 2000–01 (\$ million)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	All States and Territories	Proportion (%)
Family and child welfare services										
1998–99	31.6	35.6	28.6	11.1	5.2	5.2	2.3	1.9	121.4	15.7
1999–00	35.0	35.5	26.6	11.7	5.2	6.2	2.5	1.8	124.5	15.6
2000–01	36.3	35.6	24.8	12.8	5.3	6.2	2.6	2.0	125.7	15.3
Older people and people with disabilities										
1998–99	216.5	150.8	81.5	68.0	44.8	34.1	8.3	2.9	607.0	78.1
1999–00	231.2	149.4	85.5	69.6	45.0	37.2	9.1	3.0	630.0	78.9
2000–01	240.8	147.9	89.8	76.0	46.3	37.3	9.4	3.3	650.8	79.3
Other welfare services										
1998–99	13.8	10.3	6.0	4.4	5.2	2.8	0.4	0.1	43.1	5.6
1999–00	14.6	9.4	6.0	4.2	5.9	3.1	0.5	0.1	43.8	5.5
2000–01	15.3	8.7	5.9	5.1	5.7	3.1	0.5	0.1	44.4	5.4
Total										
1998–99	262.0	196.6	116.1	83.6	55.2	42.1	11.1	4.9	771.5	100.0
1999–00	280.8	194.3	118.1	85.5	56.1	46.6	12.0	4.9	798.4	100.0
2000–01	292.4	192.2	120.5	94.0	57.2	46.7	12.6	5.4	820.9	100.0

Sources: As for Table 3.1, page 5.

4.2 Concessions to service providers

The second form of concession—concessions to service providers—refers exclusively to concessions granted, through the taxation system, to eligible NGCSOs. These include exemption from fringe benefits tax, wholesale sales tax (before the introduction of the goods and services tax (GST)), and payroll tax.

Tax expenditures refer to exemptions, deductions, rebates, reduced tax rates and deferral of tax liability for NGCSOs. They are an important form of assistance, accounting for at least 6.1% of total expenditure on welfare services in 2000–01 (Table 4.2).

Until 2000–01, eligible NGCSOs enjoyed exemption from wholesale sales tax and the fringe benefits tax. This allowed them to include untaxed benefits in the salary packages of their employees, thus reducing the costs of employment. With the new tax system introduced in 2000–01, the wholesale sales tax was replaced by a broadbased GST. Under the new tax regime, NGCSOs can register with the Australian Taxation Office and claim back the GST they paid on inputs purchased for use in providing their services. This effectively exempts NGCSOs from GST for their inputs. However, this exemption is not classified as a tax expenditure and has led to a break in the tax expenditure time series. Under the previous tax regime, tax expenditure increased from \$897 million in 1998–99 to \$988 million in 1999–00. With the move to the new tax system in 2000–01, estimated tax expenditure in the community services sector was lower, at \$836 million. This is because of the abolition of the wholesales sales tax and its associated tax expenditure (see also AIHW 1999:28–9).

Table 4.2: Estimates of tax expenditures^(a) granted to NGCSOs in current prices, 1998–99 to 2000–01 (\$ million)

	1998–99	1999–00	2000–01
Tax deductibility for donations to benevolent institutions	120	123	135
Commonwealth tax exemptions on inputs			
Fringe benefit tax	190	210	240
Wholesale sales tax (WST)	207	231	—
State/Territory tax exemptions on inputs			
Payroll tax	138	154	168
Land tax	69	77	84
Stamp duty and bank taxes	172	193	210
<i>Total government input tax exemptions excluding WST</i>	<i>568</i>	<i>634</i>	<i>701</i>
Total tax expenditure excluding wholesale sales tax	689	757	836
Total welfare services expenditure	11,883	13,073	13,690
Tax expenditure as a proportion of total expenditure (%)	5.8	5.8	6.1

(a) Tax expenditures are recorded against the year in which the liability was incurred, not the year the expenditure is paid.

Note: Totals may not add due to rounding.

Sources: Industry Commission 1995; Treasury 1999, 2001a, 2001b; AIHW welfare services expenditure database.