# Annex A The Productivity Commission’s Tax and Transfer model

The Commission’s model (PCTT 2014) is coded in the language R, and contains the following features of the tax and transfer system:

* the main federal welfare payments administered through the Department of Human Services (Age Pension, Austudy, Child Care Benefit, Child Care Rebate, Disability Support Pension, Newstart Allowance, Parenting Payment, Youth Allowance and Pension Supplement)
* Family Tax Benefit parts A and B
* Commonwealth Rent Assistance
* income tests for welfare payments
* social housing rent setting rules
* income tax rates (income tax is paid on market income and government payments where relevant)
* the Medicare levy and low income tax offset.

Market incomes are assumed to be net of the 9.25 per cent superannuation contribution made by employers.

The parameters of the model were derived from various websites that describe the rules, thresholds and rates used in calculating payments and taxes at March 2014.

The model is used to produce the examples in this background paper. Since it is a program, it can be used to process many observations.