Centrelink/Veterans Affairs Means Testing

If a person is eligible for a Centrelink/Veterans' Affairs payment how much they receive will depend on an income and assets test assessment. The lower payment under the two tests is the amount payable.

Assessable Assets for Assets Test

An asset is any property or item of value either in Australia or overseas which is owned by you or your partner, or in which you have an interest.

Assessable assets include:

- Any cash or money in bank, building society or credit union accounts (including interest free accounts), interest bearing deposits, fixed deposits, bonds, debentures, shares, property trusts, friendly society bonds and managed investments
- Any assets held in superannuation and rollover funds by a person who is Age Pension age or older
- The value of any real estate, including holiday homes, (this does not include the principal home)
- The value of any businesses and farms, including goodwill (where goodwill is shown on the balance sheet)
- The surrender value of life insurance policies
- The value of gifts made that were worth more than $10,000 in a single year or more than $30,000 in a five year period
- The value of any loans (including interest-free loans) made to family trusts, members of the family, organisations etc.
- The value of any motor vehicles
- The value of any boats and caravans which are not used as the home
- The value of household contents and personal effects
- The value of any collections held for trading, investment or hobby purposes
- The value of entry contribution to a retirement village if the amount paid is less than the difference between the homeowners' and non-homeowners' assets limits
- Income stream products (although some exemptions for non-commutable products purchased before 20 September 2007)
- The attributed value of a private trust or private company if deemed to be a controller of that trust or company or an associated party is the controller or the person has transferred money into the trust or company
- The value of a life interest created by a partner or their death

The value of assets is what you would get for them if you sold them (net market value) not what it would cost to replace them. Generally, any debt secured against an asset is deducted from the value of that asset.

Each $1,000 of assessable assets over the assets test threshold will reduce the maximum age pension by $3.00 per fortnight (per single or couple combined).

Assessable Income for Income Test

All income sources will be included in the income test and combined income is included for a couple. Different rules may apply to determine how the assessable part of the income is calculated. Income sources include:

- Deemed income on financial investments (eg cash, term deposits, shares, managed funds and superannuation in the accumulation phase for a person over age/service pension age)
- Deemed income on gifts over the allowable thresholds (deprived assets)
- Employment income (exemptions may apply to some of this income for a person over age pension age)

- Business income
- Foreign super pensions
- Superannuation pensions are assessed as financial assets (excluding annuities, account-based pensions grandfathered under pre 1/1/2015 legislation and term allocated pensions)
- Taxable income on an investment property (exemptions may apply to rent on the former home for a person living in an aged care facility)
- Royalties
- Taxable income of a family trust or private company if assets are captured in the person's assets test (under control or source tests)

Deeming Under Income Test

The actual income of financial investments is ignored and instead deeming rules apply.

Deeming assumes that financial investments earn a certain rate of income, regardless of the amount of income they actually earn. If the investment earns more than these rates, the extra income is not assessed. The deeming rates are reviewed in March and September each year in line with market interest rates.

By treating all financial investments in the same way, the deeming rules encourage people to choose investments on their merit rather than on the effect the investment income may have on their pension entitlement.

The table below provides information about the categories of financial investments which are subject to the income test deeming rules.

Financial Asset	Additional Information
Bank bills	This includes bank bills, commercial bills and promissory notes
Bullion investments	Gold, silver, platinum bars Ingot and nugget holdings Coins, medals and decorations containing those metals
Cash	Cash amounts including cash on hand and in safety deposit boxes
Conventional life insurance products	Conventional life insurance policies are only subject to deeming if they continue to be held after maturity
Debentures and unsecured notes	Debentures are loan certificates secured by a lien over assets of the borrower. Unsecured notes are loan certificates not secured by any assets
Deprived assets	Assets that a person destroys, disposes of, or reduces in some way without receiving adequate financial consideration. Generally deprivation occurs when the asset is given away as a gift. The value of the deprived asset (less the allowable gifting amount) is subject to deeming
Farm management deposits	The balance in the fund is the value that is deemed
Government and semi-government bonds (GSGB)	Securities issued by a federal, state or local government authority. The market value of bonds changes in response to market conditions, particularly changes in interest rates.
Interest rate products	Money on deposit including bank, building society and credit union accounts.
Listed securities	Listed public securities on a stock exchange including exempt stock markets, either held in Australia or overseas and whether dividends are paid or not.

Loans	Loans made to another person or entity. This does not include loans to their own sole trader or partnership structures as these are in effect 'loans to oneself'.
Managed investments	Also known as 'managed funds', 'pooled investments', ‘unit trusts’ or 'collective investments', where money is pooled together with other investors or used in a common enterprise and a 'responsible entity' operates the fund. This includes Australian and overseas funds.
Superannuation and roll-over investments	Superannuation and roll-over investments are subject to deeming if held in the accumulation phase by a person who is over age pension age.
Unlisted public securities	Shares in public companies which are not listed on a stock exchange, but are available to the public whether they are held in Australia or overseas, or dividends are paid.

Account-Based Pension

From 1 January 2015, asset-tested income streams (long term) that are account-based are viewed as a financial asset and assessed under the deeming income test. This includes account-based pensions and account-based annuities.

Account-based income streams held by income support recipients immediately before 1 January 2015 will be grandfathered and continue to be assessed under return of capital rules applying prior to 1 January 2015.

Term Allocated Pension

These pensions are assessed under the same rules as used for a grandfathered account-based pension but the deductible amount is calculated as:

Annual income less (purchase price / the term selected)

Lifetime Annuities

Lifetime annuities purchased prior to the 1st July 2019 are assessed as follows:

- Income assessment for lifetime annuities use the following formula:
  AP - [(PP-RCV) ÷ RN]

Reference	Definition
AP =	Annual payment
PP =	Purchase price
RCV =	Residual Capital Value
RN =	Relevant Number

Lifetime annuities which meet the new Capital Access Schedule and are purchased post the 1st of July 2019 are assessed as follows;

- Under the income test 60% of the regular payments are assessed as income. Under the assets test 60% of the purchase price is assessed as an asset until the age of 84 or for a minimum of 5 years and then thereafter the assessment is reduced to 30% of the purchase price

Term Certain Annuities with Terms of More Than Five Years

These annuities are assessed under the same rules as used for a lifetime annuity purchased prior to 1st of July 2019 but the purchase price is reduced by any residual capital value (RCV). The RCV is the amount agreed to be returned at a future point in time. The deductible amount is calculated as:

Annual income less [(P/P – RCV) / term selected]

Term Certain Annuities with Terms of Five Years or Less

These annuities are included in the definition of financial assets and are assessed under deeming rules. If however, the term chosen is longer than the person's life expectancy the assessment method used for an account-based pension will also apply.