

Gifting

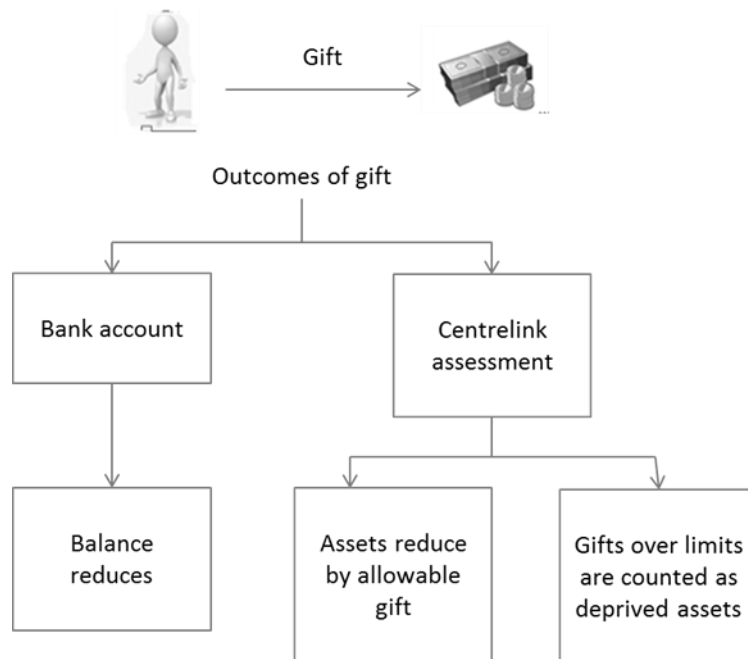
A person who is eligible for Centrelink or Veterans' Affairs (DVA) payments is expected to use their own financial resources to support themselves so the ability to gift to others without an impact on entitlements may be limited.

Centrelink/DVA entitlements are based on two tests - an income test and an assets test. Gifts can reduce assets (and also the assessed income) and may help to increase the amount of Centrelink/DVA payment.

A single person or couple combined is allowed to gift \$10,000 per financial year, with a limit up to \$30,000 over a five year rolling period. If more than this amount is gifted the excess amount is called a 'deprived asset'.

A deprived asset is counted as an assessable asset under the assets test and is subject to deeming under the income test for five years from the date of the gift. This may affect your Centrelink/DVA payment.

When looking at the \$30,000 limit, Centrelink will also take into consideration amounts gifted in the previous five years.



Before making the gift it is important for the person to ensure they can afford to do this and that they have enough money to meet their own needs. The amount given away may be more than the additional payment received from Centrelink/DVA. The motivation needs to be to help someone financially, not just increase Centrelink/DVA benefits.

Gifting Strategies

If the aim is to gift more than \$10,000 the following three strategies can be considered.

Gift \$10,000 in a financial year

Gift \$10,000 in three successive years without creating an excess. However, gifts cannot be made in the following two years (or previous two years). This approach allows assets to be gradually gifted.

Gift \$30,000 within 14 months

Gifting

An amount of \$30,000 can be gifted within a 14 month period with careful timing as shown in the example below.

Date of Gift	Amount
1 June 2013	\$10,000
1 July 2013	\$10,000
1 July 2014	\$10,000

This strategy allows the \$30,000 to be gifted over three separate financial years, but the time space is only 14 months. Based on this example no further gifts can be made until 1 July 2017. If a gift is made before this time it will create a deprived asset.

Gift and Loan Strategy

If a person wants to gift more than \$10,000 in one year they could do this as a loan/gift strategy to gradually reduce the impact on Centrelink entitlements.

This requires treating up to \$20,000 as a loan and the balance as a gift. Each year a further \$10,000 of the loan is forgiven (gifted).

Example:

Colin gives a family member \$30,000. This is recorded as a \$10,000 gift and a \$20,000 loan. It can be an interest-free loan and it should be documented carefully.

Assessable assets will reduce by the \$10,000 gift. The loan continues to be assessed as an asset and is deemed under the income test. In the next financial year \$10,000 of the loan can be forgiven (gifted). This reduces the assessable amount to a \$10,000 outstanding loan. The same can be done in the following financial year to reduce the loan to zero. Centrelink should be notified each year of the amount gifted.

Date of Gift	Action	Reduce Assets by Gift of	Loan Amount
1 February 2013	Provide \$30,000 to family member	\$10,000	\$20,000
1 July 2014	Forgive \$10,000 of outstanding loan	\$10,000	\$10,000
1 July 2015	Forgive \$10,000 of outstanding loan	\$10,000	Nil

This strategy allows \$30,000 to be provided in financial assistance immediately. Although an asset of \$20,000 (the loan) is retained at the start, this is gradually reduced over the next two financial years.