

Social security gifting rules

If you or your partner receives a payment from Centrelink or Veterans' Affairs (DVA), in most cases, the amount you are eligible to receive depends on your level of assessable assets and income. To limit the potential for recipients of Government means-tested payments from avoiding the assets and income tests, Centrelink adopts a general provision of deprivation.

If you have assets that are surplus to your own needs, you might be interested in helping other family members by gifting. However, before making these gifts it is important to understand the impact they might have on your Centrelink/DVA entitlements.

How much can I gift?

If you make a gift, this will reduce the value of your assessable assets.

Eligibility for Centrelink benefits is based on an income test and an assets test. Therefore, making a gift to reduce your assets (and also the assessed income) may help to increase your Centrelink/DVA payment.

You are allowed to gift \$10,000 per financial year, with a limit up to \$30,000 over a five-year rolling period¹. This applies for a single person or as a couple combined. However, if you gift more than these amounts it is considered deprivation and a "deprived asset" is created for the excess amount. This deprived asset is included in your assets test assessment and is subject to deeming under the income test for five years from the date of the gift.

When applying for a Centrelink/DVA payment, any amounts gifted in the previous five years will also be taken into consideration to determine if a deprived asset was created.

How can I gift higher amounts?

Gift over several years

If you wish to make a gift that's in excess of \$10,000, you can gift \$10,000 in each of the next two financial years. This will bring your gifting total to \$30,000. You will not be able to make any further gifts in the next two years without creating a deprived asset.

This strategy allows you to gradually gift assets over several years.

Gift and loan strategy

If you want to gift a lump sum of more than \$10,000 you may consider doing this as a loan/gift strategy to gradually reduce the impact on your Centrelink/DVA entitlements.

As an example, you could consider splitting the amount into a gift of \$10,000 and an interest free loan of \$20,000 (making up the \$30,000). Centrelink will need to be informed accordingly. The loan continues to count as an asset and is subject to deeming under the income test.

On 1 July of the next financial year you could forgive \$10,000 of the loan. You need to update Centrelink/DVA records so that the \$10,000 forgiven is a gift and the loan remaining is reduced to only \$10,000. The same applies in the following financial year by which stage, the loan has reduced to nil and you have reduced your assessable assets by the full \$30,000 with no deprived asset created.

This strategy allows you to provide a larger balance immediately, with a gradual reduction in your assets over the next two years.

What else is important to consider?

Gifting allows you to help family members or friends. However, you will lose access to the funds and will lose the ability to generate income from it. You may gain an increase in Centrelink/DVA entitlements but this will be less than the amount you are giving away. Therefore it is important to ensure you have sufficient financial resources and can afford to make the gift without any expectation of repayment in the future.

You must notify Centrelink/DVA of any changes in your circumstances that would impact the calculation of your entitlement within 14 days.

¹ Department of Human Services website: Gifting

Our services

Health

- Health insurance
- Overseas visitors cover
- Dental services
- Chronic disease management
- Hospital in the home

Wealth

- Investments
- Estate planning
- Trust and estate administration services
- Financial planning
- Investment, education and funeral bonds
- Banking and home loans
- General insurance

Living

- Aged care and accommodation
- Personal and business insurance
- Aboriginal home care
- Disability services
- Retirement communities

 1300 700 189

 australianunity.com.au/wealth

This information has been produced by Australian Unity Personal Financial Services Ltd (AUPFS) ABN 26 098 725 145, of AFSL & Australian Credit Licence 234459. Any advice in this document is general advice only and does not take into account the objectives, financial situation or needs of any particular person. It does not represent legal, tax, or personal advice and should not be relied on as such. Case studies are included for illustrative purposes only, are based upon hypothetical scenarios, and no inference as to the suitability of a particular strategy to any particular person or entity should be made. You should obtain financial advice relevant to your circumstances before making investment decisions. AUPFS is a registered tax (financial) adviser and any reference to tax advice contained in this document is incidental to the general financial advice it may contain. You should seek specialist advice from a tax professional to confirm the impact of this advice on your overall tax position. Nothing in this document represents an offer or solicitation in relation to securities or investments in any jurisdiction. Where a particular financial product is mentioned, you should consider the Product Disclosure Statement before making any decisions in relation to the product and we make no guarantees regarding future performance or in relation to any particular outcome. Whilst every care has been taken in the preparation of this information, it may not remain current after the date of publication and AUPFS and its related bodies corporate make no representation as to its accuracy or completeness. Published: July 2019 © Copyright 2019