

s 22 (out of scope)



Australian Government Services Australia

Treatment of lump sums 108-05020020

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Background

s 22 (out of scope)

This procedure is under **review**. Read Operational Messages:
s 47E(d)

[Claims or benefit transfers for customers with existing employment income](#)

This document outlines how to assess and record lump sums.

Types of lump sums

The income test treatment of a lump sum depends on the type of lump sum received.

The main types are:

- Remunerative lump sums
- Non-remunerative lump sums
- [Exempt lump sums](#)
- Lump sum arrears of non-remunerative periodic payments
- [Arrears of a comparable foreign payment](#)
- [Arrears of foreign income streams](#)

Remunerative Lump Sums

Characteristics

- One-off, irregular or non-periodical income received in return for work performed or a service provided
- Do not represent the return of capital to the person

- Are not a payment for termination of employment, see [Leave and termination payments paid by an employer](#)

Examples include:

- a commission or royalties received for a service provided
- directors' fees paid annually (directors' fees received periodically, such as monthly/fortnightly, are assessed as per [Recording and correcting employment income details](#))
- wages or directors' fees from a private trust or private company the customer is involved in, where:
 - they drew money from the entity throughout the year as the need arose
 - it was **not** regular income (see previous point for periodic payments, that is, monthly/fortnightly)
- payment in respect of accrued leave where the employee does not take a leave of absence (note the employee will also have normal wages for the same period)
- profits from a profit sharing agreement associated with certain industries
- seasonal workers who receive a lump sum after grant
- a signing on fee to a professional sports person
- a bonus paid to an employee such as a performance based bonus
- back pay paid to a person for a period of employment

Assessment

- For remunerative lump sums, the assessment start date is the entitlement period start date (EPSD) of the period in which the lump sum is paid
 - This applies to all remunerative lump sum amounts paid to the person or their partner **after** claiming
- The assessment period will be for a number of days equal to the period that the payment represents
- Any period where an income support payment is not paid is included in this period
- For help in determining the correct date of event, see [Determining the Date of Event for employment income](#)

Non-remunerative Lump Sums

Characteristics

A profit which is not an [exempt lump sum](#) or in return for work performed or a service provided.

Examples include:

- distributions from trusts
- a grant or scholarship
- dividends or distributions from private trusts and private companies
- gifts that are:
 - not one-off, **and**
 - not from an immediate family member
 - see [Assessment of income for Centrelink payments](#)
- industry related lump sums
- non-exempt payments from state government schemes such as taxi industry reform
- hobby income where no business exists and the item sold is not part of the customer's assets. No expenses can be deducted from the income because the customer is not carrying on a business

Assessment

Non-remunerative lump sums are assessed if received:

- After claiming a payment, or
- in the 52 weeks (364 days) immediately prior to claiming a payment

Non-remunerative lump sums are assessed as income for 52 weeks (364 days) from the date received or able to be received.

Any period where an income support payment is not paid is included in this period.

Lump sum arrears of non-remunerative periodic payments

Characteristics

- One payment which represents a lump sum of multiple non-remunerative periodic amounts
- For example, lump sum back pay of an income protection policy upon grant

- Does not include compensation lump sums or income paid in return for work performed

Assessment

Lump sum payments made up of arrears of non-remunerative periodic payments are assessed if received:

- after claiming a payment, or
- in the 52 weeks (364 days) immediately prior to claiming a payment

Lump sums are assessed from the date the payment is received for a period equal to the period that the payment represents, up to a maximum period of 52 weeks (364 days).

Any period where an income support payment is not paid is included in this period.

Back pay for a period of employment

Back pay received after the 7 December 2020 changes

Back pay of employment income is:

- treated as income
- assessed from the Entitlement Period Start Date (EPSD) of the entitlement period in which the income was paid
- assessed for the same period of time for which the income was paid. This includes where there was both a 'present legal entitlement' and 'no present legal entitlement' for the period of back pay

For example, if a customer is paid a lump sum of back pay on 9 May 2025 for the period 1 July 2022 to 30 June 2024, the back pay is assessed as income for 731 days from the EPSD of the customer's entitlement period that includes 9 May 2025.

Note: from 7 December 2020, when back pay is paid for individual pay periods where employment income was already recorded, there is no need to correct the periods to include the back pay.

Back pay received before the 7 December 2020 changes

Assessment of a lump sum of back pay received by a customer before 7 December 2020, depends on whether there was a 'present legal entitlement' at the time it was earned.

Arrears of pay are assessed retrospectively as income if the person had a 'present legal entitlement' at the time the arrears were earned. For example,

- they were paid less than the award wage
- they were underpaid due to administrative error

The employment income that was recorded for the past period to which the back pay applies must be corrected and an overpayment raised.

If there was 'no present legal entitlement', for example; when a workplace agreement backdates a pay increase, the back pay is a remunerative lump sum and the amount is held as income for 52 weeks (364 days) from the date the person became legally entitled to receive the payment.

Examples about back pay of wages (including before 7 December 2020) are available in the [Resources](#) page.

Death benefits

Death benefits paid from an employer in respect of accrued leave or paid by a superannuation fund in respect of accumulated superannuation to a beneficiary (for example, partner or dependent child) of a deceased person are not income for Centrelink purposes. Any increase in financial investments or other assets must be notified.

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The [Resources](#) page contains examples and questions and answers about the treatment of lump sums. There are also links to contact details for the Residence and International program for help with comparable foreign pension lump sums.

Related links

[Adding or updating a defined benefit income stream](#)

[Adding or updating a military invalidity pension income stream](#)

[Assessing income and assets from profit sharing](#)

[Assessing scholarship income](#)

[Assessing superannuation](#)

[Comparable Foreign Payment \(CFP\) lump sum arrears debts](#)

[Determining the Date of Event for employment income](#)

[Exempt lump sums](#)

[Foreign income and assets](#)

[Foreign pension coding](#)

[How to code and action a manual review](#)

[Income for an independent contractor and commission income](#)

[Income Maintenance Period \(IMP\)](#)

[Leave and termination payments paid by an employer](#)

[Liquid Assets Waiting Period \(LAWP\)](#)

[Seasonal Work Preclusion Period \(SWPP\)](#)

[The effect of compensation on Social Security payments](#)

[Recording other income on the Other Income \(OIN\) screen](#)

[Work Bonus and balance for pensioners of Age Pension age](#)

[Working credit](#)

Process

This document outlines how to assess and record lump sums.

On this page:

[Assessing lump sums](#)[Remunerative lump sums](#)[Non-remunerative lump sums](#)**Assessing lump sums**

Table 1

Step	Action
1	Type of lump sums + Read more ... Treatment of the lump sum payment depends on the type of lump sum paid. Regardless of whether a lump sum is assessable or exempt as income, the investments or assets the customer may have purchased with the lump sum need to be recorded, see Coding income and assets for Centrelink payments and services for more information. Note: some exempt lump sums also have an asset test exemption that applies. Exempt lump sums + Read more ... Certain types of lump sums are exempt from income test assessment. For a lump sum to be exempt it: • must be unlikely to be repeated • could not reasonably be expected to be paid or anticipated, and • does not represent receipt of money for services rendered directly or indirectly Some foreign lump sums are exempt lump sums: • Examples are bereavement or funeral grants • Refunds of contributions or other withdrawals or commutations are not assessable where the amount consists entirely of a return of the customer's contributions Note: most overseas compulsory contribution schemes include contributions from the person's employer, making them assessable.

Exempt foreign lump sums are coded on the [s 47E\(d\)](#) screen.

For more details, see [Exempt lump sums](#).

Family Assistance lump sums + Read more ...

See:

- [Taxable income for family assistance and Paid Parental Leave scheme payments](#), and
- [Helping families provide a reasonable annual income estimate for family assistance payments](#)

All other lump sums + Read more ...

For lump sums that come from:

- a comparable foreign payment (CFP), see [Comparable foreign payment lump sum arrears debts](#)
- a foreign income stream, see [Foreign income and assets](#)
- self-employment, see [Assessment of income and assets from business structures for Centrelink payments](#)

All other lump sums are either a:

- a remunerative lump sum:
 - a form of wage or amount paid for a service provided
 - generally, assessable if paid after claiming an income support payment
 - Go to [Table 2](#) for examples of common remunerative lump sums and how they are assessed and recorded
- a non-remunerative lump sum:
 - a 'profit' but is not remuneration and does not match the characteristics of the excluded lump sums
 - Go to [Table 3](#) for examples of common non-remunerative lump sums and how they are assessed and recorded
- lump sum arrears of non-remunerative periodic payments:

	○ One payment which represents a lump sum of multiple non-remunerative periodic amounts (Does not include compensation lump sums or income paid in return for work performed) ○ Go to Table 3
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Remunerative lump sums

Table 2

Step	Action
1	Remunerative lump sum examples + Read more ... Select from the below. Bonus payments and other lump sums to be treated as employment income + Read more ... Employment income, including bonus payments paid are treated as remunerative lump sums because it is in return for a service provided. The income is assessed from the Entitlement Period Start Date (EPSD) of the period in which the payment was paid, for a number of days equal to the period that the payment represents. This is known as the assessment period. Back pay for a period of employment + Read more ... If the customer or their partner receive back pay of employment income, make sure the following details are available: • Date the back pay was paid • Gross amount paid • Period the back pay covers Back pay is assessed from the Entitlement Period Start Date (EPSD) of the period in which it was paid for the same period of time for which the income was paid. • If the back pay spans multiple pay periods, which are not consecutive, determine the total number of pay periods where back

pay is relevant. For example, when an employer undertakes a bulk payroll review and back pay is paid for a period of 12 months:

- If only 2 fortnightly pay periods have back pay, the back pay period is 4 weeks, not 12 months
- If the back pay includes an interest amount, record it separately as a non-remunerative lump sum. See Table 3 for assistance with recording non-remunerative lump sums. **Note:** From 7 December 2020 when back pay is paid for individual pay periods, **do not** correct the pay periods. If the back pay was received before 7 December 2020, see [Resources](#) for an example of how to code.

Foreign remunerative lump sum + Read more ...

Foreign remunerative lump sums are coded on the [s 47E\(d\)](#) table/screen.

The income is assessed from the EPSD of the period in which the payment was paid, for a number of days equal to the period the payment represents. This is known as the assessment period.

Multiple income amounts paid in the same assessment period + Read more ...

If the customer or partner are paid multiple income amounts in the same entitlement period from the same source, see [Multiple pays received in a single entitlement period](#).

Coding remunerative lump sums + Read more ...

For foreign remunerative lump sums, [go to Step 6](#)

For all other remunerative lump sums, [go to Step 2](#)

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Coding remunerative lump sums + Read more ...

Coding of remunerative lump sums will depend on the period of time the lump sum represents. The [Perpetual Centrelink Calendar](#) can be used to determine the duration of the lump sum.

For lump sums that represent a period:

- less than or equal to the persons entitlement period, [go to Step 3](#)
- greater than the person's entitlement period, [go to Step 4](#)

For remunerative lump sums received before the 7 December 2020 employment income changes, [go to Step 5](#)

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Remunerative lump sum less than or equal to entitlement period + Read more ...

Key the employment income using the s 47E(d) workflow where possible.

Note: the s 47E(d) screen can assess multiple income amounts at one time. Each time a new amount is recorded on the s 47E(d) table in Process Direct or the s 47E(d) screen in Customer First, the amounts previously recorded for the same employer (if coded as s 47E(d) or s 47E(d)) will remain. These amounts will be assessed for the duration the payment(s) cover and assess the new amount coded.

- Record the remunerative lump sum using the **Frequency** code s 47E(d)
- The s 47E(d) is the date the payment was received
- The income is assessed for each day in the entitlement period in which it is paid

- See [Recording and correcting employment income details](#) for help with coding the **s 47E(d)** screen

Procedure ends here.

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Remunerative lump sums greater than the length of the entitlement period + Read more ...

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s 47E(d)

- See [Recording and correcting employment income details](#) for help with coding the s 47E(d) screen

Procedure ends here.

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Lump sums received before 7 December 2020 changes + Read more ...

Where a lump sum is received before 7 December 2020, it may be appropriate to record it using a continuous income frequency.

- Record details on the:
 - s 47E(d) table on the s 47E(d) screen in Process Direct, or
 - s 47E(d) screen in Customer First
- s 47E(d) - The date the lump sum was received
- Convert the lump sum amount to a fortnightly s 47E(d) figure. This can be done by dividing the total amount by the number of days the assessment period represents and multiplying the daily amount by 14
- The continuous income **must** be ceased within the same activity in which it is recorded
- If the lump sum assessment is to continue past the customer's entitlement period that includes 7 December 2020, the remainder of the lump sum to be assessed **must** also be converted to s 47E(d)
- See Resources of [Recording and correcting employment income details](#) for coding instructions to cease or convert the lump sum

Note: [Resources](#) contains an example of coding a lump sum received before 7 December 2020

Procedure ends here.

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Foreign remunerative lump sum + Read more ...

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See [Foreign income and assets](#) for further help with assessing and coding foreign income.

Procedure ends here.

Non-remunerative lump sums

Table 3

Step	Action
1	Non-remunerative lump sums + Read more ... Treatment of non-remunerative lump sums depends on whether the amount paid is a one-off or irregular lump sum or whether the amount represents arrears of non-remunerative periodic payments. - For one-off or irregular lump sums, go to Step 2 - For lumps sums which are arrears of non-remunerative periodic payments, go to Step 4
2	Non-remunerative lump sums (cont) + Read more ... Non-remunerative lump sums are assessed if received after claiming a payment, or

- in the 52 weeks (364 days) immediately prior to claiming a payment

Non-remunerative lump sums are assessed as income for 52 weeks (364 Days) from the date received or able to be received.

- If the non-remunerative lump sum is from another country, [go to Step 3](#)
- Distributions from private trusts and private companies are recorded by a Complex Assessment Officer (CAO) on the ^{s 47E(d)} system. The information 'ripples' through to the customer's or partner's record
- For lump sums paid from personal insurance schemes or disability benefits, see [Income from personal injury insurance schemes and disability benefits](#)
- All other lump sums, (except foreign pensions) must be recorded on the customer's or partner's Other Income (**OIN**) screen under type ^{s 47E(d)} See [Recording other income on the Other Income OIN screen](#)

Procedure ends here.

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Foreign non-remunerative lump sum + Read more ...

If the foreign lump sum is **not exempt**, and **is not a** remunerative lump sum it is:

- treated as a non-remunerative lump sum, and
- assessed for 52 weeks (364 days) from the date it was paid

Assessable non-remunerative foreign lump sums are keyed on the ^{s 47E(d)} table/screen:

- Record in the source currency
- Use the exchange rate applicable on the date the lump sum amount was paid
- Exchange rates are available on the ^{s 47E(d)} screen
- If the date the lump sum was paid is unknown, use:
 - the month of issue of the notice of grant (NOG), or

- the following month if the notice is issued within 5 days of the end of the month and it is in the customer's favour

Process Direct:

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- Record details of the update in the ^{s 47E(d)} on the ^{s 47E(d)} screen

Customer First:

^{s 47E(d)}

Record the details of the update on a **DOC**.

Procedure ends here.

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Lump sum arrears of non-remunerative periodic payments + Read more ...

Lump sum payments made up of arrears of non-remunerative periodic payments are assessed if received:

- on or after claiming an income support payment
- in the 52 weeks (364 days) immediately prior to claiming an income support payment

Check if the lump sum payment type is one of the following:

- Special rules apply if it is an arrears payment on grant of an income stream. For these cases go to [Income streams](#) and then locate the specific type of income stream involved for more details.
- For lump sums paid from personal insurance schemes or disability benefits, see [Income from personal injury insurance schemes and disability benefits](#)

Lump sums are assessed from the date the payment is received for a period equal to the period that the payment represents, up to a maximum period of 52 weeks (364 days).

Income is recorded on the Other Income (**OIN**) screen using the type^{s 47E(d)}

The income amount will need to be converted to a two-weekly figure and recorded using the^{s 47E(d)} frequency where the assessment period is less than 52 weeks (364 days).

To convert the amount to a two-weekly figure, the actual amount received is divided by the number of days in the assessment period to determine a daily amount of income which can then be multiplied by 14. See the [Resources](#) page for an example.

See [Recording other income on the Other Income \(OIN\) screen](#) for assistance with coding the **OIN** screen and setting a manual review to cease the income.

References

Policy

[Social Security Guide 1.1.L.140 Lump sum](#)

[Social Security Guide 4.3.1.10 Determining the Rate of Income for Benefits](#)

[Social Security Guide 4.3.1.20 Determining the Rate of Income for Pensioners of Age Pension Age from 20/09/2009](#)

[Social Security Guide 4.3.1.25 Determining the Assessable Income for Pensioners Below Age Pension Age](#)

[Social Security Guide 4.3.1.40 Determining the Rate of Income for PP](#)

[Social Security Guide 4.4.1 General Provisions for Deeming](#)

[Social Security Guide 4.3.3.20 Income from Employment or Independent Contracting](#)

[Social Security Guide 4.13.1.20 Assessment of Compensatory Type Payments](#)

[Social Security Guide 4.9.8.10 Specific provisions for assessing income streams](#)

[Social Security Guide 4.3.9.30 Income from personal injury insurance schemes](#)

Legislation

Links to the Federal Register of Legislation site go to an 'All versions' page. Select the 'Latest' version.

[Social Security Act 1991](#)

- section 8, Income test definitions
- section 1073, Certain amounts taken to be received over 12 months
- section 1067L - Module D, Income test
 - subsection D20, Claimant or recipient receives lump sum amount for remunerative work
 - subsection D21, Partner of claimant or recipient receives lump sum amount for remunerative work
- section 1067G, Module H, Income test
 - subsection H23A, Claimant or recipient receives lump sum amount for remunerative work
 - subsection H23B, Partner of claimant or recipient receives lump sum amount for remunerative work
- section 1068, Module G7, Income test
 - subsection 7B, Claimant or recipient receives lump sum amount for remunerative work
 - subsection 7C, Partner of claimant or recipient receives lump sum amount for remunerative work
- section 1064, Module E, Ordinary income test
- section 1066A, Module F, Ordinary income test
- section 1066, Module E, Ordinary income test
- section 1068B, Module D, Subsection 19, Period over which ordinary income taken into account
- section 1072A, Treatment of certain lump sum payments

Resources

Examples of lump sum payments - A to L Index

Table 1: this table provides an alphabetical list of lump sum payments.

Letter	Terms
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A-L See also: M-Z	ACT Government Employees Cost of Living (CoL) Payment
	Aged Care Register Nurses' Payment
	Aged Care Workforce Bonus payments
	Arrears of a comparable foreign payment
	Arrears of defined benefit or military invalidity pension income stream payments from a superannuation fund
	Arrears of periodic payments paid from personal injury insurance schemes and disability benefits
	Australian Public Service Commission (APSC) - APS Bargaining Payment 2024 (0.92%) for employees
	Australian Public Service Commission (APSC) - APS Realignment Payment for Employees
	Commissions from employment
	Compensation lump sums
	Enterprise agreement lump sums
	Land Access Agreement (LAA) payments
	Leave paid out but not taken
	Lump sum withdrawal from a superannuation fund or lump sum arrears from a defined benefit superannuation fund

Examples of lump sum payments - A to L Terms

Table 2: this table provides an alphabetical explanation of lump sum payments.

Item	Description
ACT Government Employees Cost of Living (CoL) Payment	As part of the 2022/2023 ACT state government public sector bargaining round, eligible employees received a one-off cost of living payment. Full time employees received a payment of \$1,250 with part time and casual employees receiving a pro-rata amount.

Payments are treated as a remunerative lump sum. If the payment was paid with other amounts of employment income from the same employer, see:

- [Multiple pays received in a single entitlement period](#)
- [Table 1](#) on the **Process** page

Payments are treated as income for a period of 52 weeks as the payment is not paid in respect of a particular period. If the customer disagrees with the period of the assessment, refer to the [Level 2 Policy Helpdesk](#) for advice.

Record the payment using the date the payment was paid as the ^{s 47E(d)} and use frequency ^{s 47E(d)}

Use the date the payment was paid as the ^{s 47E(d)} and calculate 52 weeks from this date for the ^{s 47E(d)}. For example, if the payment was paid 1 October 2022, the ^s is 1 October 2022 and the ^{s 47E(d)} is 29 September ^{47E(d)} 2023 (52 weeks from the ^{s 47E(d)}).

Document the customer's record with details of the payment received and action taken.

Aged Care Register Nurses' Payment

The Aged Care Registered Nurses' Payment recognises the integral role of registered nurses in delivering high quality care for older Australians.

Eligible registered nurses may have received payments for either 6 or 12 months of employment up to a total of \$6,000. Eligible part-time or casual nurses received a pro-rata payment.

The 12-month payment was available to registered nurses who worked for the same provider over the following time periods:

- 1 November 2021 to 31 October 2022
- 1 November 2022 to 31 October 2023

The 6-month payment was available to registered nurses who worked for the same provider over the following time periods:

- 1 May 2022 to 31 October 2022
- 1 May 2023 to 31 October 2023

Payments received may include additional amounts in recognition of working in a rural or remote area, holding relevant qualifications or taking on additional leadership or training responsibilities. These additional payments are to be included in the one lump sum income amount.

Payments are treated as a remunerative lump sum. If the payment is paid with other amounts of employment income from the same employer, see [Multiple pays received in a single entitlement period](#).

Record each payment using the date the payment was paid as the s 47E(d) and use frequency s 47E(d). Use the start date of the period paid for as the s 47E(d) and end date of the period as the s 47E(d).

Document the customer's record with details of the payment received and action taken.

Aged Care Workforce Bonus payments

In 2020, a series of three 'retention bonus' payments were paid to home and aged care providers to pay their workers to ensure the continuity of the Aged Care Workforce in both residential and homecare Aged Care.

These payments were:

- made to employers in July 2020, September 2020 and November 2020
- paid to employees within 2 pay periods of being paid to the employer
- up to \$800 for residential aged care workers and up to \$600 for aged care home care workers

A fourth series of instalments of up to \$600 for aged care home care workers and up to \$800 for residential aged care workers were split across 2 payments made in March 2022 and May 2022.

These payments may appear on some payslips as 'Home Support Worker Retention Bonus'.

	All of these payments are considered ordinary employment income and are a remunerative lump sum. The period over which these payments are assessed is 13 weeks. The assessment start date is the entitlement period start date of the period in which the lump sum is paid.
Arrears of a comparable foreign payment	See Comparable Foreign Payment (CFP) lump sum arrears debts .
Arrears of defined benefit or military invalidity pension income stream payments from a superannuation fund	Arrears of defined benefit or military invalidity pension income stream payments from a superannuation fund before starting regular ongoing payments. See Adding or updating a defined benefit income stream or Adding or updating a military invalidity pension income stream .
Arrears of periodic payments paid from personal injury insurance schemes and disability benefits	See Income from personal injury insurance schemes and disability benefits .
Australian Public Service Commission (APSC) - APS Bargaining Payment 2024 (0.92%) for employees	As part of APS-wide bargaining, the Commonwealth provided APS employees with a pay offer to bring forward the year one increase of 4% by 12 weeks. The one-off payment covers the period 21 December 2023 to 14 March 2024 and is considered representative of that period. Payments are treated as a remunerative lump sum. If the payment is paid with other amounts of employment income from the same employer, see Multiple pays received in a single entitlement period.

	Record the payment using the date the payment was paid as the s 47E(d) and use the frequency s 47E(d)). Use 21 December 2023 as the s 47E(d) and the 14 March 2024 for the s 47E(d) Document the customer's record with details of the payment received and action taken.
Australian Public Service Commission (APSC) - APS Realignment Payment for Employees	As part of APS-wide bargaining, the Commonwealth provided APS employees with a one-off realignment payment. This payment compensates employees for income they would have received between 3 November 2023 and 14 March 2024 under the revised pay offer. Payments are treated as a remunerative lump sum. If the payment is paid with other amounts of employment income from the same employer, see Multiple pays received in a single entitlement period. Payments are treated as income from for a period of 19 weeks (this period is equal to the period between 3 November 2023 and 14 March 2024). If the customer disagrees with the period of the assessment, refer to the Level 2 Policy Helpdesk for advice. Record the payment using the date the payment was paid as the s 47E(d) and use frequency s 47E(d) Use 3 November 2023 as the s 47E(d) and 14 March 2024 for the s 47E(d) . Document the customer's record with details of the payment received and action taken.
Commissions from employment	Both employed and self-employed customers can receive commission income. If the customer is employed, they: • will have an employer/employee relationship • are not able to have the cost of earning the commission deducted from the commission amount If the customer is self-employed:

- commission income is assessed as part of the business income
- the cost of earning the commission can be a business expense
- they still need to meet the eligibility for a payment, for example if they receive JobSeeker Payment (JSP) they need to meet the employment provisions

Commission income from employment:

- is assessed as described in 4.3.3.20 of the Social Security Guide (the lump sum provisions)
- the assessment period will be for the number of days the payment represents.

Note: where the income cannot be attributed to a specific period, it will be assessed for a period of up to 52 weeks

For more information, see [Income for an independent contractor and commission income](#)

Compensation lump sums

Special rules are already in place for the assessment of compensation lump sums paid in respect of lost earnings or earnings capacity due to personal injury, accident or illness. The calculation of a compensation 'preclusion period' (a period of non-payment) was not changed by the introduction of the treatment of lump sums.

If a person receives a compensatory lump sum amount that doesn't attract a preclusion period (for example, a payment for unfair dismissal from employment), the lump sum amount is:

- treated as ordinary income from the date the customer is entitled to receive the payment, and
- apportioned for the period it represents, up to a maximum of 52 weeks

For more information, see [Role of staff outside Compensation Teams](#).

	Regardless of whether the funds are treated as compensation, ordinary income or exempt, the customer must be asked where the funds received are invested. If used to buy an asset or generate income, further assessment may be needed.
Enterprise agreement lump sums	Lump sum payments made as part of an employment enterprise agreement are considered remunerative lump sums where the amounts represent part of the employee's overall remuneration package. Payments are assessed as income for a period equivalent to the period that the lump sum represents. For example: • Annual lump sums for each year that the enterprise agreement is in effect would each be assessed for 52 weeks (364 days) • A single lump sum which covers the full 3-year period of an agreement would be assessed for a period of 3 years Obtain a copy of the enterprise agreement if the details of payments are unclear.
Land Access Agreement (LAA) payments	These are paid by Transmission Company Victoria (TCV), including the LAA Extension Fee, are treated as a non-remunerative lump sum as the payments are for the recipient's own use or benefit. Each payment received is to be recorded from the date paid on the s 47E(d) screen and assessed over a period of 52 weeks from this date.
Leave paid out but not taken	The money paid when accrued leave entitlements are paid but instead of taking time off, the employee remains at work and receives wages at the same time. For more information, see Leave and termination payments paid by an employer.
Lump sum withdrawal from	See Assessing superannuation.

a superannuation fund	
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Examples of lump sum payments - M to Z Index

Table 3: this table provides an alphabetical list of lump sum payments.

Letter	Terms
M-Z	Native Forest Workforce Transition Program 1 payments
See also: A-L	NSW Health One-Off Payments to Employees
	NSW Rural Health Workforce Incentive Scheme payments
	Payments to sports people (such as sign on fees, sponsorship)
	Queensland Government Cost of Living Adjustment (COLA) Payment
	Queensland Government Professional Experience Grants
	Royalties
	South Australian Government Algal Bloom Grants
	Tasmanian Government Frontline Health COVID-19 Allowance Payments
	Victorian Government - Seasonal Harvest Sign-on Bonus payments
	Victorian Healthcare Worker Winter Retention and Surge Payments
	Victorian Sick Pay Guarantee Payments
	Volunteer Fire Fighter payments (2019/2020)
	WA public sector employees Cost-of-living payment

Examples of lump sum payments - M to Z Terms

Table 4: this table provides an alphabetical explanation of exempt lump sum payments.

Term	Description
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**Native Forest
Workforce
Transition
Program 1
payments**

The Native Forest Workforce Transition Program provides support to native forestry workers who have been made redundant to assist with re-skilling and transitioning to a new industry.

Payments are made under 2 separate programs:

- **Program 1 payments:** these should be treated as termination payments. For more information on the treatment of termination payments, see [Leave and termination payments paid by an employer](#)
- **Program 2 payments:** for information on the treatment of these payments, see [Exempt lump sums](#)

NSW Health One-Off Payments to Employees

The One-Off Payment to Employees of NSW Health is a payment to recognise the challenges faced by healthcare workers.

Eligible NSW employees who were employed on or after 1 April 2022 who were still employed on 1 July 2022 were eligible for a payment of up to \$3,000.

Payments are paid from late July 2022 until the end of August 2022.

Payments are treated as a **remunerative lump sum** and are recorded on the [s 47E\(d\)](#) table on the [s 47E\(d\)](#) screen in Process Direct, or the [s 47E\(d\)](#) screen in Customer First using type [s 47E\(d\)](#). If the payment is paid with other amounts of employment income from the same employer, see [Multiple pays received in a single entitlement period](#).

The payment includes a superannuation component of 10.5%, however, this is paid directly to the customer instead of directly into a superannuation fund. As the customer has full discretion to use the funds for their own personal use or benefit, the superannuation component is included in the assessable income.

Record each payment using the date the payment was paid as the s 47E(d) and use frequency s 47E(d) Use 1 April 2022 as the s 47E(d) and 1 July 2022 as the s 47E(d) .

Document the customer's record with details of the payment received and action taken.

NSW Rural Health Workforce Incentive Scheme payments

The NSW Government is offering incentives to help recruit and retain health workers in rural locations. The scheme aims to stabilise the supply of health workers in rural locations and offers entitlements over and above those in the award.

Eligible employees will receive varied amounts of payment depending on a variety of factors.

Incentive and retention payments are treated as **remunerative lump sums** and are recorded on the s 47E(d)

table on the s 47E(d)

screen in Process Direct, or the s 47E(d)

screen in Customer First using

type s 47E(d)

If the payment is paid with other amounts of employment income from the same employer, see [Multiple pays received in a single entitlement period](#).

Payments are treated as income for a period of 52 weeks. If the customer disagrees with the period of the assessment and can demonstrate that the payment should be assessed over a different period of time, contact the [Level 2 Policy Helpdesk](#) for advice.

Record the payment using the date the payment was paid as the s 47E(d) and use frequency s 47E(d)

Use the date the payment was paid as the s 47E(d) and calculate 52 weeks from this date for the s 47E(d) . For example, if the payment was paid 1 October 2022, the s 47E(d)

is 1 October 2022 and the s 47E(d) is 29 September 2023 (52 weeks from the s 47E(d)).

Document the customer's record with details of the payment received and action taken.

	Fringe benefits paid from the customer's employer as part of the scheme are treated as normal as outlined in Assessing fringe benefits for Social Security income test purposes.
Payments to sports people (such as sign on fees, sponsorship)	The following types of income are treated as a remunerative lump sum where sport is the person's main source of income: • A signing on fee • payment for endorsement or sponsorship • seasonal/conditional incentive/bonus • a professional prize/award ○ Exception: if a sporting prize/award is won by someone whose main source of income is not sport, the prize/award is a windfall gain and not assessed as income, see Assessment of income for Centrelink payments.
Queensland Government Cost of Living Adjustment (COLA) Payment	The Queensland Government Cost of Living Adjustment (COLA) Payment helps eligible Queensland Government employees keep up with the rising cost of living due to inflation. Employees will receive the payment if the annual Brisbane Consumer Price Index (CPI) figure is greater than the wage increase provided under the relevant employment agreement (capped at 3%). This is for each of the three years of the agreement. Payments are treated as a remunerative lump sum and are recorded on the s 47E(d) table on the s 47E(d) screen in Process Direct, or s 47E(d) screen in Customer First using type s 47E(d). If employee receives the payment with other amounts of employment income from the same employer, see Multiple pays received in a single entitlement period. Payments are treated as income for a period equal to the period which the payment represents. • If an employee has worked the full agreement year, this will be a period of 12 months

- Where an employee doesn't work the full agreement year, this will be a period equal to the period they worked. For example, if an employee works for 5 months during the agreement year, the payment will be treated as income for 5 months from the start date of the entitlement period in which it is received

Record the payment using the date the payment was paid as the s 47E(d) and use frequency s 47E(d)

If a person has worked the full agreement year:

- The s 47E(d) will be 1 July of the relevant agreement year
- The s 47E(d) will be 30 June of the following year
- For example, if the payment was paid for the agreement year ending on 30 June 2023, the s 47E(d) is 1 July 2022 and the s 47E(d) is 30 June 2023

If the person hasn't worked the full agreement year:

- The s 47E(d) will be the first date worked in the relevant agreement year
- The s 47E(d) will be 30 June of the relevant agreement year, as the person must be a Queensland Government employee on this date (the calculation date)
- For example, if the person worked 5 months in the agreement year ending on 30 June 2023, the s 47E(d) is 1 February 2023 (the first day worked) and the s 47E(d) is 30 June 2023

Document the customer's record with details of the payment received and action taken.

Queensland Government Professional Experience Grants

Queensland Government Professional Experience Grants provide assistance to preservice teachers to refine their teaching practice through placements in Queensland schools.

A number of grants are offered under the program, such as:

- Teach Queensland Prac Placement Grant

	• Beyond the Range Professional Experience Grant • Regional Professional Experience Grant • Early Childhood Practicum Placement Grant These one-off grants are assessed as non-remunerative lump sums. Payments are recorded from the date paid on the s 47E(d) screen and assessed over a period of 52 weeks from this date.
Royalties	See Table 2 > Item 10 in Assessment of income for Centrelink payments.
South Australian Government Algal Bloom Grants	The South Australian government is offering 2 grants to support small businesses impacted by the Algal Bloom event. These will be paid during 2025/2026 financial year: • \$10,000 Algal Bloom Small Business Support Grant • Up to \$100,000 Algal Bloom Fisheries and Aquaculture Assistance Grant These payments will be treated as normal business income, and business expenses can be claimed against them. All business structures are eligible to apply, and the income will be assessed according to the usual rules for that type of business. See: • Assessing sole trader income • Assessing partnership income • Assessment of income from trusts and companies
Tasmanian Government Frontline Health COVID-19 Allowance Payments	In recognition of the role that frontline health workers played in Tasmania's COVID-19 response, the Tasmanian Government provided eligible health worker staff with a one-off \$2,000 payment or pro rata equivalent.

Payments were made in 2 instalments on 2 November 2022 and 16 November 2022.

Payments are treated as **remunerative lump sums** and are recorded on the **s 47E(d)** table on the **s 47E(d)** screen in Process Direct, or the **s 47E(d)** screen in Customer First using type **s 47E(d)**). If the payment is paid with other amounts of employment income from the same employer, see [Multiple pays received in a single entitlement period](#).

Each instalment of the payment is treated as income for a period of 52 weeks. If the customer disagrees with the period of the assessment and can demonstrate that the payment should be assessed over a different period of time, contact the [Level 2 Policy Helpdesk](#) for advice.

Record each instalment of the payment separately using the date the instalment was paid as the **s 47E(d)** and use frequency **s 47E(d)**

Use the date the instalment was paid as the **s 47E(d)** and calculate 52 weeks from this date for the **s 47E(d)** . For example, if the payment was paid 1 October 2022, the **s 47E(d)** is 1 October 2022 and the **s 47E(d)** is 29 September 2023 (52 weeks from the **s 47E(d)**).

Document the customer's record with details of the payment received and action taken.

**Victorian
Government -
Seasonal Harvest
Sign-on Bonus
payments**

These payments commenced on 17 February 2021 and are an incentive payment issued by the Victorian Government to help address the seasonal labour shortage.

The total sign-on bonus payment is \$2,430 per worker for a minimum of 40 days work. The payment will be provided in 2 instalments. Days worked must be completed on or after 17 February 2021.

After completing 10 days of work, eligible workers can claim the first instalment of \$810.

After completing an additional 30 days of work, within 90 days of their first claim being approved, they can claim the remainder of the bonus. The remainder is \$1,620.

These payments are treated as income and are a **non-remunerative lump sum**.

Each instalment will be recorded from the date paid on the **s 47E(d)** screen and assessed over a period of 52 weeks from this date.

Victorian Healthcare Worker Winter Retention and Surge Payments

The Victorian Healthcare Worker Winter Retention and Surge Payment is a payment to recognise the challenges faced by healthcare workers through winter in 2022.

Eligible public healthcare workers who were employed on or after 1 July who were still employed on 30 September 2022 were eligible for a total payment of up to \$3,000.

Payments are paid over 2 pay periods, 15 August and 30 September 2022.

Payments were treated as a **remunerative lump sum** and are recorded on the **s 47E(d)** table on the **s 47E(d)** screen in Process Direct, or the **s 47E(d)** screen in Customer First using type **s 47E(d)**. If the payment is paid with other amounts of employment income from the same employer, see [Multiple pays received in a single entitlement period](#).

Record each payment using the date the payment was paid as the **s 47E(d)** and use frequency **s 47E(d)**

For payments paid on 15 August 2022

- If the customer was employed on or before 1 July 2022, use 1 July 2022 as the **s 47E(d)** and 15 August 2022 as the **s 47E(d)**
- If the customer was employed on a date after 1 July 2022, use the date their employment commenced as the **s 47E(d)** and use 15 August 2022 as the **s 47E(d)**

For payments paid on 30 September 2022

- If the customer was employed on or before 16 August 2022, use 16 August 2022 as the s 47E(d) and 30 September 2022 as the s 47E(d)
- If the customer was employed on a date after 16 August 2022, use the date their employment commenced as the s 47E(d) and use 30 September as the s 47E(d)

Document the customer's record with details of the payment received and action taken.

Victorian Sick Pay Guarantee Payments

The Victorian Sick Pay Guarantee Program provides payments to eligible Victorian workers who:

- work in an eligible occupation
- work a sufficient amount of hours of average
- have no appropriate leave entitlements they can access

Both employees and self-employed workers are able to claim the payment. Eligible customers will be paid varying amounts based on their average hours worked.

Payments are treated as a **non-remunerative lump sum** and **assessed for 52 weeks** from the date received. Record the details on the s 47E(d) screen:

s 47E(d)

The system automatically creates a review for 52 weeks' time on the s 47E(d) screen. Update the notes field in the review activity to specify the review is for removal of the lump sum.

	Document the customer's record with details of the payment received and action taken.
Volunteer Fire Fighter payments (2019/2020)	New South Wales and Queensland Rural Fire Service volunteer firefighters, who volunteered during the 2019/2020 bushfires, receive payments where they: - incurred financial loss of income, and are: - self-employed, or - employed by a small or medium-sized business The payments will be up to \$300 per day, to a maximum of \$6,000. These payments are not exempt income for income support payments. The payments are non-remunerative lump sums and are to be assessed as income for 52 weeks from the date they are paid. The payments must be recorded on ^{s 47E(d)} as annual amounts for customers who are employees or self-employed.
WA public sector employees Cost-of-living payment	As part of a WA state government public sector wage increase in late 2022, employees received a one-off cost-of-living payment. Full time employees received a payment of \$3,000 with part time and casual employees receiving a pro-rata amount. Payments are treated as a remunerative lump sum and are recorded on the ^{s 47E(d)} table on the ^{s 47E(d)} screen in Process Direct, or the ^{s 47E(d)} screen in Customer First using type ^{s 47E(d)}. If the payment is paid with other amounts of employment income from the same employer, see Multiple pays received in a single entitlement period. Payments are treated as income for a period of 52 weeks. If the customer disagrees with the period of the assessment, refer to the Level 2 Policy Helpdesk for advice. Record the payment using the date the payment was paid as the ^{s 47E(d)} and use frequency ^{s 47E(d)}

Use the date the payment was paid as the **s 47E(d)** and calculate 52 weeks from this date for the **s 47E(d)**. For example, if the payment was paid 1 October 2022, the **s 47E(d)** is 1 October 2022 and the **s 47E(d)** is 29 September 2023 (52 weeks from the **s 47E(d)**).

Document the customer's record with details of the payment received and action taken.

Examples of assessing and coding lump sums

Table 5

Item	Description
1	Money received from a deceased estate Sue received \$3,500 from a deceased estate. This was a one-off lump sum. This is considered an exempt lump sum. Sue must also advise how the money is spent as this may affect Sue's payments. For example, if the money was invested, it must be determined if it is an assessable asset. Deeming rules would also apply to any money invested.
2	Back payment of employment income Paid to customer before transition entitlement period (pre-7 December 2020) - Mary received \$400 back payment of wages following a decision by an Industrial Tribunal on 1 February 2020 to backdate a pay increase to 1 January 2020. Mary did not have a 'present legal entitlement' to the \$400 until the Industrial Tribunal made a decision on 1 February 2020. The \$400 is remunerative, coded as s 47E(d) on the s 47E(d) screen and held as income for 52 weeks(364 days) from 1 February 2020, as this is the date Mary became legally entitled to receive the payment. Key a review to remove this income after 52 weeks (364 days) - Paul received a \$300 back payment of wages after an administrative error resulted in an underpayment for the period 1-28 January 2020. Paul had a 'present legal entitlement' at the time the \$300 was

earned. Paul's employment income must be corrected for the period 1-28 January 2020, and any overpayment investigated.

See [Recording and correcting employment income details](#)

Paid to customer on or after Entitlement Period Start Date (EPSD) of transition entitlement period (from 7 December 2020)

Example 1

Mary was paid \$400 back payment of wages following a decision by an Industrial Tribunal on 1 February 2021 to backdate a pay increase to 30 Jun 2020. Payment was made 15 February 2021.

\$400 was paid to Mary on 15 February 2021 for the period 1 January 2020 to 30 June 2020.

s 47E(d)

Do not record a review as the ^{s 47E(d)} will correctly expire at the end of the term.

Example 2

Paul was paid a \$300 back payment of wages on 15 March 2021 after an administrative error resulted in an underpayment for the period 1-28 January 2021 (28 days).

s 47E(d)

s 47E(d)

The amount will be assessed back to the EPSD of the period in which it was paid and assessed for the period. This is equivalent to the period for which it was paid.

Do not record a review as the s 47E(d) will correctly expire at the end of the term.

3

Remunerative Lump Sum Coding Pre 7 December 2020 Example

Before the 7 December 2020 changes, the assessment of remunerative lump sums depended on the customer's payment type.

- For pension and parenting payments, remunerative lump sums were assessed from the date received for a period of up to 52 weeks
 - It may have been specified that a certain type of remunerative lump sum was to be assessed for a flat 52 weeks, such as backpay of employment income. This aligned with the Social Security Guide
- For benefit payments, remunerative lump sums were assessed from the date received for a period of 52 weeks
 - In some cases, payments in respect of a period greater than a fortnight were assessed over a period of less than 52 weeks. This was when the payment was one of a series of payments and there was regular predictability and regularity of the payments

Example

A customer receiving JobSeeker Payment advises they were paid a remunerative lump sum on 1 July 2020.

The customer received \$5,200 and was assessed for a period of 52 weeks.

This amount is recorded on s 47E(d) as:

s 47E(d)

s 47E(d)

Note: if multiple remunerative lump sums were received from the same employer and the assessment periods overlap, each lump sum must be recorded under a separate employer entry on ^{s 47E(d)} to make sure each lump sum is assessed for the correct period.

4

Do leave payments count as lump sums?

When employment is ongoing

The only [leave payments](#) treated as lump sums are those in respect of accrued entitlements paid at the same time as the employee is at work also earning wages (often referred to as leave paid out). Leave payments that are paid out are assessed as income for a number of days equal to the period that the payment represents.

Normal leave payments, that is, when an ongoing employee is paid for a recognised absence, counts as ongoing employment income.

When employment is terminated

Payments in respect of leave, made on or after termination, also not treated as lump sums:

- long service leave
- redundancy payments
- maternity leave
- recreation, and
- unpaid sick leave entitlements

However, in this situation these payments may contribute to the calculation of an [Income Maintenance Period](#) preclusion if the customer or partner is claiming Austudy, Disability Support Pension, JobSeeker Payment, Parenting Payment or Youth Allowance.

See [Leave and termination payments paid by an employer](#).

5

Can employment income be treated as a lump sum?

	Only employment income earned over more than one entitlement period can be treated as a lump sum. Income is recorded on the ^{s 47E(d)} table on the ^{s 47E(d)} screen in Process Direct, or the ^{s 47E(d)} screen in Customer First for the period it represents.
6	Coding a lump sum on the ^{s 47E(d)} screen where the assessment period is less than 52 weeks Jody received a payment of \$6,000 on 28 August which represents arrears of non-remunerative periodic payments for the period 24 March to 20 August (150 days) of the same year. Jody's lump sum is recorded on the ^{s 47E(d)} screen and assessed for a period of 150 days from the event date 28 August. As the assessment period is less than 52 weeks, the amount must be converted to a fortnightly income amount and then recorded with the ^{s 47E(d)} frequency. • $\\$6,000/150 = \\40 per day • $\\$40 \times 14 = \\560 per fortnight

Conventional life insurance policies - Assessment under the Income and Assets tests, deeming, traded policies, partial withdrawal and losses

Table 6

Item	Description
1	Why are profits from conventional life insurance policies included in the social security Income Test? While the main purpose of conventional life insurance policies is to provide death cover, some policies include an investment element, which may pay bonuses to the investor. A person who invests in such a life insurance policy is seen as deriving income from a profit-making transaction. To ignore the income from life insurance policies for Income Test purposes would be: • inequitable compared with the treatment of other products, and

- inconsistent with the intention of the Social Security Act to assess income from all sources, with very limited exemptions. The Income Test is used to target income support to people at times of financial need while ensuring the social security safety net remains sustainable for Australian taxpayers

2

What is the current treatment of a conventional life insurance policy under the social security Means Tests (that is, under the Income Test and Assets Test)?

During the term of the policy:

- bonuses are not assessed as income until they are paid out by the policy holder. For more information, see [Assessment of income for Centrelink payments](#)
- the surrender value of the policy is assessed as an asset unless:
 - the person became the owner of the policy after 1 July 2019, **and**
 - the person became the owner of the policy after the person reached pension age, **and**
 - the sum of the amounts paid for the policy in any 12-month period exceeds 15% of the maximum death benefit that would be payable if the person died on the day of assessment

In this situation, the value of the life insurance policy is the higher of:

- the surrender value of the policy, **or**
- the sum of the amounts paid to purchase the policy, less any commuted amounts
- the asset value of the policy is reduced by the amount of the encumbrance if the customer borrows against the policy. For more information, see [Coding income and assets for Centrelink payments and services](#)

Upon withdrawal from a policy - whether by surrender or the policy reaching the maturity date first specified for the policy (if a policy has matured but none or only part of the maturity entitlement is withdrawn, at the point of maturity the treatment is the same as if a full withdrawal had

been made - this is because income is assessable when a person first has legal entitlement to it):

- the difference between the surrender/maturity value and the sum of the purchase price (if any) and the premiums paid by the investor over the life of the product is held as income over 12 months (under the Income Test)
- the Assets Test treatment depends on what is done with the money. For example, if it is used to purchase a motor vehicle, the value of the motor vehicle will be assessed as an asset of the person. If it is used to pay off a mortgage on the principal home, it will not be assessed because the principal home is an exempt asset. If it is placed in a financial investment it will be assessed as a financial asset, and the interest it earns will be treated under the Income Test deeming rules
- the precise effect of the withdrawal, and the use to which the money is put, depends on the circumstances of the individual. As well, the withdrawal may result in a person's assessment changing from the Assets Test to the Income Test and vice versa
- the balance remaining with the insurance company is treated in the same way as any other financial asset and is assessable under the Income Test deeming rules

3 **When did the Income Test assessment of conventional life insurance policies change?**

Before 21 July 1997, bonuses on conventional life insurance policies were not assessed as income. After 21 July 1997, the income testing of policies at surrender or maturity changed, as a result of a clarification of policy to make sure there was no misinterpretation of the Social Security Act.

4 **Is a conventional life insurance policy deemed?**

No. During its life, a conventional life insurance policy is not assessed as a financial investment under the Income Test deeming rules (unlike pure investment policies, which are assessed this way). Amounts withdrawn from a conventional life insurance policy reinvested in a financial investment would be assessed under the Income Test deeming rules.

5

Are there any exceptions to the current treatment, that is, have any policies ever been deemed?

Yes. A small number of insurance products, which were once assessed under the Income Test deeming rules, are now regarded as conventional life insurance policies.

For each of these policies (see below), the only bonuses now subject to the Income Test treatment are those bonuses accumulated from the date the policy was no longer assessed as a financial investment.

Conventional Life Insurance Policy previously considered a financial investment:

- Australian Catholic Guild Friendly Society Blue Chip Endowment Bond (now managed by the Grand United Friendly Society)

20 March 1997

- Australian Catholic Guild Friendly Society Blue Chip Endowment Bond Number 2

20 March 1997

- Lumley Life Limited Capital Guaranteed Pure Endowment Plan

20 March 1997

- MLC Life Limited Guaranteed Portfolio Endowment Plan

20 March 1997

- MLC Life Limited Pure Endowment Plan - 20 March 1997
- Manchester Unity Blue Chip Endowment Assurance Fund

26 May 1997

- Grand United Grand Bonds Assurance Fund

9 July 1997

- Hibernian Blue Chip Assurance Certificates

2 September 1997

- Newcastle Friendly Society Our Town Bond Fund

24 September 1997

6

How is a traded policy assessed - for the seller? - for the purchaser?

For social security Means Test purposes, a life-assigned policy retains its status as a conventional life insurance policy even when sold or purchased, for example on the secondary life insurance policy exchange. This means the Income Test and Assets Test treatment of such a policy in the hands of the purchaser follows the same principles as if the policy was in the hands of the original owner.

In the hands of the person selling the policy

The proceeds from the sale will be assessed under the Income Test the same way as the amount received upon surrender or upon maturity. If the full value is not received, the Assets Test deprivation assessment outlined in the previous answer applies.

Example

The original owner buys an endowment insurance policy having a sum insured of \$10,000 and pays premiums totalling \$7,000. There is no initial purchase price.

After accumulating bonuses to the value of \$4,000, the policy is sold for \$13,000.

The income assessed for the original owner is \$6,000, calculated as follows: the sale price of \$13,000 minus \$7,000, which is the sum of the purchase price (\$0) and the value of the premiums paid (\$7,000).

In the hands of the purchaser

The income assessable upon surrender or maturity is the difference between the surrender/maturity value and the sum of the purchase price paid by the purchaser and any premiums paid by the purchaser.

Example

The purchaser of the policy in the above example continues to meet the premium payments, paying a total of \$3,000 in premiums. The policy accumulates further bonuses and matures, with a maturity value of \$20,000.

The income assessed for the purchaser upon maturity is \$4,000: the maturity value of \$20,000 minus \$16,000, which is the sum of the purchase price (\$13,000 plus the value of premiums paid since the policy changed hands \$3,000).

7

What happens when a partial withdrawal is made during the term of the policy?

The assessment of partial withdrawals can be complex. Only the profit (investment earnings component) of the withdrawal is assessed as income over 12 months.

For a partial withdrawal, the amount is reduced proportionally.

Profit multiplied by the **amount of withdrawal** divided by **value of investment at withdrawal**.

Example

A customer withdraws \$20,000 from a policy with a surrender/maturity value of \$60,000 and a profit component of \$30,000.

To calculate the amount of income to be assessed for social security purposes:

$\$30,000 \times \$20,000 / \$60,000 = \$10,000$ to be assessed.

Note: subsequent withdrawals will be assessed similarly.

Example

After the first withdrawal, the above policy has a surrender/maturity value of \$40,000 and a profit component of \$20,000 (the original component minus the amount assessed as income).

The customer withdraws a further \$20,000.

To calculate the amount of income to be assessed for social security purposes:

$\$20,000 \times \$20,000 / \$40,000 = \$10,000$ to be assessed.

Note: if a policy has matured but is not fully withdrawn, at the point of maturity the treatment is the same as if a full withdrawal has been made. As well, the amount remaining with the insurance company is treated as any other financial asset and deemed accordingly.

8

Can the profit from one policy be offset against the losses from another?

No. The profits arising from one conventional life insurance policy cannot be offset against the losses from another policy.

Conventional life insurance policies - Assessment of gifting, borrowing, bonuses and death benefit of policies

Table 7

Item	Description
1	How is a policy assessed when ownership is gifted to another? For the person making the gift, the asset value, less the allowable gifting amount, will be assessed as a deprived asset and deemed under the Means Test for 5 years from the date of disposal. For the person receiving the gift, the income assessable upon surrender or maturity will be the difference between the surrender/ maturity value and the sum of the surrender value at time of receipt of the gift plus any premiums paid by the recipient of the gift. Note: the precise effect of the gifting depends on the circumstances of the individual. 'Gifting' may result in a person's assessment changing from the Assets Test to the Income Test and vice versa.
2	Are borrowings against a policy assessed under the Income Test? No. Genuine borrowings by a policy owner are not assessed as income, but neither do they reduce the surrender/maturity values for when determining the difference for Income Test purposes.
3	Are the entire conventional life insurance policy accumulated bonuses assessed as income? Yes. The entire conventional life insurance policy accumulated bonuses are assessed as income, irrespective of the period during which the customer received social security payments. The value of the accumulated bonuses is calculated by subtracting the sum of the purchase price and the premiums paid by the investor from the surrender/maturity value.
4	Are conventional life insurance policy bonuses assessed as income when they are received before claiming social security payment? Yes. Bonuses received (paid to the policy holder) up to 12 months before a claim is made for social security income support are assessed as income. A

	person is taken to receive the bonus income for 12 months starting the day on which the person becomes entitled to that bonus.
5	Are bonuses never seen by the owner of a policy (because they are used to repay a loan from the life insurance company against the policy) assessed as income? The bonuses are considered to be income, as the owner of the policy has benefited from the use of the bonuses to reduce the loan (the borrowings) from the life insurance company.
6	What happens if only conventional life insurance policy the bonuses are cashed in? The value of the bonuses is assessed as income over 12 months.
7	How is a payment of an insurance death benefit assessed? Life insurance offices commit to paying a specified minimum benefit on the occurrence of particular events such as the death of the insured. A death benefit is not assessed as income for the person nominated to receive the benefit. See Exempt lump sums. Assets Test assessment will depend on how the money is used. For example, if it is used to pay out the mortgage on a principal home it becomes part of an exempt asset. If it is placed in a financial investment it will be assessed as a financial asset, and the interest it earns will be treated under the Income Test deeming rules.

Intranet links

[Residence and International Program](#)