Gifting

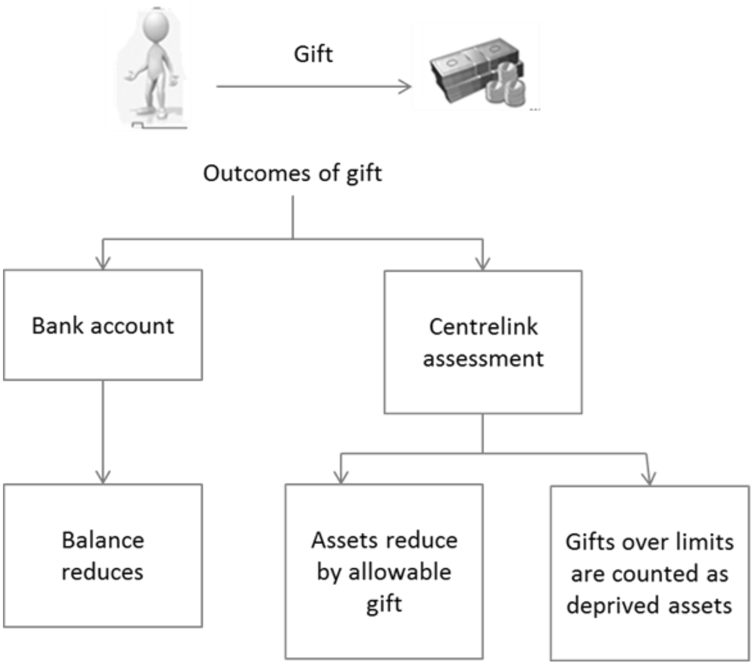
A person who is eligible for Centrelink or Veterans' Affairs (DVA) payments is expected to use their own financial resources to support themselves. As a result, the ability to gift assets to others without affecting entitlements may be limited.

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.

An individual, or a couple combined, can gift up to $10,000 per financial year, subject to a maximum of $30,000 over a rolling five-year period. If more than this amount is gifted the excess amount is called a 'deprived asset'.

A deprived asset continues to be assessed under the assets test and is deemed under the income test for five years from the date of the gift.

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 intention 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

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 2019	$10,000
1 July 2019	$10,000
1 July 2020	$10,000

This strategy allows the $30,000 to be gifted over three separate financial years, but the total gifting period is only 14 months. Based on this example no further gifts can be made until 1 July 2024. 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 documenting up to $20,000 as a loan and the remainder 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. The loan may be interest-free but should be appropriately documented and enforceable, as Centrelink may request evidence that a genuine loan exists.

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 2019	Provide $30,000 to family member	$10,000	$20,000
1 July 2019	Forgive $10,000 of outstanding loan	$10,000	$10,000
1 July 2020	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.