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# Deeming

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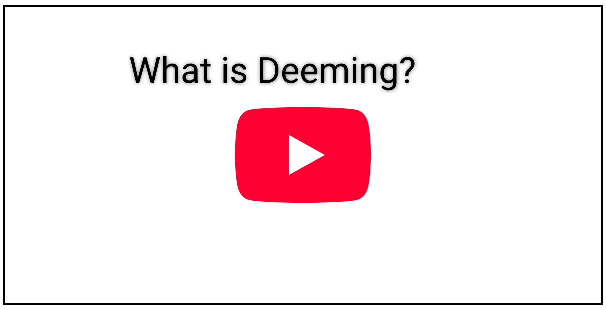
## What it means

Deeming is a set of rules used to work out the income created from your financial assets. It assumes these assets earn a set rate of income, no matter what they really earn.

Watch our video to learn more about deeming.




Transcript | Watch on YouTube

### What financial assets are

The main types of financial assets are:

- savings accounts and term deposits
- managed investments, loans and debentures
- listed shares and securities
- some income streams
- some gifts you make.

### How it affects your payments from us

We include any deemed income as your income under the income test. The income test helps us work out how much income support we can pay you.

Deeming doesn’t affect Family Tax Benefit (FTB). This is because any rate of FTB is calculated using your taxable income.

If you get a Home Equity Access Scheme loan from us, and your loan is secured against your principal home, any advance payments we pay you are subject to deeming. This may affect your rate of pension, if you get one. For more information see Home Equity Access Scheme advance payments.

### Benefits of deeming

The benefits of deeming are that it:

- helps keep your payments steady instead of going up and down based on the performance of your financial assets
- provides an incentive to invest, as any interest rate achieved above the deeming rates doesn't count as income
- lets you choose the best investments for your needs, not how they may affect your payment.

## How we work out your deemed income

### If you're single

The first $64,200 of your financial assets has the deemed rate of 0.25% applied. Anything over $64,200 is deemed to earn 2.25%.

### If you're a member of a couple and at least one of you get a pension

The first $106,200 of your combined financial assets has the deemed rate of 0.25% applied. Anything over $106,200 is deemed to earn 2.25%.

### If you're a member of a couple and neither of you get a pension

The first $53,100 of each of your own and your share of joint financial assets has a deemed income of 0.25% per year. Anything over $53,100 is deemed to earn 2.25%.

### If you earn more than the deemed rates

If your investment return is higher than the deemed rates, the extra amount doesn't count as your income.

### Where the deeming rates come from

The Minister for Social Services sets these rates. They reflect expert advice about what the markets are doing.

## When the sale of your principal home is deemed income

If you sell your principal home, sale proceeds may be assessed as deemed income.

### Principal home sold from 1 January 2023

For home sales from 1 January 2023, sale proceeds you intend to use for your new principal home will be deemed at the lower rate. This is currently 0.25%. This applies if you use the funds to buy, build, rebuild, repair or renovate a new principal home. Any extra sale proceeds held in a financial asset will be assessed at the regular deeming rates.

### Principal home sold before 1 January 2023

For homes sold before 1 January 2023, we'll deem any proceeds from the sale that are held in a financial asset at the regular deeming rates.

If you sell your home, you need to let us know within 14 days.

Read about how the sale of principal home affects your payment under the assets test.

## Getting a deeming exemption

You may be able to get a deeming exemption in some cases.

If this happens, how much you actually earn from the investment is the income amount that counts for the income test. This actual income could be $0.

A deeming exemption won't change the value of the investment for the assets test.

### What may be exempt

Deeming exemptions may apply to:

- a failed financial investment
- some limited superannuation funds where the funds are inaccessible
- an account that only contains money from a National Disability Insurance Scheme package.

### What won't be exempt

You can't get a deeming exemption just because an investment performs poorly. This includes:

- shares with negative returns
- companies or funds having short term problems.

### How to apply

You will need to talk to one of our Financial Information Service Officers and complete an application.

### Who decides

The Minister for Social Services is the only person who can grant a deeming exemption.

If they grant you a deeming exemption, they'll decide the start date. In most cases this is either:

- the date when you applied for the deeming exemption
- the date when an insolvency practitioner starts.

The exemption keeps going until the reason for it no longer exists.

## How they decide

The Minister considers a range of factors for each type of investment.

### Failed investments

The Minister may consider the following factors in deciding whether to apply deeming to failed investments:

- if it would be unfair to apply the deeming rules
- the investment is not providing a return
- your access to any of the investment capital.

The Minister may also consider the reason why there are no returns and why you can't get the capital back, when either:

- there's a legal obstacle from a third party or someone other than the fund manager
- conditions that you couldn't have foreseen and that weren't in the product disclosure statement or prospectus.

If there's widespread impact from an investment company collapsing, there may be a deeming exemption for all investors. In this case you don't need to apply for a deeming exemption. Just contact us to check if the group one covers you.

### Superannuation

The Minister will also consider why you can't access your superannuation money if any of the following controls apply:

- the rules of the superannuation fund
- a court order
- superannuation regulations.

You can't get an exemption if you have access to any part of your super when you apply.

An exemption will also affect how we value the investment for the assets test.

### Church and charitable institution development funds

Until 1 January 2010 many of these funds had a deeming exemption. Normal deeming rules now apply.

Your investment in one of these funds may still be exempt if you invested before 2010. The exemption is only for amounts you invested before 2010 and anything you put into the fund since then isn't exempt.

## Evidence we need from you

If you apply for a deeming exemption, you need to give us proof of the reason for it.

#### Failed loan or investment

When you have a failed loan or investment, we may ask you to provide any of the following documents:

- a report from the appointed insolvency practitioner
- a letter from your lawyer with details of the legal action you've taken to get your money back
- court documents.

#### Superannuation

If you apply for a deeming exemption related to superannuation, you'll need to provide us with all of the following:

- the latest statement from the super fund. If you've had a birthday since then, you need to get a new statement
- written advice about the fund rules which are preventing accessibility, with reference to the SIS Regulations/Act.

If in doubt, check with your fund to see if you have access to any of the investment now. If so, you can't get an exemption.

## Financial Information Service

Call the Centrelink older Australians line and speak to a FIS Officer. They can discuss both:

- what to do if your investment seems to be failing
- how to apply for a deeming exemption.