



# FACTSHEET

## HESTA, Income Protection & Centrelink Payments

Welfare Rights Centre is a community legal centre that specialises in social security law and its administration by Centrelink.

This factsheet is specifically for HESTA members. It contains information about claiming a Centrelink payment, and the way income can affect Centrelink payments - including income protection payments, compensation and superannuation.

### Income protection (IP) and Centrelink payments

You and your family members may be entitled to Centrelink and/or Family Tax Benefit payments while you are not able to work. If you stop working because of a disability or you are on unpaid leave, you may be entitled to Disability Support Pension or JobSeeker Payment. If someone is caring for you, they may be entitled to Carer Payment and/or Carer Allowance.

### How Welfare Rights Centre can help

We are a free legal service that is independent of Centrelink. We can provide you with free legal advice, information and assistance about your rights, entitlements and obligations under social security law.

Our Centre can provide you with:

- advice about Centrelink payments you or your family members may be entitled to
- advice about how your IP payments may reduce the rate of your Centrelink payment and Family Tax Benefit payments

- advice about how other sources of income additional to your IP (such as workers compensation) affect Centrelink payments
- advocacy on your behalf to Centrelink or representation in appeals to the Administrative Appeals Tribunal (after assessment of the merits of your case)

### Claiming a Centrelink payment

You can claim most Centrelink payments online. When you claim online you will need an existing MyGov account. If you do not have a MyGov account, you will need to create one. You can find information at [www.servicesaustralia.gov.au/individuals/centrelink](http://www.servicesaustralia.gov.au/individuals/centrelink)

You will need to provide the following with your claim:

- proof of identity
- Tax File Number
- Employment Separation Certificate (if relevant)
- copy of your lease or a Rent Certificate (this is a Centrelink form) if claiming Rent Assistance
- details of income you or your partner receive
- details of your and your partner's assets
- bank account/s balance

Other evidence may be required to let Centrelink know about your current circumstances. Contact Centrelink or check Centrelink's website for details.

If you are having difficulty providing documents, you should contact Centrelink to discuss what to do next. There are provisions for people who are vulnerable.

If you receive IP payments from HESTA, Centrelink will treat this as income and this may reduce your and/or your partner's Centrelink payment.

## Centrelink treats IP payments as income

If you are receiving a social security payment, you need to advise Centrelink within 14 days that you commenced receiving an IP payment from HESTA. You also need to tell Centrelink within 14 days if the rate of your IP payment changes. Failure to inform Centrelink of your change in circumstances could result in a debt.

## Receiving an IP lump sum

If HESTA backpays you a lump sum of IP payments and you were receiving Centrelink payments during that past period, Centrelink will recalculate your payments and apply the relevant income test. You will be notified if you have an overpayment. This amount may come out of your lump sum before you receive it.

You can appeal this overpayment at any time but these types of overpayments usually have to be repaid. To appeal, you will need to tell Centrelink you want an Authorised Review Officer to review the overpayment.

If you have urgent expenses and cannot pay all the debt back at once, you can call Centrelink on 1800 076 072 and arrange a repayment plan.

## Examples - payment rates

These examples explain how HESTA IP payments affect someone on a Centrelink payment. The Centrelink payment rates are accurate as at July 2023.

### Example 1: Allowance income test

Alice is a HESTA member, 25 years old and single with no children. She is insured for 2 units of IP cover. Alice is unwell and is taking extended time off work. She is eligible for JobSeeker Payment.

The maximum rate of JobSeeker Payment for Alice is \$693.10 a fortnight. This amount does not include rent assistance or supplements.

Alice is approved for a monthly IP benefit of \$1,000 and is paid directly by HESTA's insurer. Alice has to report this to Centrelink within 14 days of receiving the money.

As the amount of IP payments will remain the same each month, Centrelink will take the annual amount she will receive from HESTA and divide it by 26 to get a fortnightly amount. Centrelink will then calculate the reduction in Alice's Jobseeker payment using the income test.

This means that Alice's IP payments will be treated as income at the rate of \$461.54 a fortnight. If Alice does not

| Income free area  | \$0-150     | No impact   |
|---|-------------|---|
| Each \$1 earned in this range reduces JobSeeker Payment by 50 cents | \$151-\$256 | $\$256 - \$150 = \$106$<br>$\$106 \times 50c =$<br>\$53.00 reduction                      |
| Each \$1 earned over \$256 reduces JobSeeker Payment by 60 cents    | \$256+      | $\$461.54(\text{IP}) - \$256 = \$205.54$<br>$\$205.54 \times 60c =$<br>\$123.32 reduction |
| <b>Total reduction</b>  |             | $\$53.00 + \$123.32 =$<br><b>\$176.32</b>   |

earn any other income, her rate of JobSeeker Payment will be reduced by \$176.32 to \$516.78 per fortnight, plus any rent assistance and supplementary payments she may be entitled to. This is additional to her IP of \$461.54/fortnight.

It is important to remember that Alice's IP payments from HESTA can be reduced for other reasons and you should refer to HESTA's Insurance Options booklet, which is on the HESTA website.

### Example 2: Pension income test

Michael is a HESTA member, 42 years old and single with no children. Michael is insured for two units of IP cover and receives \$1000 a month. Michael qualifies for the Disability Support Pension (DSP). The maximum rate of DSP for Michael is \$971.50 a fortnight. This amount does not include rent assistance or supplements.

| Income free area                                   | \$0-204 | No impact   |
|--|---------|---|
| Each \$1 earned over \$204 reduces DSP by 50 cents | \$204+  | $\$461.54(\text{IP}) - \$204 = \$257.54$<br>$\$257.54 \times 50c =$<br>\$128.77 |
| <b>Total reduction</b>                             |         | <b>\$128.77</b>   |

Michael's rate of DSP not including rent assistance or supplements is reduced by \$128.77 to \$842.73 per fortnight, which is additional to his monthly IP payments.

### Example 3: Couple pension test

Abi is a HESTA member. She is 35 years old, a member of a couple with no children. Abi's partner receives a social security payment. Abi qualifies for the Disability Support Pension (DSP). She is insured for two units of IP cover and receives \$1000 a month. The maximum base fortnightly rate for DSP for a member of a couple is \$732.30. This does not include rent assistance or supplements.

The income test for members of a couple is different from the income test for people who are single. The income free area for members of a couple is combined income.

| Effect of IP on Abi's Disability Support Pension   |           |   |
|--|-----------|---|
| Income free area                                   | \$0 - 360 | No impact   |
| Each \$1 earned over \$360 reduces DSP by 50 cents | \$360+    | $\$461.54 - \$360 = \$101.54$<br>$\$101.54 \times 50c =$<br>$\$50.77$ |
| <b>Total reduction</b>                             |           | <b>\$50.77</b>  |

Abi's IP payments reduce her rate of DSP, so she will receive \$681.53 a fortnight in addition to her monthly IP payments.

### Superannuation payments

Different rules apply if you access your superannuation early or convert it to an income stream. Centrelink can treat the early release of superannuation or conversion to an income stream as an asset and/or income.

If you are of Age Pension age or older, your superannuation will be assessed under the income and assets test and affect your rate of Age Pension accordingly.

If you are below Age Pension age, your superannuation assets are exempt from the income and assets test for Centrelink purposes.  
On 1 July 2023, Age Pension age increased to 67 years.

### Total and permanent disability payments

If you access a lump sum payment for Total and Permanent Disablement (TPD), Permanent Incapacity (PI) or Terminal Illness from your super account, you will need to notify Centrelink within 14 days.

In some cases a person's Centrelink payment may be cancelled for a period when they receive this lump sum or Centrelink may treat it as an asset. You should not spend this money until Centrelink makes a decision about how they will treat your payment.

You can get advice from our Centre when you receive a decision. If you do not agree with the decision you should appeal within 13 weeks of receiving the decision.

### Compensation payments

If you receive a lump sum compensation payment that includes an amount for loss of income, this may affect your entitlement to a Centrelink payment.

Centrelink will calculate a period in which you will be stopped from receiving Centrelink payments. This is called a preclusion period. These periods can be lengthy and you should not spend your compensation money as soon as you receive it. You should seek financial advice about how to make that money last during the time you cannot get a Centrelink payment.

We have a Factsheet on compensation preclusion periods on our website that provides further information on this topic.

### Appeal rights

If Centrelink has made a decision, for example rejecting your claim for a payment or paying you an amount you think is too low, you have the right to appeal that decision to an Authorised Review Officer. You will need to appeal within 13 weeks of the decision to ensure full arrears are payable if your appeal is successful.



Need more information? See our website for more factsheets: [welfarerightscentre.org.au](http://welfarerightscentre.org.au)



Need help? Call us on 9211 5300 or FREECALL 1800 226 028.

**This factsheet contains legal information only. It must not be relied on as legal advice. You should seek legal advice about your particular matter from the Welfare Rights Centre.**