



**Australian Government**  
**Department of Social Services**

Ref: MC24-007747

Mr Gregory Jarvis  
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Dear Mr Jarvis

Thank you for your email of 2 July 2024 to the Minister for Social Services, the Hon Amanda Rishworth MP, concerning the social security income test for age pensioners. I have been asked to reply on behalf of the Minister.

Australia's social security system is a non-contributory, means-tested, residence-based system, designed to provide income support to people who, for reasons such as age, unemployment or ill health, are unable to support themselves. The Age Pension is funded by taxpayers, and targeted through the means test to those who need it most.

The social security income test uses the gross income of both partners. This is based on the principle that couples are able to pool their resources for their mutual benefit. They generally share their expenses, including electricity, gas, internet and water. Accordingly, the income of each member of a couple is assessed for the purposes of the social security income test.

The pension income test is designed to encourage people to supplement their income support payments with other income, if they are able to and wish to do so. A pensioner and their partner can receive an amount of income before their pension starts to be reduced. This amount may comprise income from investments, earnings, or a combination of income from various sources and is known as the income free area. From 1 July 2024, the pension income free area is \$372 a fortnight for couples combined. The pension income free area is adjusted each year in July for increases in the cost of living using the Consumer Price Index.

For each dollar of income over the income free area, the single pension is reduced by 50 cents (the taper rate). For couples, each individual pension is reduced by 25 cents a fortnight for each dollar of income the couple has over the income free area. This means from 1 July 2024, a part pension is payable up to an assessable income of \$3,737.60 a fortnight for a pensioner couple. These figures may be higher if Commonwealth Rent Assistance (CRA) is paid with the pension.

Taking into account the combined gross income of both members of a couple also ensures that different couples with similar (combined) levels of resources receive similar support from the social security system. If a partnered person's income support entitlements were based solely on their own income this would result in unfair outcomes. For example, a couple where one person earned \$80,000 and the other earned no income would receive more income support than another couple who both earned \$40,000. In a needs-based social security system this would not be equitable. It would also create the situation where some couples could arrange their affairs so that only one member of a couple earns income, for example income from investments, with the other member of the couple able to obtain a higher level of support from the social security system than otherwise would be the case. The social security system does not provide support based on how couples choose to manage their finances; rather it responds to the overall financial situation of the couple.

Pensioners who are Age Pension age (67 years and above) may also access the Work Bonus, which operates in addition to the income free area. Under the Work Bonus the first \$300 of work income a fortnight is not counted in the pension income test. These pensioners are able to build up any unused amount of the \$300 fortnightly concession in a Work Bonus income bank up to a total of \$11,800, which can be used to exempt future earnings from the pension income test. The income bank amount is not time-limited – if unused it carries forward, even across years. The design of the Work Bonus recognises the substantial benefits for older Australians, and the broader community, of continuing to work.

The operation of the Work Bonus, pension income free area and taper rate means that pensioners are better off while they (or their partner) are earning income in addition to their pension payments.

You have suggested the Work Bonus of each member of a couple should be combined, and then shared. The intention of the Work Bonus is to provide an incentive to age pensioners who can and want to continue to work. The Work Bonus recognises that continuing employment for older Australians provides financial and non-financial benefits for individuals and brings substantial benefit to the broader community. For these reasons, the Work Bonus applies to the individual work income of each pensioner.

It is important to note the social security system and taxation systems have different purposes, and different ways of assessing income. The social security system measures a person's need for income support and their capacity to contribute towards their own support, taking into account their partner's income if they have one. Taper rates in the social security system recognise as a person earns more, or has more assets to draw on, they are in a better position to contribute towards their own support and require less support through the income support system. Means testing helps keep the social security system sustainable, and ensures it can provide benefits to those who cannot fully support themselves. In contrast, the purpose of the Australian taxation system is to measure a person's capacity to pay taxes and contribute to Australia's general revenue through the Australian tax system. For more information about taxation, including the operation of tax offsets for seniors, you may wish to contact the Australian Taxation Office.

If you have any further questions about the income test, you may wish to speak with a Services Australia (Centrelink) Financial Information Service (FIS) officer. FIS officers are specially trained to provide financial information and information on the operation of the income and assets tests. This is a free service and you can arrange to speak to a FIS officer by telephoning Centrelink on 13 2300.

Thank you again for writing.

Yours sincerely



Andrea Wallace-Green  
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Means Test & Rent Assistance Policy  
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31 July 2024