

MLC TechConnect

10 February 2025

Centrelink Work Bonus

The Work Bonus provides older Australians with an incentive to continue working at least on a part time basis, by providing a concession for income from working.

Summary

Under the Work Bonus, the first \$300 of fortnightly income from work is not assessed under the pension income test. Any unused part of the \$300 fortnightly Work Bonus accrues in the Work Bonus income bank (up to the maximum Work Bonus income bank balance) and can be used to offset future work income.

The maximum Work Bonus income bank balance is \$11,800. New pension recipients granted an eligible payment from 1 January 2024 also receive a one-off Work Bonus income bank credit of \$4,000. Certain pensioners who are reinstated with an eligible payment again after 1 July 2024 may also be eligible for the one-off credit.

Who is eligible?

All Centrelink pensioners over Age Pension age are eligible for the Work Bonus if they have income from work. This includes recipients of:

- Age Pension
- Carer Payment*, and
- Disability Support Pension*.

* For those who have elected to remain on this payment and not transfer to Age Pension.

Note: The Work Bonus does not apply to the transitional rate of pension.

Department of Veterans' Affairs Service Pensioner and Income Support recipients at least age 60 also qualify for the Work Bonus.

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What income can be reduced by the Work Bonus?

Employment income and self-employment income from gainful work can be reduced using the Work Bonus. Distributions from family companies or trusts may qualify to the extent the client can show the income derived relates to personal exertion. It excludes income related to:

- managing or administering financial investments and real property, and
- work involving domestic, household, gardening or similar tasks at the pension recipient's place of residence.

Employment income

Employment income is income from remunerative work undertaken by the pension recipient as an employee in an employer/employee relationship. This includes:

- salary and wages and leave payments (unless paid out on termination)
- commissions, bonus payments and employment related fringe benefits, and
- supported wages and casual loadings.

Self-employment

Income from self-employment is income from work for financial gain or reward derived from personal exertion of the pension recipient.

How is it applied?

The Work Bonus effectively provides an increased 'income free area' in respect of eligible income from work and is automatically applied by Centrelink. The Work Bonus disregards the first \$300 of income from work per fortnight.

Members of a couple

Where both members of a couple qualify, the first \$300 of income from working is disregarded for each member of the couple. Any amount of bonus that is not utilised by one member of the couple cannot be transferred to their spouse. Where only one member of a couple is eligible for the Work Bonus, the full employment or self-employment income of the younger spouse is assessable when determining the older spouse's entitlement (at least until the younger spouse is eligible for the Work Bonus).

Unused Work Bonus

If the pensioner doesn't utilise the full \$300 Work Bonus in a fortnight, the unused Work Bonus is credited to an 'employment income concession bank' (or Work Bonus income bank) up to the maximum Work Bonus income bank balance of \$11,800. The accrued credits can be used to offset income from work in a future fortnight period where income from work exceeds \$300. This may be useful for a retiree who returns to work or a person who has variable employment income.

The income bank starts to accumulate from the time the person becomes an eligible pensioner and accrues regardless of their future work intentions.

Certain eligible pension recipients may receive a one-off Work Bonus income bank credit up to \$4,000.

One-off Work Bonus income bank credit of \$4,000 for new pensioners

New pension recipients receive a one-off Work Bonus income bank credit of \$4,000.

Work Bonus income bank credit when recommencing a qualifying payment

If the pensioner ceases to receive an eligible payment (ie no longer qualifies and the payment is cancelled) and later recommences an eligible payment, they retain the Work Bonus income bank balance they had when they ceased receiving the payment. If their retained Work Bonus income bank balance is less than \$4,000 and they have not previously received a \$4,000 top up within two years prior to recommencement, then the pensioner will receive a top up to their income bank balance to bring it up to \$4,000.

The top up credit does not apply in circumstances where:

- payment was suspended, but not cancelled, and
- their entitlement to a payment ceased, but they became entitled again within the 'employment income nil rate period'.

Self-employed

Generally, for the self-employed, their current annual rate of income is based on the most recent tax return. To apply the Work Bonus, the annual rate of self-employment income from gainful work is converted to a daily amount by dividing it by 364 then multiplying it by the number of days in an instalment period.

Example 1 - Self-employed

An Age Pensioner (with a Work Bonus income bank balance of nil) operates a gardening business and has an assessable annual rate of income from gainful work of \$16,000. Their self-employment income from gainful work for the instalment period is $\$16,000 / 364 \times 14 = \615 . The first \$300 is disregarded using the Work Bonus and \$315 is assessed under the income test.

Common Work Bonus scenarios

Regular income from work exceeds \$300 pf

If a pensioner eligible for the Work Bonus has a nil Work Bonus income bank balance and earns regular income from work of more than \$300 pf, only the income exceeding \$300 pf is assessed under the income test.

Example 2 - Pensioner earning \$450 pf

A pensioner eligible for the Work Bonus has income from work of \$450 pf and a nil Work Bonus income bank balance. The first \$300 pf is disregarded (not assessed) using the Work Bonus. The remaining \$150 pf is included in the income test. This amount is added to any other income the person has from other sources and is then used to determine their pension entitlement under the income test.

Regular income from work is less than \$300 pf

If a pensioner has income from work of less than \$300 pf, all the income from work is disregarded under the income test. The unused Work Bonus (\$300 pf less the fortnightly income from work) accrues in the income bank for future use (up to the maximum Work Bonus income bank balance).

Example 3 - Pensioner earning \$250 pf

A pensioner eligible for the Work Bonus has income from work of \$250 pf. No income from work is included under the income test and \$50 pf is credited to the income bank until the income bank reaches the maximum Work Bonus income bank balance.

Fluctuating income

It is possible that some pensioners have fluctuating income from work or have periods where they don't work at all. Example 4 shows how this work pattern would be treated under the income test and the role of the income bank.

Example 4 - Fluctuating work patterns

A pensioner has a Work Bonus income bank balance of nil. In the first fortnight, their income from work is \$150. As this is less than the \$300 pf Work Bonus available, none of this income is included in the income test and \$150 accrues in their income bank. Their income bank balance is \$150.

In the second fortnight, they earn \$400. Using the Work Bonus, \$300 is disregarded and the remainder \$100 is disregarded using \$100 of credits from the income bank. The income bank balance is reduced to \$50.

In the third fortnight, they earn \$450. Using the Work Bonus, \$300 is disregarded. \$50 is disregarded using the remaining balance of the Work Bonus income bank (the balance is now nil). Leaving \$100 included under the income test.

In the fourth fortnight, they earn no income from work. The fortnightly Work Bonus of \$300 is added to their Work Bonus income bank to use in the fifth or subsequent fortnights.

This is summarised in the following table.

Fortnight	Income from work	Work Bonus	Work Bonus income bank (Dr/Cr)	Income bank balance	Income from work included in the income test
1	\$150	(\$300)	+\$150	\$150	\$0
2	\$400	(\$300)	-\$100	\$50	\$0
3	\$450	(\$300)	-\$50	\$0	\$100
4	\$0	(\$300)	+\$300	\$300	\$0

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