MLC TechConnect

Adviser use only

6 November 2026

Gifting rules for social security

This article outlines circumstances where the gifting and deprivation rules may apply and the practical advice implications for clients.

Introduction

Deprivation may apply where a social security client:

- gives away or refuses an increase in income, or
- gives away (gifts) an asset and does not receive adequate consideration in return.

Deprived income is included in the client's assessable income (maybe indefinitely). Deprived assets are included under the assets test and deemed under the income test for five years from the date of the gift.

Clients can gift up to $10,000 in a financial year and $30,000 over a five financial year rolling period without impacting their entitlements. Gifts exceeding these thresholds are deprived assets.

Gifting includes where the person:

- gives an asset to another individual (other than a spouse)
- forgoes their interest in a deceased estate
- transfers assets to or resigns from trust or company (depending on attribution)
- donates money
- sells an asset for less than market value
- is guarantor on a loan where the borrower defaults, a loan repayment is made and no legal steps are taken to recoup, and
- purchases a home with children or other family members and receives a less than disproportionate legal interest in the home compared to the amount paid.

Gifting that occurs within five years before a social security benefit is payable may impact the client's eligibility to a social security entitlement. In this article, we outline the gifting and deprivation rules and some of the main circumstances where these apply. We also highlight some of the practical advice issues.

Contents

Gifting and deprivation basics 1
Gifting in practice 4
Gifts not assessed as deprivation 6
Is gifting worthwhile? 7

Gifting and deprivation basics

What is gifting?

Gifting occurs where the value of an asset or income source is destroyed or diminished, and inadequate consideration is received in return.[1] Deprivation applies where the gift exceeds the allowable thresholds or is deprived income.

The basic principles for Services Australia (Centrelink) and Department of Veterans' Affairs (DVA) are the same. However, the application may differ slightly. This article focuses on the rules and application of Services Australia. DVA recipients should contact **DVA**.

The rules prevent people from gifting or depriving themselves of substantial levels of assets or income to obtain a more favourable social security outcome. The expectation is that individuals firstly use their own resources to support themselves, rather than rely on Government income support. Special rules apply to the following arrangements[2]:

- granny flat arrangements
- certain gifts to special disability trusts
- transfers of a farm to a close relative, where certain conditions are met[3], and
- where a payment is made to a family member for substantial work undertaken that surpasses what would be expected from a family member's 'love and affection' or moral obligation.

1 Social Security Act 1991 (SSA) s1123(1)
2 Guide to Social Security Law 4.1.1
3 Guide to Social Security Law 4.1.7

Deprived income

Assessment differs where a disposal relates to diminishing or waiving the right to an income source without disposing of an asset. In this case, the value of the income disposed of continues to be assessed indefinitely. For example, if an income support recipient owns an investment property and directs the tenant to pay rent to their adult child instead of receiving this income personally, the deprived income is assessed to the income support recipient for as long as this arrangement continues. Deprivation applies until the income source is returned to the owner.

Generally, it is not considered deprived income if someone:

- becomes unemployed
- reduces their working hours, or
- does not derive income from an asset, eg if a person owns an investment property and chooses not to rent it out or chooses to allow someone to reside in it rent free.

Allowable asset gifting threshold

Clients can gift up to $10,000 per financial year and $30,000 over a rolling five financial year period without deprivation applying. These thresholds apply to singles and couples combined (ie not per person for couples). Amounts that exceed either limit are treated as deprived assets for five years from the date of the gift. When applying the $30,000 limit, exclude any deprived assets as illustrated in the following example.

Example

Clare provides gifts to her grandchildren over a number of years. The gifts are assessed as follows:

Date	Gift	Amount within $10k limit per financial year	Cumulative amount within $30k limit (rolling 5 financial years)	Deprivation
20 Mar 2026	$9,000	$9,000	$9,000	$0
1 Jan 2027	$12,000	$10,000 (excess $2,000)	$19,000	$2,000 until 1/1/2032
20 Sep 2027	$6,000	$6,000	$25,000	$0
4 Jul 2028	$11,000*	$10,000 (excess $1,000)	$30,000 (excess $5,000)	$6,000 until 4/7/2033

* $1,000 exceeds the $10,000 per financial year limit and is deprived. The remainder of $10,000 is then measured against the rolling five financial year $30,000 limit and an additional $5,000 ($25,000 + $10,000 - $30,000) exceeds this cap and is deprived.

Means-test assessment of deprived assets

Deprived assets

Although the gifting limits apply for the financial year, any deprived assets are treated as financial investments for five years from the date of the gift. The deprived amount:

- is assessed as an asset under the assets test, and
- deemed under the income test.

Deprivation only impacts payments and entitlement subject to an assets and income tests, eg may not apply to non-means tested payments and entitlements or where eligibility is determined by adjusted taxable income (ATI), see "**Benefits and concessions not impacted by deprivation**".

Gifts made prior to application for a benefit

A disposal of an asset which occurs more than five years prior to becoming eligible for a social security benefit or pension is disregarded. Assets disposed of within five years of the date of claim that exceed the gifting limits are assessable for five years from the date of the gift.

Centrelink may apply discretion to disregard a gift made within five years of claim where the person could not have reasonably anticipated that they would qualify for a payment or benefit. This might include circumstances where a spouse passes away or the person loses their job.

Advice tip

While an individual may not always be able to predict when an entitlement will arise, there is a planning opportunity for those who can anticipate a future entitlement (eg entitlement to Age Pension once reaching age 67). Should a person wish to gift an amount of money or transfer other assets (such as bringing forward an inheritance), they may wish to consider (ie at least five years before reaching age 67).

Transfers between members of a couple

The gifting or transferring of assets between the members of a couple does not trigger the gifting or deprivation provisions. Couples are ordinarily assessed on joint assets and income.

This is also the case where the amount is invested in assets receiving favourable social security treatment. For example, if a husband who has reached age 67 withdrew funds from his super account and contributed to super in his wife's name who is under age 67, the money would cease being assessable until his wife reaches age 67 (or commences an income stream if this occurs sooner).

Advice tip

When transferring large amounts between super accounts via a cash out and recontribution strategy to maximise social security benefits, consider:

- the costs (eg buy/sell spreads and time out of market)
- estate planning implications, and
- future contribution opportunities from both a contribution cap and total super balance perspective.

Repayment of a gift and impact on deprivation

If a person triggers the deprivation rules and the gift is subsequently returned to the person, Centrelink reduces the amount of the deprived asset by the amount which has been returned[4].

Benefits and concessions not impacted by deprivation

Whether a social security entitlement is impacted by gifting, depends on the means-testing that applies. Broadly, gifting does not impact entitlements where:

- there is no assets or income tests, or
- there is no assets test and the income test is based on an income definition that doesn't capture deemed income, for example:
  - Commonwealth Seniors Health Card (CSHC)[5]
  - Carer Allowance
  - Family Tax Benefit
  - Age Pension (Blind),
  - Disability Support Pension (Blind) and
  - War Widows' Pension.

4 SSA s1106 and s1123

5 Deemed income from non-grandfathered account based pensions is added to ATI when determining eligibility for the CSHC. However, deemed income from other financial investments (including deprived assets) is not assessed.

Benefits and concessions impacted by deprivation

Most pensions, allowances and benefits assess eligibility based on 'social security income and assets' which includes:

- deemed income on financial investments which includes deprived amounts, and
- an asset value which includes deprived assets.

Gifting in practice

Below we cover some of the more common circumstances that are assessed under the gifting and deprivation rules.

Buying a home with or for children

Where a parent purchases a property with their child, either as joint tenants or tenants in common, if the parent's legal ownership, as reflected on the title, does not at least reflect their financial contribution to the purchase, deprivation may apply. For example, Mary (67) purchases a house for $1,000,000 with her daughter, Sue, as tenants in common. Mary owns 40% of the property but pays half of the purchase price ($500,000). Deprivation applies to the amount contributed to the purchase in excess of the value of the 40%
ownership that she received (ie $100,000). If Mary still has $10,000 of gifting available (under both the annual cap and 5 financial year rolling period), this reduces the deprived amount to $90,000.

Advice tip

If a parent:

- transfers their home
- pays for a property in their child's name, or
- pays for the construction of a granny flat on the child's property

in exchange for a life interest to reside in the property and they have no ownership/equity interest in the property, this is assessed under the granny flat provisions. Special rules may apply to determine if deprivation applies to the arrangement. For more information on the assessment of granny flat arrangements, see our technical article **Guide to granny flat rights**.

Transferring property or other assets for less than market value

Where a property or another asset is sold for less than market value, deprivation can apply.[6]
In situations where the transfer is made to a non-arm's length buyer, it may be difficult to substantiate a valid reason that market value was not received. This is not to say that all sales and transfers to children and relatives are problematic. Your client should ensure that any purchase price can be substantiated and reflects fair market value to avoid potentially triggering the deprivation rules. Market value is the price reflecting the amount that a willing buyer and a willing but not anxious seller would agree upon.[7] This may be supported by a professional valuation of the asset.

Where a sale is made to an unrelated party on the open market for less than the estimated current value, deprivation does not apply, provided the sale price was determined by market conditions. For example, where a quick sale of the asset was required and a price was accepted below market value, deprivation would not occur.

Guarantor arrangements

If a social security recipient becomes a guarantor on a loan, this does not impact the assessment of their entitlement. However, if the borrower defaults, the guarantor must repay the loan. The assessment of repaying the borrower's loan depends on what action is taken by the guarantor after repaying the loan.

If legal action is commenced to recover the amount from the borrower, the amount paid is treated as a debt owing to the guarantor. The recoverable value of this debt is an assessable asset[8]. However, it is not deemed for income test purposes, as debts are not financial investments. If no legal action is commenced, the gifting and deprivation rules apply (in this case from when the guarantor repaid the loan).

---

6 **Guide to Social Security Law 4.1.1**
7 **Guide to Social Security Law 4.1.1**
8 **4.6.5.60 Assessing Loans & Guarantor Arrangements | Social Security Guide (dss.gov.au)**

Advice tip

Clients should seek legal advice prior to becoming a guarantor to ensure all rights, risks and obligations are understood. Once the family member has sufficient equity in the asset (or other circumstances have changed) and the guarantor arrangement is no longer necessary, the client may wish to seek to have the guarantor arrangement removed. Individual lenders have their own processes which ordinarily include the borrower demonstrating their own ability to provide sufficient security and/or serviceability of the loan.

Forgiving a loan

If an income support recipient lends money to another individual, it is assessed as an asset and deemed under the income test. If they subsequently forgive all or part of the loan, deprivation applies to the amount exceeding the available gifting limits for five years from the date that the loan is forgiven.[9] Special rules may apply to failed loans[10].

Deprivation relating to estates

Any interest in a deceased estate is assessed against the individual from when it can be received or is received. Centrelink generally allow 12 months from death for the estate to be administered. Where a person has an interest in a deceased estate or superannuation fund, deprivation occurs where the person[11]:

- gives away their interest for inadequate consideration
- directs the executor of the estate or the super fund to distribute their interest to another person, or
- waives their entitlement to any of their interest.

The date of deprivation is the later of:

- the date the interest is given away, waived or direction given, and
- the date the person would have been able to receive their interest.

Payment of expenses

The payment of an expense for another person (other than a spouse) is regarded as a gift and deprivation applies. This may include:

- education costs
- gifting money to grandchildren via their parents
- payment of expenses for children and grandchildren, and
- payment of home maintenance expenses and utility bills of another person.

If the person lives in a home owned by their adult child or has entered into a granny flat arrangement and contributes towards home maintenance and associated expenses, it is advisable to document these arrangements to ensure that it is clear that these payments constitute a form of rent or the person's share of household expenses.

Paying for children's wedding

Generally, making a payment directly to a service provider for a child's wedding is not considered a gift where the parents host and attend the wedding. The parents are considered to receive adequate financial consideration. If the parents were to give cash to the child to pay for their own wedding, gifting rules apply.

Deprivation and trusts

Where cash or other assets are gifted to a trust by a person or their partner and neither the person or their partner control the trust (ie neither are attributed with the income and assets of the trust), the amount is assessed under the gifting and deprivation rules.

Where a person who controls a trust formally relinquishes all formal roles, control and beneficial interests, the percentage of assets of the trust attributed to them are subject to gifting and deprivation from the date of resignation.

For more information about private trusts and deprivation, see our Technical article **Social security assessment of private trusts**.

9 Guide to Social Security Law 4.6.5.65
10 Guide to Social Security Law 4.6.5.60
11 **Guide to Social Security Law 4.1.5**

Donating money

Donations to charities, churches or other organisations are assessed as gifts and may trigger deprivation.

Repayment of undocumented loans

Where arrangements are entered into some time prior to a person becoming eligible for a benefit or concession, future social security implications are often not considered. Difficulty can arise when unwinding these arrangements and repaying what might have effectively been a loan, but where there is no evidence to support the arrangement that existed. It would be prudent to document these arrangements for social security, legal and estate planning purposes.

Impact of relationship breakdowns and death on deprivation

Where members of a couple separate[12] or one member of the couple passes away[13], there may be a change in the way a prior gift or deprived amount is assessed. When couples advise Centrelink or DVA of a gift, it is also necessary to specify who has given the gift (eg 100% one member of the couple or jointly).

Change in deprivation amounts where couple permanently separates due to a relationship breakdown

Ownership of asset disposed of:	Amount of disposition
Jointly	Does not change (50% of the value of the asset or income continues to be held against each person)
One partner	Becomes fully assessed against the partner who owned the asset or income

Change in deprivation amounts where member of a couple dies

Ownership of asset disposed of:	Amount of disposition
Jointly	Does not change (the surviving partner will still be assessed with half the asset or income)
Deceased partner	Reduces to zero
Surviving partner	Increases by the deprived amount held against the deceased (the amount which was formerly shared between the two partners is now held against the surviving partner)

Notifying Centrelink

Generally, clients must notify Centrelink within 14 days of a change of circumstances. To avoid overpayment, all gifts should be reported to Centrelink within this timeframe[14] including amounts within the gifting limits.

Gifts not assessed as deprivation

Gift to a Special Disability Trust

Immediate family members who receive a social security pension and have reached age 67 (may be earlier for certain DVA recipients), can gift up to a combined amount of $500,000 (unindexed) into a Special Disability Trust (SDT) and not trigger the gifting rules. Clients may consider establishing an SDT for an immediate family member as part of pre-estate planning.

For more information on SDTs, see our technical article **Special Disability Trusts explained**.

12 SSA s1126AC(3), s1126AD(3)
13 SSA s1126AC(4)(5), s1126AD(4)(5)
14 **Guide to Social Security Law 3.10.4.10**

Loans

A loan provided to a person is not assessed as a gift. To be considered a loan, there must be a clear intention for the amount to be repaid. The outstanding value of the loan is assessed under the assets test.[15] It is a financial investment and deeming applies to the outstanding balance under the income test.[16] If an outstanding loan is subsequently forgiven, it is assessed as a gift from that point, and any amount exceeding the available gifting limits is a deprived asset.

Is gifting worthwhile?

Some clients focus solely on obtaining social security benefits without considering what they are giving up to derive the income support or concession. As the table below shows, the impact of reducing income or assets is not significant for people who are already eligible for a part-pension.

Approximate impact on entitlements based on $10,000 gift based on 1 July 2026 thresholds

	Pensions	Allowances
Decrease assets by $10,000	Increase pension by $780 pa ($30 pf) for a single, or $390 pa ($15 pf) for eligible member of a couple	N/A – most allowances cut-out once assets exceed low asset thresholds. Reducing assets below lower asset threshold may allow entitlement.
Decrease assessable income by $375 pa[17]	Increases pension by $187.50 pa under income test[18] for a single or $93.75 pa for each eligible member of a couple	Increase allowance by $225 pa[19]

Benefits may be more significant if gifting enables entitlement to a part pension/allowance and access to a concession card.

Gifting and aged care

Gifts are also assessed the same way when calculating aged care fees. While gifts within the threshold might make a small difference on aged care fees, deprived amounts still continue to be assessed as an asset. Additional detailed guidance can be found in our **Guide to Aged Care Fees and Rules**.

Advice considerations

When substantial amounts are gifted, broader considerations should be addressed, including:

- impact on ability to fund future expenses
- whether the person's Will and super beneficiary nominations need to be amended
- limiting aged care options due to being a fully or partially supported resident
- implications on estate planning outcomes, including any potential estate challenges as a result of the gift, and
- whether elder abuse is a concern in motivating a desire to make large gifts.

When providing advice to an Enduring Power of Attorney (EPoA), even greater levels of complexity can arise when discussing whether gifting strategies are appropriate or permissible. The EPoA must act in the best interest of the donor and make decisions based on what the donor is likely to do if they had capacity to make their own decisions. This requirement applies more broadly than just gifts, but it is particularly relevant here.

Depending on the jurisdiction, an EPoA may need to expressly allow the attorney to gift amounts or assets owned by the donor (such as jurisdictions that prohibit conflicted transactions). Further restrictions may apply in relation to the nature and amount of the gift.

---

15 SSA s1122

16 SSA s9

17 Assumes the current higher deeming rate of 3.75%.

18 Assuming the person has overall income above the lower income threshold, whereby deemed income on $10,000 is reducing Age Pension entitlement.

19 This assumes the current higher deeming rate of 3.75% and assessable income is above $256 pf but less than the cut-out threshold and the reduction factor is 0.6. Income between $150 and $256 has a reduction factor of 0.5.

Legislation may also limit the nature of acceptable gifts, even if a gift is expressly allowed. For example, the legislation that governs **Powers of Attorney in NSW** provides that even where authority to give gifts is expressly provided in an EPoA, the nature of the gifts may be limited to[20]:

- gifts to immediate family members, and seasonal in nature or associated with a special event, or
- a donation that the principal may reasonably make (if they had capacity).

NSW legislation also stipulates that the gift must reflect the nature of that the principal made or would reasonably have been expected to make when they had capacity, and that the value should be reasonable considering the person's financial circumstances and the size of their estate.[21]
For example, it is not likely to be reasonable for an EPoA to gift $10,000 to an immediate family member where the principal is a full Age Pension recipient in an aged care facility.

While gifts within the allowable thresholds may lead to a small social security benefit and a decrease in some aged care fees, in most cases the benefit derived is minor as outlined above. You should take care when advising an EPoAs to gift any amounts and legal advice should be sought prior to any gifts being made. Where elder abuse is suspected, the matter should be escalated. External guidance can be sought from the Government's Elder Abuse phone line on 1800 353 374.

Disclaimer and important information

© 2026 IOOF Service Co Pty Ltd. All rights reserved.

For financial adviser use only – it is not to be distributed to clients.

The information in this communication is factual in nature. It reflects our understanding of existing legislation, proposed legislation, rulings etc as at the date of issue, and may be subject to change. While it is believed the information is accurate and reliable, this is not guaranteed in any way. Examples are illustrative only and are subject to the assumptions and qualifications disclosed. Whilst care has been taken in preparing the content, no liability is accepted for any errors or omissions in this communication, and/or losses or liabilities arising from any reliance on this communication.

20 Powers of Attorney Act 2003 NSW s11, 12 and 13
21 Powers of Attorney Act 2003 NSW Schedule 3 s1