MLC TechConnect

Adviser use only

1 September 2025

Homeowner status and the principal home

Key aspects define homeowner status and the principal home when assessing income support eligibility.

Background

A client's homeowner or non-homeowner status is important when determining social security entitlements. This is because the assets test threshold for homeowners is lower, however, the value of the home is not assessable.

The concept of a homeowner for social security purposes is quite broad as it extends to other arrangements, such as granny flat rights and special residences such as retirement or lifestyle villages.

While the principal home, which can include adjacent land up to two hectares, is generally an exempt asset, rural or other large properties have additional conditions to extend the exemption to all the land on title.

Clients should consider whether a change in circumstances will impact their homeowner status and their entitlements. This includes where part of the home is sold, rented out, or used for business purposes.

An area of the home that is not used primarily for domestic purposes may be assessable.

Clients may remain homeowners for defined periods after moving out of their home during a temporary vacation, to enter a care situation or when they sell their home and intend to use its sale proceeds to acquire another home.

In this article, we consider the definitions of homeowner and principal home for social security purposes, as well as the asset and income assessments for various scenarios.

Contents

Advice tip

The treatment of the home for aged care purposes differs from social security. Refer to our **Aged care and the family home** article.

Homeowner

A client is a homeowner[1], if they or their partner has a right or interest in the home they occupy and that right or interest gives them reasonable security of tenure[2]. If a single person or a member of a couple live in a home that they own or partly own as joint tenants or as tenants in common, they are homeowners.

A person may be considered a homeowner without being an owner or part-owner of the property where they reside. For example, depending on the entry contribution paid for a right to reside in a retirement village or a life interest in a home, the client may be a homeowner. 'Entry contribution' is explained in the 'Assets test assessment of the principal home' section.

If a person is renting, they are generally considered a non-homeowner. However, there are exceptions for those renting while temporarily vacating their home or if the sale proceeds from a former home are intended to be used to purchase a different home. Refer to the 'Extending homeowner status' section.

A client who lives in a home that is owned by a private company or trust that they have an interest in, are homeowners if they have reasonable security of tenure. Reasonable security of tenure is formed in an agreement between the entity and the person or couple that creates a long-term lease or right to occupancy in the home. Centrelink assesses the home as if it was personally owned. A person may have an interest in a private company where they are a director or shareholder. A person may have an interest in a private trust if they are an appointor, trustee or beneficiary of a private trust.

Example 1: Family trust owns principal residence

Donald is the trustee and beneficiary of his family trust that owns the home he lives in permanently. Donald has an interest in the trust through his role as trustee and the trust deed provides him and his family the right to live in the home. Donald is assessed as a homeowner.

A homeowner is not restricted to living in a house or apartment. The home may be a campervan, caravan, transportable home or boat owned or partly owned by the person and/or their partner. To understand various scenarios and how homeowner status is determined, you must also consider the extended definition of principal home.

Defining the principal home

The land area included in a person's principal home is determined by the private land use and where available, the extended land use test. A client's principal home[3] is the dwelling they reside in and extends to surrounding land under the private land use test.

The **private land use test** applies to the land on which the home sits plus the adjacent land, and:

- cannot exceed two hectares
- is on one title, and
- is used primarily for private and domestic purposes.

While the private land use test limits total land to two hectares, **the extended land use test** allows the entire value of the land and home, potentially on one or more titles, to be exempt.

The extended land use test is generally available to rural clients who are Age Pensioners and Carer Payment recipients age 67 or older, and their partners. Income support recipients can have the entire land and home value exempted where:

- they have a long-term (20 year) continuous attachment4 to the land and principal home, and
- the effective land use test[5] is satisfied.

1 SSA S11(4)
2 Guide to Social Security Law, 4.6.3.20
3 SSA S11A
4 SSA S11A(4c)
5 SSA S11A(7)

Long-term continuous attachment is satisfied where the client:

- owns the home and adjacent land at the date of assessment, and
- has lived on the property for 20 continuous years prior to the date of assessment.

The person does not need to have owned the property for 20 years, as ownership is only required at the time the client is being assessed for social security purposes. However, they must have lived on the property for at least 20 continuous years. Centrelink assessors require evidence that the client currently owns the property and that they have lived on the property for 20 years.

Long-term continuous attachment is not broken where the recipient is temporarily absent from the home for up to 12 months such as where the person is completing seasonal work away from the home. When an eligible care situation of up to two years arises, long-term continuous attachment is also not broken. A further explanation for temporary absences and care situations is explained in the **Extending homeowner status** section of the Social Security Guide.

Example 2: Extended land use test

Joe lived on his family farm for 40 continuous years. The title was transferred from his father to him 10 years ago. Joe satisfies the long-term continuous attachment requirement, as he has lived on the farm for at least 20 continuous years and is the current owner.

The person satisfies the **effective land use test** if one of the following applies:

- the land is used to its potential to generate an income, or
- the land is not being used because it has no, or limited, potential to generate an income.

Centrelink assessors consider factors such as:

- location and size of the land
- health of the person and their family situation
- whether the land contains a dwelling-house occupied by family
- whether the land is being used to support family members
- any care situation which may diminish capacity to effectively use the land
- current or potential commercial use of the land
- any prior amalgamation of blocks on the land
- environmental issues related to the land, and
- any other relevant matter.

Assessment of the principal home – other scenarios

The market value of a principal home and land adjacent (on the same title) is generally exempt from the assets test. In some instances, clients have more than one home or live in separate homes.

Multiple home ownership

Where income support recipients live in more than one home, the home that is considered the principal residence, and exempt for social security purposes, is the one they spend the most time.

Example 3: Own multiple homes

Trudy and Clive own two homes. They spend eight months of the year in Victoria, near their family, and the other four months enjoying the winter sunshine in Queensland. As they spend more time in their Victorian home, it is treated as their principal home and the Queensland home is assessed as an assessable asset. If an equal amount of time is lived in each home, the home with the greatest value is deemed to be the principal residence. However, if clients live in their principal home and spend considerable time in holiday or rental accommodation, the home they own remains their principal residence. In all cases, any properties that are not treated as the principal home are assessable assets.

Couples living separately and apart

The homeowner status for couples living apart depends on whether they are estranged, not estranged, in a care situation or living in a special residence.

If a client is living separately from their permanently estranged partner in a home they:

- own or partly own, they are considered a single homeowner, or
- do not own or partly own, they are considered a single non-homeowner.

To establish that a couple is living separately and apart they must:

- have a physical separation (not living together but not necessarily divorced), and
- have separated because of a relationship breakdown.

It is possible for couples to be classified as separated when living under the one roof and assessed as singles. In this situation, Centrelink assess the relationship based on:

- financial arrangements
- nature of the household
- social aspects of the relationship
- sexual relationship, and
- nature of the commitment.

If a couple is living apart but are not estranged, they continue to be assessed as a couple and their homeowner status remains unchanged. This means if at least one member of the couple is living in a home that they own or partly own, they are both classified as homeowners.

If they own both homes that each resides in, the one with the higher value is exempt and the home with the lower value is assessable. If the income support recipient or their partner spends considerable time in a home they do NOT own, the home they own is the principal home.

The assessment for couples separated because of care situations is explained in the 'extending homeowner status' section.

Life interests

A life interest allows the nominated person to use and enjoy an asset and derive income from the asset generally until a specified event happens (such as the person dies) or surrenders the entitlement. A person can create a life interest is through their Will. The Will may bequeath an asset to a person, persons or an entity and grant a life interest to another person.

Where the life interest in a dwelling is held by an income support recipient and it is their principal residence, it is an exempt asset. The person will have reasonable security of tenure and is a homeowner. While the person holding the life interest does not own the home, they have the use and enjoyment of it until their life interest terminates.

The remainder interest is established when a life interest is created. It is the future right the person has to an asset while the life interest has not terminated or has not been forgone. A remainder interest is an exempt asset and become assessable when the life interest ceases.

For example, on death, a father grants a life interest in a home to their de facto partner for their lifetime and provides a remainder interest to their daughter. The daughter owns the home, however, it will not be assessable until the de facto partner dies.

Special residences

Where the client lives in a special residence, they are classified as a homeowner or non-homeowner depending on how much they paid for the right to live in it (called the entry contribution), which impacts the assets test assessment of their home. Special residences refer to a home in a retirement village or accommodation under a granny flat right.

Resident in retirement village

The entry contribution that a client pays for the right to reside in a retirement village determines their homeowner status and whether the entry contribution is assessable value for the assets test. The entry contribution is the amount that must be paid to enter a retirement village. The entry contribution does not include ongoing fees.

The extra allowable amount (EAA) is the difference between the lower assets test threshold for homeowners and non-homeowners. The current EAA figure can be found in our **Centrelink Fact Sheet.** If the entry contribution into the retirement village is:

- less than or equal to the EAA, the client is a non-homeowner and the amount is an assessable asset (but no income assessment applies), or
- more than the EAA, the client is a homeowner and the amount is not assessable.

Example 4: Retirement village

Audrey enters a retirement village and pays an entry contribution of $250,000. She is a non-homeowner and the amount is assessable as it is less than the EAA.

Centrelink assesses the homeowner status of couples living separately and apart in special residences[6] based on the circumstances of where each member of the couple resides. Examples can include living in a retirement village or being granted a granny flat interest. It is possible that both partners can remain homeowners and their principal home is exempt. However, if the special resident's entry contribution is equal to or below the EAA and their partner is a non-homeowner, the amount of the entry contribution is an assessable asset.

Granny flat interest

A granny flat interest is an arrangement where a person transfers cash or other assets to another person, in return for a right to occupy accommodation provided by that other person. The entry contribution paid to enter a granny flat right determines homeowner status in the same method used for those entering a retirement village.

A granny flat right is not established where the client is a part or full owner of the home (ie their name appears on the title). This is because the client has a right to occupy the dwelling due to their ownership interest. While granny flat arrangements are generally entered between family members, a non-relative such as a friend, can provide the granny flat right. For a full explanation of granny flat rights, refer to our **Guide to granny flat rights.**

Circumstances where a full exemption may not apply

Self-contained living spaces

The assessment of a self-contained living space within a client's home depends on who is leasing the area. A self-contained living area includes an area with private or separate sleeping, cooking and bathroom facilities. If the home has a self-contained living area, it is assessed as follows:

Self-contained living space

Self-contained living area is:	Area is:
Vacant	Part of principal home
Let to a near relative[7]	Part of principal home
Let to a person that is not a near relative	Not part of principal home and is assessable

Centrelink will appoint a qualified valuer to assess the area if they believe the value of the area is likely to affect entitlement.

6 SS Act S12C(2) and S1155-1157
7 SS Act S23(14) A near relative is an immediate family member (eg parent, child or sibling) or an adopted child.

Business operated out of home

If a business is operated out of a specific area that is not also used for domestic purposes, this area is not part of the principal home and is assessable. Examples include a shop in front or below the principal home or a garage that is used solely for the construction of physical goods to be sold. Centrelink may assess the property to determine the value of the area not considered part of the home. If an area is used for both business and domestic purposes, such as a home office, the area forms part of the principal home.

Dual occupancy

If two homes are built on land that is on one title, the second home may or may not be assessable depending on who paid for its construction and who lives in it.

Pays for construction costs

Where the income support recipient pays for the construction costs of the second dwelling, the following table outlines whether it is part of the principal home or not.

Dual occupancy

Dual occupancy is:	Area is:
Vacant	Part of principal home
Let to near relative[9]	Part of principal home
Let to a person that is not a near relative	Not part of principal home and is assessable

Example 5: Dual occupancy

Rudy pays for the construction of the second dwelling and rents it to her friend Wendy. As Wendy is not a near relative, the second dwelling is an assessable asset and the net rent is included in Rudy's income test.

Does not pay for construction costs

If the person who paid for the construction costs does not have a beneficial or an equitable right or interest in the property, the second property is an assessable asset for the income support recipient and income received is assessable.

If a person other than the income support recipient pays for the construction costs of a second dwelling which is on the same title as the principal home and has a beneficial or equitable right in the second dwelling, the second dwelling is not an assessable asset of the income support recipient. For example, a son pays to construct another dwelling on the parents' property and the son has the right to live there for life, that dwelling is not an assessable asset of the parents. The second dwelling may be considered the principal home of the son as he has an interest in the home and reasonable security of tenure. The limitation of adjacent land being at most two hectares still applies.

Extending homeowner status

Temporary vacation

An absence from the principal home is typically regarded as temporary unless the person notifies Centrelink of their intention not to return to their principal home. This notification is based on the person's intention at that time. If they have no intention of returning to the principal home, Centrelink should be notified within 14 days of their change in circumstances.

During a temporary absence, the person continues to be a homeowner for up to 12 months. Once the 12-month absence is reached, the person becomes a non-homeowner and the value of the home counts as an asset.

If the person returns to occupy the principal home within 12 months and subsequently vacates the principal home again, a new 12-month exemption period begins. However, they must resume living in the principal home, not just establish a brief period of residence to extend the exemption period.

The temporary vacation period can be extended from 12 to 24 months if the home is destroyed or damaged. The extension may be allowed where the income support recipient did not wilfully damage the home, they have made reasonable attempts to commence and progress building works within a reasonable time and they have experienced delays beyond their control.

Care situations

Different rules apply to a person vacating their home to provide or receive care. Where a person leaves the home to enter a care situation, the home is an exempt asset for up to 24 months. Care situations include where a person:

- enters residential aged care, community based care or long-term hospital stays, or
- moves to their carer's home to receive care for at least 14 days, or
- a carer moves into their care recipient's home to provide care for at least 14 days.

For singles, the principal home continues to be an exempt asset under the assets test for two years[8] from the date they entered care. After two years, the person becomes a non-homeowner and the value of the property is assessed if they have not returned to their former principal home.

For couples where one member of the couple is in a care situation while the partner continues to live in the home, it remains exempt. If the partner leaves the home to enter a care situation or dies, the two-year exemption commences when the second person leaves the home to enter care or dies[9].

Where the partner leaves the home but does not enter care, the two-year exemption generally commences when the first partner entered care. The 12 month exemption for the temporary vacation of the home by the partner not in care will apply concurrently. When the later of these exemptions end, the home is assessable. Where the principal home is sold, both members of the couple will be non-homeowners from that point.

The two-year exemption applies on a once-only basis and does not restart when the person leaves the care situation, returns home and subsequently re-enters care.

Sale of home – using proceeds to purchase another home

Social security payments may be affected when the home is sold depending on whether the person intends to purchase, build, repair or renovate another principal home (new or existing) with the sale proceeds. The portion of the sale proceeds intended to be used for this purpose is concessionally treated under the income test. The following table summarises the assets and income test assessment of the portion of the sale proceeds intended for the new primary residence. These concessions will apply until the earlier of the end of the exemption period, or the time the new principal home is purchased, built or renovated.

Treatment of sale proceeds for means test

Asset test assessment	Income test assessment
Exempt for up to 24 months	Deemed at the **lower** deeming rate - proceeds are isolated from other financial investments. Ordinary deeming applies to other financial investments

Where the person does not intend to purchase a home, the person becomes a non-homeowner and the home sale proceeds are assessable for the assets test.

The exemption period can be extended up to an additional 12 months. To be eligible for an extension, the person must satisfy all the following requirements:

- still have an intention to purchase a new principal home
- can demonstrate that reasonable attempts have been made to purchase a new principal home
- the attempts that have been made must be within a reasonable period after the sale of the old principal home, and
- be experiencing delays due to reasons beyond their control.

---

8 SSA S11A (9)
9 SSA S11A (9)

The period for the extension is based on the person's circumstance and determined by Centrelink. This means that the extension can be less than 12 months.

Insurance or compensation payments received

Insurance or compensations payments received for the loss or damage of a principal home may be exempt from assessment.

The exemption is granted where the payments are to be applied to build, repair, replace or renovate their principal home. The funds received that are held in a financial investment, as well as the principal home, land and any structures on the land can be exempt assets for up to 12 months from the date that the payment is received. The exemption can be extended beyond 12 months where the person:

- did not wilfully damage the home
- have made reasonable attempts to commence and progress building works within a reasonable time, and
- have experienced delays beyond their control.

Income test assessment for the principal home

Income from boarders and lodgers

If rooms in a principal home are let and rental income received, the amount of income that is assessable for the income test depends on who the boarder or lodger is and what services are provided. The assessable amount is outlined in the table below.

Income from boarders and lodgers

Scenario	Description	% Treated as income*
Lodging	Accommodation only	70%
Bed and breakfast	Accommodation and breakfast	50%
Board	Accommodation and meals in addition to breakfast	20%

*Any income received from a parent, child or sibling is not assessable.

If there is a mortgage on the home, Centrelink permits a deduction for the interest against the assessable income from boarders and lodgers. If the annual interest payable on the mortgage exceeds the assessable income (percentage based on scenario in table above) from boarders and lodgers, no income is assessed. The interest cost exceeding income will not reduce other income.

The assessable amount can also reduce where the homeowner can satisfy Centrelink that their household expenses, such as utility bills, rates, groceries, cleaning or maintenance costs are above their normal household expenses, directly or indirectly associated with the boarder or lodger.

If the homeowner rents more than five rooms, the arrangement is assessed like a business operation as opposed to the boarder and lodger provisions. This means the net profit from the operation is treated as income for social security purposes.

Renting the home while temporarily absent

If a principal home is rented while the homeowner is temporarily absent, the net rental income is assessable for income test purposes. Allowable deductions from rental property income for social security are similar to those permitted for tax purposes with certain exceptions. Common allowable deductions are agent fees, repairs and utility bills.

Deductions that are allowed for tax purposes that are not allowable for social security include capital depreciation, special building write-off, construction costs and borrowing costs.

Principal home and rent assistance

Homeowners living in their own home are not eligible for rent assistance, except in limited circumstances. In these circumstances, the income support recipient is not an ineligible homeowner[10] and rent assistance can be paid. To qualify for rent assistance, the income support recipient must be either paying rent for their accommodation, paying fees for the site or structure on which their home is located. Rent assistance also applies where the client pays rent:

- after selling their former principal home and they intend to acquire, build, repair or renovate another home that will become their new principal home, within 12 months of sale (potentially extended up to 24 months where delays are beyond their control)
- after moving into a care recipient's home to provide a substantial level for that person for at least 14 consecutive days (care situation) and up to 2 years
- after leaving their home to enter a care situation and the home is not in a retirement village or aged care residence, or
- where they live in their own boat, caravan or a manufactured home in a lifestyle village and they pay site fees or mooring fees.

Eligibility for rent assistance when a person's principal home is a caravan (or manufactured home) is outlined in the table below.

Caravan (or manufactured home) and rent assistance

Income support recipient:	Rent assistance
Owns caravan they live in and the land it resides on	Ineligible for rent assistance
Owns caravan they live in and pay site fees	Generally eligible for **rent assistance**, depending on rent paid, relevant to their family situation
Rents, leases or hires caravan which resides on land they own	Maybe eligible, if they are not classified as ineligible homeowners and the land is not assessable as part of their principal residence. Centrelink will assess the facts of the scenario.

Disclaimer and important information

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.

10 SSA S13(1)