



**Australian Government**  
**Department of Veterans' Affairs**

## **Businessline**

**Action Required:** For information only

**To:**

*Assistant Secretary, Income Support Branch*

**Distribute to:**

Income Support Staff

**For information:**

Secretary  
Deputy President  
Deputy Secretaries  
First Assistant Secretaries  
Deputy Commissioners

**SUBJECT: INCENTIVISING PENSIONERS TO DOWNSIZE**

**Purpose:** To inform staff that the rules for assets test exemption and deeming of home proceeds will change for income support recipients who sell their principal home and plan to build or buy a new principal residence from 1 January 2023.

**Key Points:**

- From 1 January 2023, the assets test exemption on principal home sale proceeds that are intended to be used to acquire a new home will be extended from up to 12 months to up to 24 months to give pensioners more time to purchase or build their new home; and
- Only the lower deeming rate (current 0.25 percent) will be applied to the home sale proceeds intended to be used to acquire a new home during the exempt period.

**Background:**

Legislation to extend the assets test exemption period and apply only the lower deeming rate to principal home sale proceeds received Royal Assent on 29 November 2022, with the changes taking effect from 1 January 2023.

These changes aim to make downsizing easier for eligible veterans and their partners by reducing the impact of selling and buying a new principal home on their income support payment rates.

Currently, when a pensioner sells their principal home and intends to use the sale proceeds to buy or build a new home, the proceeds intended to be used to acquire a new home are exempt from the assets test for up to 12 months. The pensioner continues to be assessed as a homeowner for

this period, meaning they have the Low Asset Limit for working out their pension rate under the assets test.

When a person sells their principal home and intends to buy or build a new home, the usual deeming rules are applied to the exempt home sale proceeds under the income test. The high value of most homes means the bulk of the proceeds are deemed at the upper rate (currently 2.25 per cent). This can significantly impact a person's income support payment.

The changes will:

- Extend the assets test exemption on principal home sale proceeds that are intended to be used to acquire a new home from up to 12 months to up to 24 months to give people more time to purchase or build their new home; and
- Ensure only the lower deeming rate (currently 0.25 per cent) is applied to principal home sale proceeds intended to be used to acquire a new home during the exempt period.

**Legislation:**

The *Social Services and Other Legislation Amendment (Incentivising Pensioners to Downsize) Act 2022* received Royal Assent on 29 November 2022 with the changes commencing 1 January 2023.

**Communication:**

Questions and Answers have been provided to VAN staff to assist in answering client queries.

Articles on this measure have been published in VetAffairs, eNews, the DVA website. Posts have been added to DVA's social media accounts in the lead up to the commencement date of 1 January 2023.



Brian Eastman  
Acting Assistant Secretary  
Policy Development Branch  
Veteran and Family Policy Division

13 December 2022

## VAN Q&A – Incentivising Pensioners to Downsize

### What is the purpose of this measure?

This measure aims to make downsizing easier by reducing the impact of selling and buying a new principal home on a person's income support payment rate.

### What are the current rules regarding principal home sale proceeds and deeming?

#### Assets Test

- Currently, when a pensioner sells their principal home and intends to use the sale proceeds to buy or build a new home, the proceeds that are intended to be used to acquire the new home are exempt from the assets test for up to 12 months.
- The pensioner continues to be assessed as a homeowner for this period, meaning they have the Low Asset Limit for working out their pension rate under the assets test.
- Under extenuating circumstances, a 12 month extension is available so in such circumstances a person would be able to access a total of 2 years exemption.

#### Deeming Rates

- At present, when a person sells their principal home and intends to buy or build a new home, the usual deeming rules are applied to the exempt home sale proceeds under the income test.
- The high value of most homes means the bulk of the proceeds are deemed at the upper rate (currently 2.25 per cent). This can significantly impact a person's income support payment.

### What are the changes to principal home sale proceeds and deeming?

Subject to the passage of legislation, the proposed changes will:

- Extend the **assets test exemption** on principal home sale proceeds from up to 12 months to up to 24 months to give people more time to purchase or build their new home; and
- Ensure only the **lower deeming rate** (currently 0.25 per cent) is applied to principal home sale proceeds intended to be used to acquire a new home during the exempt period.

The exemption period may be extended by a further year in extenuating circumstances to a total of 3 years.

### **Does this affect me?**

If you are the recipient of a DVA income support pension, including an Age Pension administered by DVA, and you sell your principal home from 1 January 2023, the new rules for assets test exemption and deeming rates may apply to you.

If you sell your principal home before 1 January 2023, the current rules apply.

### **When will these changes take effect?**

The date of effect for this measure is 1 January 2023, after receiving Royal Assent on 29 November 2022.

### **What else may I need to consider?**

If you sell your home from 1 January 2023 and intend to use part or all of the proceeds to acquire a new home, whilst your home proceeds will be treated more favourably under the income test, they will still be deemed to be earning income at the lower deeming rate.

Regardless of how you invest the money, any funds you hold following the sale of your home will be subject to deeming rules.

### **What do I need to do?**

If you receive an income support payment from DVA and you sell your home, you must advise DVA within 14 days of settlement of the sale. You need to tell us how much you received for the sale of the home, whether you intend using the proceeds to acquire a new home and provide a full update of your financial situation.

If you are entitled to any exemption on sale proceeds that you intend to use to purchase a new home, DVA will apply this when working out your pension.

### **Where can I go for further information?**

DVA webpage 'Pension Rates, Limits and Allowances':

<https://www.dva.gov.au/financial-support/payment-rates/summary-pension-rates-limits-and-allowances>