



# **VETS Act Reform: Compensation offsetting & third-party recoveries**

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# Topics

Changes to VEA DCP offsetting

VEA DCP offsetting and grandfathering

How MRCA incapacity payments will affect VEA DCP

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# Changes to VEA DCP offsetting from 1 July 2026

The *Veterans' Entitlements, Treatment and Support (Simplification and Harmonisation) Act 2025* (VETS Act) commences on 1 July 2026

From 1 July 2026, the General Rate portion of the DCP will no longer be offset by periodic incapacity payments under the MRCA

These changes are enabled under a new section 30D(2A) of the VEA

# VEA DCP offsetting and grandfathering

The Disability Compensation Payment (DCP) under the VEA is offset or reduced when compensation is received from another source for the same incapacity.

Other sources of compensation include permanent impairment lump sums under the DRCA and incapacity payments under the DRCA and the MRCA.

Before 1 July 2026, both the General Rate and Above General Rate portion of the DCP is offset in respect of these payments.

However, from 1 July 2026, any DCP paid at the General Rate will no longer be offset by incapacity payments.

Other offsets resulting in reduction in the DCP that were in place before 1 July 2026 will be 'grand-fathered'.

For example, offsets in respect of DRCA permanent impairment lump sums will continue for life. Above General Rate DCPs offset in respect of incapacity payments will continue until age pension age when incapacity payments cease.

# How MRCA incapacity payments will affect VEA DCP

After 1 July 2026, if a person receives, or is receiving, a General Rate DCP and MRCA incapacity payments, the General Rate portion will not be offset by the MRCA incapacity payments.

Where a person receives, or is receiving, an Above General Rate DCP and MRCA incapacity payments, the Above General Rate portion of the payment is offset. The General Rate component that corresponds to the underlying degree of impairment and lifestyle ratings is not affected.

This will apply to those veterans receiving DRCA incapacity payments before 1 July 2026 who are transferred to the MRCA after 1 July 2026, and to all new accepted claims for MRCA incapacity payments after 1 July 2026.

These changes mean there will be no need to determine if MRCA incapacity payments are paid for the same incapacity or same condition as the VEA DCP for offsetting to apply.

# Above General Rate DCPs

Above General Rate DCPs under the VEA are:

- Special (TPI) Rate
- Temporary Special Rate (TTI)
- Intermediate Rate
- Extreme Disablement Adjustment (EDA)

# Example

A veteran is entitled to MRCA incapacity payments for the period 1 January 2024 to 30 September 2026 and is receiving a VEA DCP at 100% of the General Rate, effective from 1 January 2024:

Before 1 July 2026 - the VEA DCP is only offset if MRCA incapacity payments are paid for the same incapacity (same effects)

After 1 July 2026 – no offsetting of the VEA DCP will apply in respect of MRCA incapacity payments



# Example 2

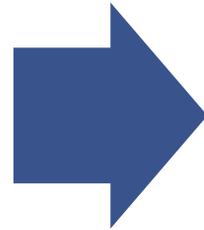
A veteran is entitled to DRCA incapacity payments for the period 1 January 2025 to 1 January 2027. The veteran also receives the Special Rate (TPI) Disability Compensation Payment under the VEA, effective from 1 January 2025. The veteran's incapacity payments automatically transfer to the MRCA on 1 July 2026. The TPI continues for life under 'grand-parenting' arrangements

**Before 1 July 2026** - the whole VEA TPI rate (the General and Above General rate portions) may be offset by DRCA incapacity payments, until MRCA incapacity payments cease

**After 1 July 2026** – only the Above General Rate portion of the TPI is offset by MRCA incapacity payments. The dollar amount for the underlying impairment and lifestyle ratings (incapacity) is not affected by MRCA incapacity payments. Any offset in place will cease when MRCA incapacity payments cease

# Third-party damages awards

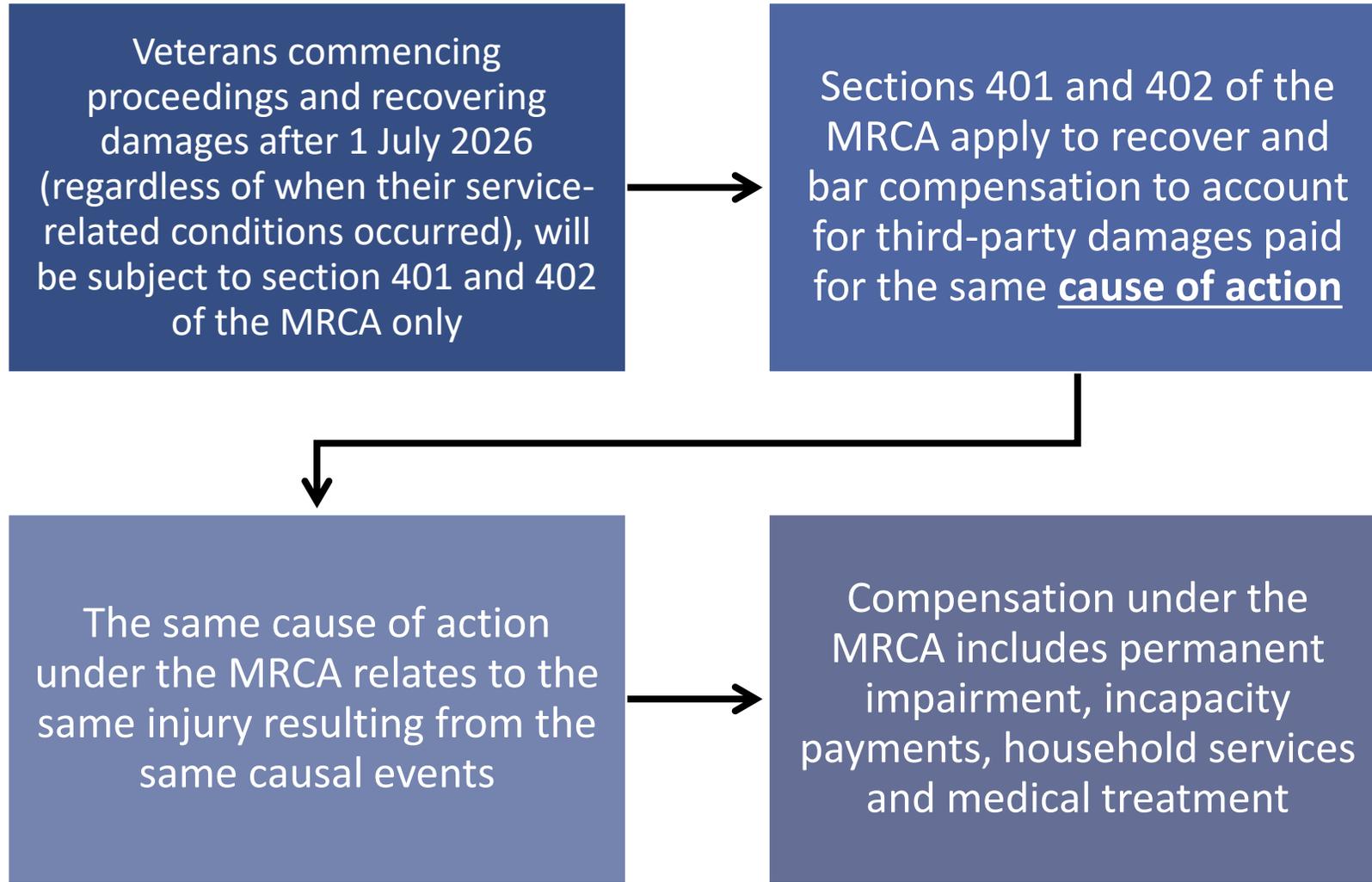
Currently, veterans receiving a VEA DCP or DRCA compensation who recover damages from a third-party, are subject to the respective compensation recovery provisions under those Acts



From 1 July 2026, the compensation recovery provisions under the MRCA will apply in specific circumstances\*, irrespective of whether compensation is paid under the MRCA, VEA or DRCA

*\* When veterans successfully recover damages from a third-party (other than the Commonwealth) after 1 July 2026, the MRCA compensation recovery provisions in sections 401 and 402 apply, regardless of when the claim proceedings commenced.*

# Compensation recovery under the MRCA



# Example

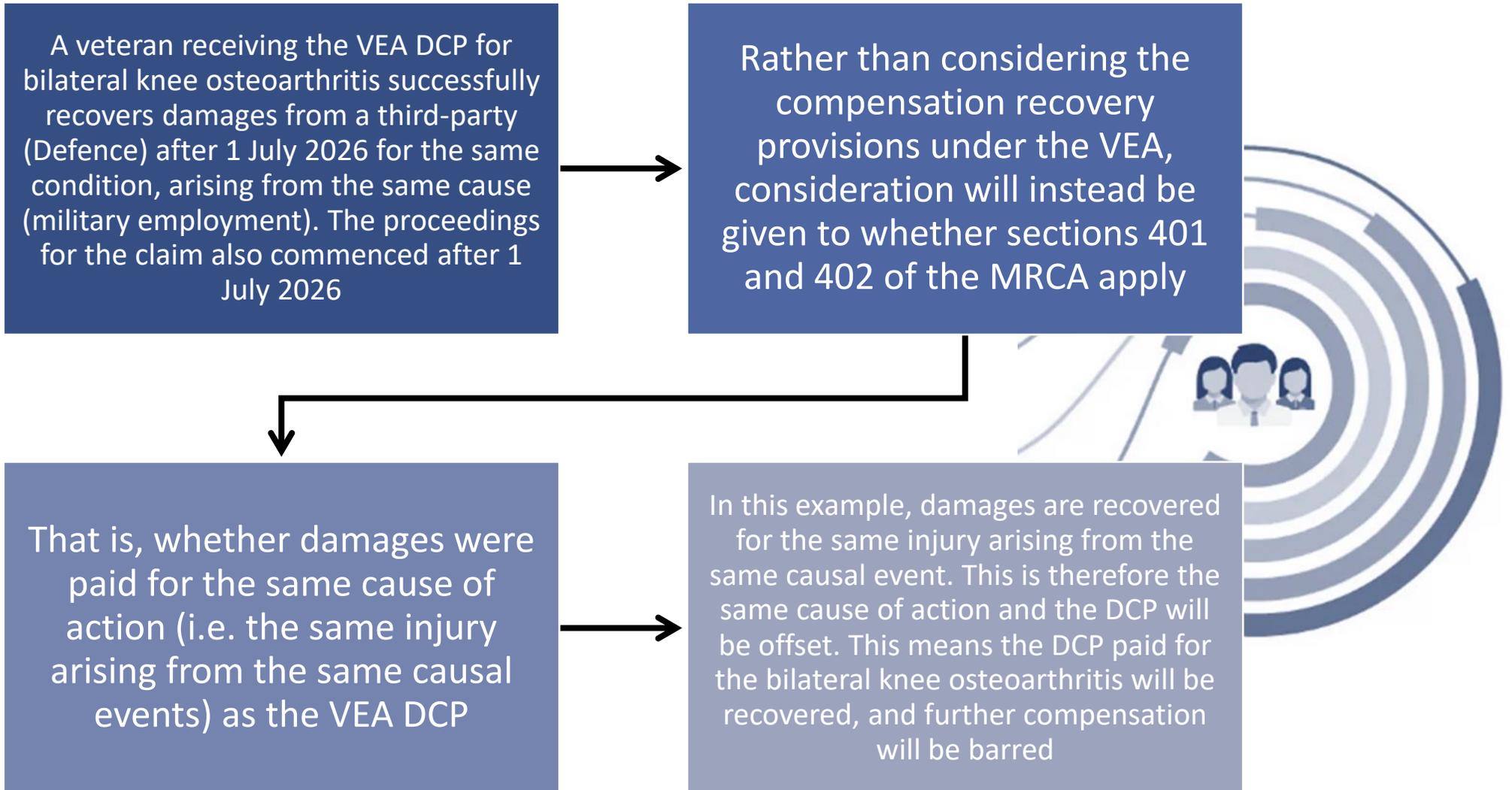
A veteran receiving the VEA DCP for a lumbar spine condition successfully recovers damages from a third-party after 1 July 2026 for a cervical spine condition arising from civilian employment. The proceedings for the claim also commenced after 1 July 2026

Rather than considering the compensation recovery provisions under the VEA, consideration will instead be given to whether sections 401 and 402 of the MRCA apply

That is, whether damages were paid for the same cause of action (i.e. the same injury arising from the same causal events) as the VEA DCP

In this example, damages are recovered for a different injury arising from different causal events. This is therefore a different cause of action and the DCP is not offset

# Example 2



*This scenario is for illustrative purposes in highlighting MRCA cause of action only and does not necessarily reflect a realistic scenario. This is because an action for damages against the Commonwealth after 1 July 2026 will likely be confined to an action for non-economic loss (rather than damages more broadly), and consequentially only permanent impairment compensation for the same injury under the MRCA or the DRCA will be barred as a result of that action.*

# Time to test your learning



# Quiz Question 1

From 1 July 2026, only the Above General Rate portion of the VEA Disability Compensation Payment will be offset by MRCA incapacity payments. True or False?

True

False

## Quiz Question 2

From 1 July 2026, the Above General Rate portion of the Disability Compensation Payment will only be offset by MRCA incapacity payments, if they are paid for the same condition. True or False?

True

False

# Quiz Question 3

When third-party damages are recovered after 1 July 2026 (in relation to proceedings that started after 1 July 2026) the VEA Disability Compensation Payment will be offset if:

(a) third-party damages are recovered for the same incapacity

(b) third-party damages are recovered for the same cause of action

(c) third-party damages are recovered for the same injury

# Resources:

Website

[www.dva.gov.au/legislationreform](http://www.dva.gov.au/legislationreform)

Email

[legislation.reform@dva.gov.au](mailto:legislation.reform@dva.gov.au)

