



Australian Government

Department of Veterans' Affairs

Transfer from DRCA to MRCA Incapacity Payments

Topics

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What the VETS Act does

From 1 July 2026, the VEA and the DRCA will be closed to new claims.

All new claims for compensation & rehabilitation, regardless of when a veteran served, or when their injuries or diseases occurred, will be determined under an improved MRCA.

Existing payments under the VEA and DRCA, except certain DRCA incapacity payments, will be grand-parented. This means they will continue uninterrupted and be indexed as normal.

Existing treatment arrangements for card holders will not change.

DRCA veterans may, for the first time, be eligible for treatment for any injury or disease via the Gold Card. They will also be eligible for SRDP under the MRCA



Grandparenting and what it means for veterans

The VETS Act will facilitate veterans' eligibility for a range of benefits available under the improved MRCA, even if their service was covered by the VEA or the DRCA prior to the commencement of the VETS Act on 1 July 2026.

Payments being received under the VEA and DRCA prior to 1 July 2026 will be grandparented, which means they will continue uninterrupted.

This includes all Disability Compensation Payments (including the Special Rate (TPI)).

Income support payments such as the Veteran Payment, Service Pension, Partner Service Pension and Income Support Supplement.

The one exception is for veterans in receipt of incapacity payments under the DRCA, which we will cover in this presentation.



What happens from 1 July 2026?

Those who are receiving certain DRCA incapacity payments *immediately before* 1 July 2026, will be transferred to MRCA incapacity payments

Immediately before means they are entitled to and receive payment for 30 June 2026

Those already in receipt of MRCA incapacity payments will experience no change

Veterans who have not been able to claim for incapacity payments previously, will now be able to claim

Undetermined DRCA incapacity claims at 1 July 2026 will be determined under the MRCA



Comparison: MRCA vs DRCA incapacity payments

Remuneration loading

- Additional loading included in payments for those injured in Permanent Forces and CFTS service

ADF pay increases

- ADF component of payments increased in line with ADF pay increases and changes rather than WPI

Superannuation contribution

- Payments do not include an additional deduction of 5% of normal earnings as a superannuation contribution

Service status

- Payments are calculated differently for serving members compared to discharged members

Injured during Permanent Forces and CFTS



Full-time rank and pay grade has already been established under the DRCA.

Depending on when the veteran discharged, ADF pay restructures may need to be applied.

Discharged veterans will receive Remuneration loading.

Payments will now be indexed in line with ADF pay increases, which commonly occur in November each year.

Normal Weekly Hours are different under DRCA compared to the MRCA. This is relevant to the adjustment percentage.



Injured during Part-time Reserves

Reserve (rank and pay grade and average days) and civilian earnings has already been established under the DRCA.

Depending on when the veteran discharged, ADF pay restructures may need to be applied.

No remuneration loading

Reserve pay will now be indexed in line with ADF Pay Increases, which commonly occur in November each year.

Any civilian component of Normal Earnings will remain as is and will continue to be indexed in line with WPI on 1 July each year



Allowances

Pay-related allowances form part of the overall NE calculation under the MRCA.

DRCA allowances that were paid on the basis that a veteran had specific skills were included in incapacity payment calculations indefinitely.

MRCA allowance end dates are determined following advice from the Chief of the Defence Force.

Defence restructures have changed the allowance rules over the years which may mean that some allowances have been abolished.

Example - George

George resigned from the RAAF in 2005 after completing more than 20 years service as a full-time serving member. He was paid as a Corporal 5/2 at time of discharge and received a DFRDB retirement pension and commutation of \$96,456.70. George has been in receipt of DRCA incapacity payments since 2008. Comparing his entitlement at 1 July 2025 he would receive:

DRCA

Normal Weekly Earnings @ 100% = \$1,917.45
Normal Weekly Earnings @ 75% = \$1,438.08
minus superannuation pension \$492.55
minus superannuation lump sum \$60.54
Minus 5% superannuation contribution \$95.88

Weekly incapacity Payment **\$789.11**

MRCA

(ADF salary \$1,975.36 + Remuneration allowance \$198.04)
Normal Earnings @ 100% = \$2,173.40
Normal Earnings @ 75% = \$1,630.05
minus superannuation pension \$492.55
minus superannuation lump sum \$97.43

Weekly incapacity payment **\$1,040.07**

Note: Comparison examples are calculated as at 1 July 2025 as it is not possible to predict payment increases that will occur prior to 1 July 2026

Example - Michelle

Michelle was medically discharged from the Army in 1998. She has been in receipt of DRCA incapacity payments since 2003. Her current equivalent rank and pay grade is Lieutenant 3/3. Comparing her entitlement at 1 July 2025 she would receive:

DRCA

Normal Weekly Earnings @ 100% = \$1,872.44
Normal Weekly Earnings @ 75% = \$1,404.33

Weekly incapacity Payment **\$1,404.33**

MRCA

(ADF salary \$2,074.93 + Remuneration allowance \$198.04)
Normal Earnings @ 100% = \$2,272.97
Normal Earnings @ 75% = \$1,704.73

Weekly incapacity payment **\$1,704.73**

Note: Comparison examples are calculated as at 1 July 2025 as it is not possible to predict payment increases that will occur prior to 1 July 2026

Example - Joe

Joe was medically discharged in 1993 with his current equivalent rank and pay grade being Corporal 5/2. He received an MSBS invalidity pension following his discharge. Joe is currently working 28 hours per week and earns \$933.24 per week for this work. Comparing his entitlement at 1 July 2025 he would receive:

DRCA

Normal Weekly Earnings @ 100% = \$1,770.31
Normal Weekly Earnings @ **95%** = \$1,681.80
minus superannuation pension \$200.39
minus superannuation contribution \$88.52
minus earnings \$933.24

Weekly incapacity Payment **\$459.65**

MRCA

(ADF salary \$1,975.36 + Remuneration allowance \$198.04)
Normal Earnings @ 100% = \$2,173.40
Normal Earnings @ **90%** = \$1,956.06
minus superannuation pension \$200.39
minus earnings \$933.24

Weekly incapacity payment **\$822.43**

Note: Comparison examples are calculated as at 1 July 2025 as it is not possible to predict payment increases that will occur prior to 1 July 2026

Changes to offsetting under the VEA

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.

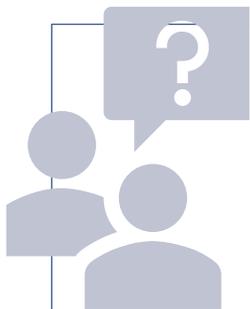


This will apply to those veterans receiving DRCA incapacity payments before 1 July 2026 who are transferred to the MRCA after 1 July 2026, and to all new accepted claims for MRCA incapacity payments after 1 July 2026.

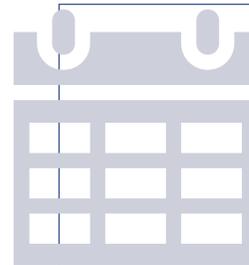


These changes mean there will be no need to determine if MRCA incapacity payments are paid for the same incapacity or same condition as the VEA DCP for offsetting to apply.

Who will not transfer to MRCA



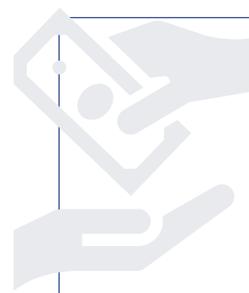
Former employees will not be transitioned to the MRCA and will instead only be entitled to their DRCA compensation.



Former employee means a veteran who, immediately before the commencing day of the SRCA on 1 December 1988, was receiving weekly payments of compensation under the 1971 Act in respect of an injury resulting in an incapacity and who had discharged from their ADF employment.



Former employees are treated differently depending on whether they are under or over age pension age. Those over age pension age have their entitlement 'frozen' so that there are no further changes from that date and this rate is payable until death.



Their payments will be grandparented and continue to be indexed as normal, where applicable.



When will transition occur

DRCA recipient's incapacity payments will be calculated under the MRCA effective from 1 July 2026

However...

Limitations in DVA systems, and the requirement for the veteran to receive DRCA incapacity payments immediately before commencement mean that payments will be recalculated after 1 July 2026.

First payment under the MRCA will occur on paydays 16 and 30 July, however some payments may take longer.

Calculations will be backdated to commencement date.

Undetermined DRCA incapacity appeals may affect transition.

Time to test your learning



Quiz Question 1

What are the key benefits for a DRCA incapacity recipient rolling to MRCA incapacity payments?

(a) the removal of the 5% superannuation contribution deduction.

(b) the inclusion of Remuneration loading.

(c) indexation in line with ADF pay increases.

(d) all of the above

Quiz Question 2

Following the transition to MRCA incapacity payments when are recipients likely to receive any indexation to the ADF component of their Normal Earnings?

(a) in line with current ADF increases, usually around November each year.

(b) in line with current Statutory Rate Increases, 1 July each year.

(c) at the same time as Commonwealth superannuation indexations.

Quiz Question 3

True or False. Former employees under the DRCA do not move to the MRCA provisions post 1 July 2026?

(a) true

(b) false

Quiz Question 4

True or False. Current MRCA incapacity recipients will have their payments changed as part of the VETS Act implementation?

(a) true

(b) false

Resources:

Website

www.dva.gov.au/legislationreform

Email

Legislation.reform@dva.gov.au

