

# Reporting Your Income to Centrelink

"Income" does not mean the same thing for social security as it does for tax purposes. In social security law, the starting assumption is that everything you receive may be considered income. This Fact Sheet will explain those differences.

## What does "Income" Mean to Centrelink?

- An amount you earn, derive or receive for your own use or benefit, or
- A periodical payment or benefit you receive as a gift or allowance

The Social Security Act defines "income" as: "valuable consideration, personal earnings, moneys or profits (whether of a capital nature or not) that is earned, derived or received by the person for the person's own use or benefit". For example, wages, interest from investments, rent paid to you and royalties. There are specific exemptions for certain types of income (Social Security Act 1991 Section 8(1)).

"Income" also means different things under the Social Security Act and the Family Assistance Act. The definition used in the Family Assistance Act is closer to the definition used by the Australian Tax Office. This means that parents have to be particularly careful to keep Centrelink properly informed about their income when they are receiving both Family Tax Benefit and an allowance.

## Basic Income Reporting Requirements

Generally, if you receive a Centrelink payment, you must report your income every fortnight, unless you are exempt from this requirement. For example, you may be exempt because you are not currently working.

If you are paid the same amount by an employer every fortnight, you can arrange for this to be taken into account and not have to report your income every fortnight when receiving Newstart Allowance or another payment. You must make sure you let Centrelink know within 14 days if your income changes.

Family Tax Benefit income reporting works differently to other payments. Payments are calculated on the basis of an annual income estimate. You need to let a Family Assistance Officer (Centrelink) know within 14 days if your circumstances change and your income estimate is no longer accurate or reasonable.

**I don't think my partner earns enough to bother reporting their income to Centrelink...**

You must report all income, including your partner's, even if you believe it will not affect your payment. If you end up with a debt and there is evidence that you did know or you should reasonably have known that you were not entitled to the rate of payment you received, you may be at risk of prosecution. See the "Prosecution of Social Security Offences" factsheet for more information.

**I'll only be earning extra income for a couple of weeks and it won't matter at the end of the year...**

You must report all income, even if you believe it will not affect your payment. If you end up with a debt and there is evidence that you did know or you should reasonably have known that you were not entitled to the rate of payment you received you may be at risk of prosecution. See the "Prosecution of Social Security Offences" factsheet for more information.

If you under-report your income one fortnight, it doesn't work to try and "even things out" by over-reporting the next fortnight. You might still end up with a debt as your payment is calculated each fortnight on the basis of your earnings on that specific fortnight. Each

fortnight matters. It is not like reporting income for your tax return, which is only based on your annual income. Your payment rate is reduced each fortnight if you earn over the income test threshold. There is also a maximum amount you can earn each fortnight and still receive a payment.

If you under-reported by mistake, you can tell Centrelink and they will amend your record. A small debt might be raised but it will just be taken out of your regular payments. You can negotiate with Centrelink to make sure these withholdings do not place you in financial hardship.

If you think you might have been overpaid a significant amount, make sure you are now reporting your income correctly and seek advice from BRQ.

### **I have reported my take-home pay amount and not the gross amount- it was an honest mistake**

You may have been overpaid. You must report your gross income to Centrelink. Gross Income is your total personal income before tax and any other deductions are made. It is not the amount you take home.

If it only happened for a few fortnights, you can tell Centrelink and they will amend your record. A small debt might be raised and it will simply be taken out of your regular payments. You can negotiate with Centrelink to make sure these withholdings do not place you in financial hardship.

If you think you might have been overpaid a significant amount, make sure you are now reporting your income correctly and get advice from BRQ.

### **Centrelink won't know if I'm not reporting correctly...**

Centrelink has data sharing arrangements with the Australian Tax Office and other bodies. If there is a discrepancy between records held by Centrelink and other departments they share data with, you may be investigated and, if you have been overpaid, then a debt will be raised.

Centrelink sends you a letter once every three months summarising the payments they have made to you and the income and asset information they used to determine the rate being paid.

- You need to read these letters carefully and make sure that all the information is correct and that nothing is missing.
- If Centrelink accidentally pays you more than you were entitled to and there was information in this letter that should have alerted you to the fact that a mistake had been made, and you did not follow up the error with Centrelink, then you are likely to have to repay the money **even though** it was Centrelink's mistake in the first place.

### **I am about to receive a one-off payment, do I have to tell Centrelink?**

Different types of income are assessed in different ways. Income from work generally affects you only for the fortnight in which you earned it.

Lump sum income such as a commission or gambling income is assessed for a period of 12 months from when it is received. The lump sum is divided evenly across the 26 fortnights after you received it and is considered along with other income affecting your rate of payment under the ordinary income test every fortnight. This means that these types of income can continue to affect your payment long after you have received and spent it.

Lump sum incomes that you receive which can't be reasonably expected to be received or repeated, and which do not represent payment for services are exempt. For example, earnings like one-off gifts (but not regular allowances), inheritances and lottery wins that you receive as a lump sum (but not lottery wins that are paid to you periodically).

- Even if money is exempt from the income test when you receive it, it is still a financial asset and financial assets, such as money in the bank, generate "deemed income" which can affect your payment under the income

test. You can find further information about “deeming” on the Centrelink website.

Compensation payments are not assessed in the same way as other types of income. The rules about how to assess compensation payments are more complicated. See the factsheet “[Compensation Preclusion Periods](#)”.

### Do I have to tell Centrelink about exempt income?

Even though some types of income are exempt from assessment, receiving this income counts as a “change in circumstances” so you still have an obligation to tell Centrelink about it within 14 days.

If you tell Centrelink about income and they tell you that it won’t affect your payment, make sure you get a receipt number of this conversation.

- This is important because, if the person you are speaking with makes a mistake, you might still have to repay money if you are overpaid.
- Having proof that you told Centrelink about the income and received incorrect advice about it may help to get a debt waived in some circumstances.

### I gamble- my winnings aren't counted as income- are they?

While one-off lottery wins are usually exempt from assessment under the income test, if you gamble and win, then this may be assessable as lump sum income which will affect you for a period of 12 months (26 fortnights) from when you receive it.

It is important to remember that gambling losses and the price of the bet are not offset against wins – each individual win is assessed without any deductions for losses.

There is no clear guideline in Centrelink policy about how often you would need to be winning for your wins to be assessed as income. Strictly speaking, you should keep Centrelink informed about your gambling activities, in order to avoid a debt.

### I think I've been paid too much and I'm worried I'll get prosecuted. If I can manage to pay off the debt, they won't charge me, will they?

Centrelink doesn’t decide whether you will be prosecuted – the Office of the Director of Public Prosecutions does. You can’t avoid being prosecuted by paying all the money back.

Most prosecutions relate to receiving a Centrelink payment where the person did know, or should have reasonably known, that they weren’t entitled to all that they were receiving.

If you’re prosecuted and you’ve made reasonable arrangements to pay the money back, this might be relevant to the Court’s decision about sentencing. However, you should seek legal advice from a criminal lawyer before making a payment.

### Ways to avoid debts and prosecution

- Report your gross income every fortnight
- Report your partner’s income accurately
- Let Centrelink know about any changes of circumstances within 14 days
- Read your 3 monthly/quarterly statements and contact Centrelink if any part of the statement seems incorrect or unclear
- Always get a receipt number
- Make diary notes of your conversations with Centrelink

You can also communicate with Centrelink in writing by sending letters to Centrelink, Reply Paid 7800, Canberra BC ACT 2610. It is best if you can keep a copy of your letter or send it by registered post if you can afford it. You can also send messages of up to 250 words to Centrelink via their website – you will be given a receipt number which you should record along with the date and time you sent the message.

## For More Information

### General Centrelink Reporting Information:

<http://www.humanservices.gov.au/customer/enablers/centrelink/centrelink-online-services/reporting-employment-income>

### BRQ Fact Sheets

[Debts - what to do if you have a Social Security Debt](#)

[Compensation Preclusion Periods](#)

### Please note:

This Fact Sheet contains general information only. It does not constitute legal advice. If you need legal advice please contact Basic Rights Queensland (BRQ) on **07 3421 2510** or if outside of Brisbane on **1800 358 511**.

BRQ is a community legal centre, which provides specialist advocacy and legal services in Social Security and Disability Discrimination in employment law, administration and policy.

We are independent of Centrelink and all assistance is free.

*This Fact Sheet was updated in July 2016*

[www.brq.org.au](http://www.brq.org.au)