

Work Bonus



In the 2009 Federal Budget, the government announced a number of reforms to the pension system as part of the Secure and Sustainable Pension reforms. This included the introduction of the Work Bonus.

What is the Work Bonus?

The Work Bonus is an incentive for pensioners over age pension age to participate in the workforce.

Under the Work Bonus, half of the first \$500 of fortnightly employment income will be disregarded from the income test for pensioners over age pension age. This means the maximum that can be disregarded is \$250. This is in addition to the normal allowable income free area.

Who is eligible for the Work Bonus?

All pensioners over age pension age (other than recipients of Parenting Payment Single) are eligible for the Work Bonus if they have employment income.

What sort of income is disregarded?

The Work Bonus will apply to income from employment, including:

- wages paid in Australia and outside Australia, **and**
- director's fees.

In most cases, Centrelink will calculate the Work Bonus using the employment income that is earned in the fortnight before the pension is payable.

What sort of income is not disregarded?

The Work Bonus will not be applied to income from:

- leave payments
- payments to a principal from sole traders or partnerships
- investments
- superannuation income.

How do I get the Work Bonus?

You do not need to apply for the Work Bonus but you will need to keep Centrelink up to date with your earnings. If you receive eligible employment income, Centrelink will automatically recognise this and include it in your assessment.

Does my partner get a Work Bonus as well?

Your partner's earnings will only attract the Work Bonus if they are over age pension age and on a pension.

If your partner is over age pension age and receives employment income and a pension, the Work Bonus will reduce their assessable income.

For each member of a couple, Centrelink will assess employment income and apply the Work Bonus. Any other income received is added. The total amount will affect each member of the couple equally under the income test.

Therefore, if you are eligible for the Work Bonus but your partner is not, they may still benefit from the effect of your Work Bonus.

What happens if I am paid a transitional rate?

A transitional rate of pension will protect the entitlements of existing pensioners at 19 September 2009 who would have incurred a payment reduction as a result of the changes to the pension system. See *Transitional Rates of Pension* factsheet.

The transitional rate of pension is calculated using the old pension income test rules that were in place on 19 September 2009 and the Work Bonus is not included in the transitional rate calculation.

Do I tell Centrelink my actual earnings or the amount after the Work Bonus?

You should continue to advise Centrelink of your gross earnings. Centrelink will automatically deduct the correct amount under the Work Bonus before applying the relevant income test.

Example

Jim is a single Age Pensioner. He has income from investments of \$200 a fortnight. He has a casual job and has reported that in the last fortnight he earned \$1000. Centrelink disregards half of the first \$500 of his earnings. Therefore only \$950 is used in calculating his pension rate. Jim's pension is reduced by \$404 instead of \$529 if the Work Bonus was not applied. His pension is \$125 more this fortnight than it would have been with no Work Bonus.

Comparison	With no Work Bonus	With Work Bonus
Total income	$\$1000 + \$200 = \$1200$	$(\$1000 - \$250) + \$200 = \950
Less Income Free Area	$\$1200 - \$142 = \$1058$	$\$950 - \$142 = \$808$
Deduction at 50 cents in the dollar	$\$1058 \times 0.5 = \529	$\$808 \times 0.5 = \404

Example

Melissa is 69 and receives Carer Payment as she cares for her partner Paul who receives Disability Support Pension. They receive joint income of \$1200 a fortnight from an investment property. Melissa does some work from home and has reported that in the last fortnight she earned \$400 and that Paul did not work.

Centrelink disregards \$200 of Melissa's income under the Work Bonus. Paul had no income so has no Work Bonus of his own. Melissa's assessable earnings and their joint income add up to \$1400. This combined amount affects each of them equally.

Their pensions are each reduced by \$288 instead of \$338 if the Work Bonus was not applied. Their pensions are \$50 more each this fortnight than they would have been with no Work Bonus.

Comparison	With no Work Bonus	With Work Bonus
Combined total income	$\$400 + \$1200 = \$1600$	$(\$400 - \$200) + \$1200 = \1400
Less combined income free area	$\$1600 - \$248 = \$1352$	$\$1400 - \$248 = \$1152$
Individual deduction at 25 cents in the dollar	$\$1352 \times 0.25 = \338	$\$1152 \times 0.25 = \288

How to contact us

Information about the changes to the pension system is available from www.centrelink.gov.au. If you want to talk to someone about how these changes may affect you, call the Centrelink retirement line on **13 2300**.

You can also ask to talk, free of charge, to a Financial Information Service officer about options with your savings, investments and related arrangements by calling the same number.

For more information

Go to our website at www.centrelink.gov.au

Retirement **13 2300**

Disability and Carers **13 2717**

Ask at a Centrelink Customer Service Centre

Financial Information Service **13 2300**

**Financial Information Service
seminar bookings** **13 6357**

Centrelink International Services **13 1673**

Looking for work **13 2850**

Parent or guardian **13 6150**

**To speak to Centrelink in languages
other than English** **13 1202**

**Australian Government Services Fraud
and Tip-off line** **13 1524**

Customer Relations **Freecall™ 1800 050 004**

TTY* enquiries **Freecall™ 1800 810 586**

*TTY is only for people who are deaf or have a hearing or speech impairment. A TTY phone is required to use this service.

Disclaimer

The information contained in this publication is intended only as a guide. The information is accurate as at September 2009. If you use this publication after that date, please check with Centrelink that the details are current.