

Termination payments and Centrelink

This fact sheet explains how termination payments, such as unused leave and redundancy payments, affect your eligibility for social security payments.

This factsheet provides general information only. It is not legal advice. If you need legal advice, you can contact your local social security rights service, which you can find from our website at www.nssrn.org.au.

Income maintenance periods

If you leave a job and are paid out for unused leave or redundancy your eligibility for Centrelink payments may be affected.

Centrelink will look at the amount you were paid out and will calculate an “income maintenance period”. Depending on the amount you received, this may reduce your fortnightly social security payment to nil until the income maintenance period ends. It may also affect your partner’s social security payment.

Generally, the income maintenance period starts from the date you receive your payment and lasts for as many weeks as you were paid out. For example, if you were paid out three weeks of annual leave, the period will be three weeks long. If you have been paid out on an unusual basis, such as a seven day week rather than a five day week, it is very important to make sure Centrelink are aware of this so it can do the correct calculation.

Most income maintenance periods are short, but some can be very long if you receive a large payout such as a substantial redundancy.

Income maintenance periods do not apply to all social security payments. For example, they do not apply to age pension or the carer payment.

What to do if you receive a termination payment

It is really important to make your redundancy money last until you are eligible for social security payments. There are rules for shortening (“waiving”) income maintenance periods, discussed below, but they are very strict and most income maintenance periods aren’t waived.

If you receive a termination payment and do not know if you have a new job to go to, **the best thing to do** is to go to Centrelink and claim for a social security payment. Centrelink will calculate your income maintenance period (and any other waiting periods that apply) and advise you in writing of the date from which you can be paid.

This is important because it will help you budget and make the money last if you know in advance how long the income maintenance period will be.

What to do if you do run out of money

You have two main options:

- Request waiver of your income maintenance period, and/or
- Claim special benefit.

You can do both.

The rules for both of these options are complex so it is a good idea to get legal advice from one of our member organisations to help you decide what to do. The following is a basic overview.

Waiver

Waiving basically means shortening the period, that is, ending it early.

You can ask Centrelink to waive some or all of the income maintenance period. It is best to do this by lodging a claim for a social security payment such as newstart allowance and asking for waiver at the same time. Then, if the income maintenance period is not waived, ask for a review by an Authorised Review Officer. If you don't lodge a claim you may miss out on back pay.

An income maintenance period may only be waived if you are in severe financial hardship because of unavoidable or reasonable expenses.

Severe financial hardship means that you have less liquid assets (such as money in your bank account) than the fortnightly amount of social security payment you would receive (including any rent assistance or pharmaceutical allowance) if it wasn't for the income maintenance period. This can be as little as about \$530 in savings for a single person.

Unavoidable or reasonable expenditure does not mean you have to show that literally all of your spending was unavoidable or reasonable, just so much of it was that you are in hardship as a result.

Some spending is accepted to be unavoidable or reasonable, such as:

- Essential repairs to car, home or basic appliances such as a fridge
- School expenses
- Essential medical expenses
- Car registration

Ordinary living expenses such as rent, mortgage, food or power bills are also counted (but Centrelink only allows ordinary living expenses up to the amount of newstart allowance you would receive if there was no income maintenance period).

The rate of newstart allowance is low, so this means for many people most of their ordinary living expenses can't be counted, which is one reason why it is very difficult to have the income maintenance period waived.

Centrelink can decide other spending was unavoidable or reasonable taking into account your particular circumstances, so make sure you explain why you think the spending was unavoidable or reasonable.

Large discretionary spending such as a holiday can be a problem. However, if you do have this kind of spending it may be important to explain whether you were aware of the income maintenance period at the time you spent the money or not.

Collecting evidence

It is very important to collect evidence to help support a request for waiver. This should include:

- Evidence showing you are in severe financial hardship, such as your current bank account
- Evidence showing how you spent the money, such as your bank statements, or receipts
- Evidence about anything affecting your decisions, such as a letter from your GP about your mental health at the time.

Claiming special benefit

You can also lodge a claim for a social security payment called special benefit. You can do this at the same time as requesting waiver of the income maintenance period. Special benefit is a discretionary payment for people who are unable to support themselves for reasons beyond their control.

It is unusual to claim special benefit in this situation (so the person you speak to at Centrelink might not realise that you can) but you **are** entitled to claim special benefit during an income maintenance period. Call your local social security rights service for help if you are having trouble lodging a claim.

Appeals

You can appeal against Centrelink's decision to refuse waiver of your income maintenance period and/or a claim for special benefit. There is a factsheet about appealing Centrelink decisions on our website.