

EXPLANATORY STATEMENT

Issued by the authority of the Minister for Social Services

Social Security Act 1991

Social Security (Deeming Threshold Rates) Determination 2025

Purpose

The *Social Security (Deeming Threshold Rates) Determination 2025* (the Determination) sets out the below threshold and above threshold rates determined by the Minister for the purpose of calculating income from financial assets under section 1082 of the *Social Security Act 1991* (the Act).

The effect of the Determination is to determine the below threshold rate as 0.75 per cent, and the above threshold rate as 2.75 per cent, for the purpose of calculating income from financial assets under Division 1B of Part 3.10 of the Act.

Background

The Act prescribes rules for calculating income from financial investments, for the purposes of the social security income test. Under these rules, the value of a person's financial assets is added together and income is deemed on these assets using a 'below threshold rate' and an 'above threshold rate'. These rates are generally known as the 'deeming rates'.

The deeming rates assume that financial investments are earning a certain rate of income, regardless of the amount of income they are actually earning. If a person earns more than these rates, the extra income is not assessed.

Where available investment returns are low, the deeming rates are set lower to reflect that income support recipients can earn less from their financial investments and therefore should have less income assessed under the income test. Conversely, where available investment returns are high, the deeming rates are generally set higher to reflect that social security recipients' financial investments can earn higher returns, and as such, more income should be assessed under the income test.

The last change to the deeming rates occurred on 1 May 2020, as part of the early economic response to the COVID-19 pandemic. The *Social Security (Deeming Threshold Rates) Determination 2020* (the 2020 Determination) set the below threshold rate as 0.25 per cent and the above threshold rate as 2.25 per cent.

To ease cost of living pressures for pensioners and other income support recipients at a time when inflation had started to rise following the pandemic, the deeming rates were subsequently frozen at these levels until 30 June 2025.

From 1 July 2025, the first:

- \$64,200 of a single recipient's total financial assets;
- \$106,200 of a pensioner couple's total combined financial assets; and
- \$53,100 of each member of a couple's (other than a pensioner couple), financial assets,

are deemed to earn the below threshold rate, and any financial assets over this amount are deemed to earn the above threshold rate. These thresholds are determined under section 1081 of the Act and indexed by movements in the Consumer Price Index on 1 July each year.

Outside the context of the emergency response to the pandemic and the deeming rate freeze, the deeming rates are subject to continuous review to ensure they reflect the investment returns that pensioners and other income support recipients can reasonably access on their investments. When setting the deeming rates, a wide range of investment indicators are taken into account. These include, but are not limited to:

- returns on safe, accessible investments such as transaction accounts, savings accounts, and short-term term deposits;
- returns on longer-term investments, such as long-term term deposits;
- dividend yields from shares; and
- returns on some forms of superannuation (such as account-based).

The Government has committed to gradually returning the deeming rates to pre-pandemic settings by aligning them with reasonably available investment returns. Changes to the deeming rates will occur at the same time as indexation of social security pensions and benefits, on 20 September and 20 March each year, and increases will be staged to allow time for affected recipients to adjust.

In line with this commitment, it is considered appropriate to increase the below threshold rate to 0.75 per cent and the above threshold rate to 2.75 per cent, effective from 20 September 2025. This is an incremental increase of 50 basis points to each deeming rate that leaves the deeming rates below the levels of return reasonably available in the current economic environment.

As a result of the increase in the below and above threshold deeming rates, the Determination will decrease the income support payment rates of some recipients with financial assets from 20 September 2025.

The Government has also announced the Australian Government Actuary will take on the role of recommending future deeming rates. The Minister will retain the power to make adjustments, including during exceptional circumstances or events.

The social security deeming rates also apply to the income test for income support payments under the *Veterans' Entitlements Act 1986*, and as part of

the assessment of a person's capacity to make co-contributions toward the cost of in-home and residential aged care under the *Aged Care Act 1997* and the *Aged Care Act 2024*.

The 2020 Determination is repealed and replaced by this Determination.

Authority

The Determination is made under section 1082 of the Act.

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power is construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument. In repealing the 2020 Determination, the Minister is relying on this provision in conjunction with section 1082 of the Act.

The Determination is a legislative instrument for the purposes of the *Legislation Act 2003* and is disallowable.

Commencement

The Determination commences on 20 September 2025.

Consultation

The Minister for Social Services publicly announced changes to deeming rates on 20 August 2025.

The Department of Social Services consulted the following agencies on the intention to make this Determination:

- Services Australia, given the impact on income support payments administered by that agency.
- The Department of Veterans' Affairs, given the social security deeming rates also apply under the *Veterans' Entitlements Act 1986*.
- The Department of Health, Disability and Ageing, given the social security deeming rates are used as part of the assessment of a person's capacity to make co-contributions for in-home and residential aged care under the *Aged Care Act 1997* and the *Aged Care Act 2024*.

These agencies supported the Determination being made.

Impact Analysis

The Office of Impact Analysis (OIA) has been consulted and advised that an impact analysis is required. Further information is available on the OIA website.

Availability of independent review

A decision made under the social security law, as informed by the Determination, is subject to internal and external review under Parts 4 and 4A of the *Social Security (Administration) Act 1999*.

Explanation of the provisions

Details of the *Social Security (Deeming Threshold Rates) Determination 2025*

Section 1 – Name

Section 1 states how the Determination is to be cited, that is, as the *Social Security (Deeming Threshold Rates) Determination 2025*.

Section 2 - Commencement

Section 2 specifies that the Determination commences on 20 September 2025.

Section 3 – Authority

Section 3 provides that the Determination is made under section 1082 of the *Social Security Act 1991*.

Section 4 – Definition

Section 4 contains a definition of a term used in the Determination.

Act is defined to mean the *Social Security Act 1991*.

Section 5 – Schedules

Section 5 provides that each instrument that is specified in a Schedule to the Determination is amended or repealed as set out in the applicable items in the Schedule concerned, and any other item in a Schedule to the Determination has effect according to its terms.

Section 6 – Below Threshold Rate

Section 6 provides that for subsection 1082(1) of the Act, the below threshold rate for Division 1B of Part 3.10 of the Act is 0.75 per cent.

Section 7 – Above Threshold Rate

Section 7 provides that for subsection 1082(2) of the Act, the above threshold rate for Division 1B of Part 3.10 of the Act is 2.75 per cent.

Schedule 1 - Repeals

Item 1 of Schedule 1 repeals the *Social Security (Deeming Threshold Rates) Determination 2020*.

The Determination is intended to remake the 2020 Determination.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*

Social Security (Deeming Threshold Rates) Determination 2025

The *Social Security (Deeming Threshold Rates) Determination 2025* (the Determination) is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the legislative instrument

The Determination sets out the below threshold and above threshold rates determined by the Minister for the purpose of calculating income from financial assets under section 1082 of the *Social Security Act 1991* (the Act).

The effect of this Determination is to determine the below threshold rate as 0.75 per cent, and the above threshold rate as 2.75 per cent, for the purpose of calculating income from financial assets under Division 1B of Part 3.10 of the Act.

From 1 July 2025, the first:

- \$64,200 of a single recipient's total financial assets;
- \$106,200 of a pensioner couple's total combined financial assets; and
- \$53,100 of each member of a couple's (other than a pensioner couple), financial assets,

are deemed to earn the below threshold rate, and any financial assets over this amount are deemed to earn the above threshold rate. These thresholds are determined under section 1081 of the Act and indexed by movements in the Consumer Price Index on 1 July each year.

The deeming rates assume that financial investments are earning a certain rate of income, regardless of the amount of income they are actually earning. If a person earns more than these rates, the extra income is not assessed.

As a result of the increase in the below and above threshold deeming rates, the Determination will decrease the income support payment rates of some recipients with financial assets from 20 September 2025.

Human rights implications

The Determination engages the right to social security and the right to an adequate standard of living.

Article 9 of the International Covenant on Economic, Social and Cultural Rights (ICESCR) recognises the right to social security and requires a social

security scheme to be established under domestic law that provides a minimum essential level of benefits to all individuals and families that will enable them to acquire at least essential health care, basic shelter and housing, water and sanitation, foodstuffs, and the most basic forms of education.

Article 11 of the ICESCR recognises the right to an adequate standard of living, which provides that everyone is entitled to adequate food, clothing and housing and to the continuous improvement of living conditions.

This Determination has been created to ensure fair and equitable means test outcomes for recipients of income support who hold financial assets.

The changes to the deeming rates made by the Determination improve the consistency and fairness of social security means testing, and begin restoring the deeming rates to their intended function of reflecting the investment returns reasonably available to income support recipients. When the deeming rates are set disproportionately below the level of investment return reasonably available in the market, recipients with financial assets are treated concessionally compared to those with other sources of income (including employment income for working age recipients). This is inconsistent with the fundamental principle of Australia's targeted social security system, according to which recipients with similar means should get similar income support outcomes.

Where available investment returns are low, the deeming rates are set lower to reflect that income support recipients can earn less from their financial investments and therefore should have less income assessment under the income test. Conversely, where available investment returns are high, the deeming rates are generally set higher to reflect that social security recipients' financial investments can earn higher returns, and as such, more income should be assessed under the income test.

To the extent that the Determination limits the right to social security and the right to an adequate standard of living by decreasing the rate at which individuals receive social security payments from 20 September 2025, this limitation is legitimate, reasonable, necessary and proportionate.

By ensuring that income assessed from financial assets held by income support recipients reflects the investment income that can be reasonably achieved by recipients, this instrument enables a simple and fair assessment of financial investment income under the social security means test. This supports the aims of the social security system in appropriately recognising an individuals' capacity for self-support when determining their rate of income support, improves horizontal equity within the social security system as a whole, and helps ensure the system remains sustainable for future generations.

Deeming is an assessment methodology and, as such, its application does not change the core parameters of the relevant income test, which include the

income test free area and taper rates. The free areas and taper rates ensure a person is always financially better off if they have income in addition to their income support payment than if they have no additional income.

Conclusion

This Determination is compatible with human rights as it promotes and supports a person's right to social security and the right to an adequate standard of living. To the extent that the Determination limits these rights, this is legitimate, reasonable, necessary and proportionate.

The Hon Tanya Plibersek MP
Minister for Social Services