



**Advice for Aboriginal and Torres Strait Islander Aurora internship scholarship recipients
in regards to Tax implications and Centrelink/ABSTUDY**

The following summary may apply to you if you have received a scholarship payment from Aurora Project and Programs Pty Ltd (Aurora) to allow you to undertake an unpaid internship as part of the Aurora Internship Program, with a not-for-profit or Indigenous sector organisation (Payment). The first part of this summary sets out the expected tax consequences of you receiving the Payment from Aurora. The second outlines Centrelink and ABSTUDY implications. It is important to note that you should only use this summary as a guide and not solely rely on it, as it does not take into account your personal circumstances.

Tax implications:

There is some uncertainty as to how the Payment should be treated in your hands.

For this reason, Aurora is currently seeking clarification from the Australian Government. **Aurora will notify you of the outcome in due course. In any case, you should seek the advice of your taxation adviser.**

Will tax be withheld from the Payment?

If you are not placed in an internship with Aurora in their offices, you will receive the Payment without tax being deducted from it.

However, if you are placed on an internship with Aurora in their offices, you will receive the Payment with tax being deducted from it. You may be able to claim the tax-free threshold with Aurora, which may reduce or eliminate the tax deducted from the Payment.

What are the tax implications of receiving the Payment?

The tax treatment of the Payment in your hands depends on your circumstances. **You should seek advice that takes into account your own circumstances.**

If the Payment is considered to be taxable to you, and tax has not been withheld from the Payment, you will be required to include it in your tax return as assessable income. You will only pay tax on the Payment if it and all of your other assessable income exceeds the tax-free threshold.

Impact upon Centrelink and ABSTUDY payments:

Centrelink advise that it is important that you inform them of any changes to your circumstances within 14 days of the change occurring. You must disclose to Centrelink that you received money, even if not through employment. You must advise that you received a Scholarship and tell them the details about the payment/s received.

Aurora has received advice that ABSTUDY recipients should speak to Centrelink and inform them of the details of scholarship BEFORE receiving the payment of Scholarship (after the placement is confirmed/before the commencement form is signed) – this will allow the correct assessment of that money and will reduce any chance of overpayment (and therefore need to repay Centrelink). It would be best to call Centrelink to advise of your Scholarship so that you can answer their questions to make the process relatively easy.

When you call to inform Centrelink of receiving a Scholarship they will ask you for the following information:

- Description or title of Scholarship – using confirmation letter from Aurora and commencement form from PM&C
- Grant of Scholarship – date commenced
- Amount in \$
- Frequency of payments – how often receive
- Period – period of time paid over

They may also ask some questions about the type of Scholarship and how it is paid.

1. Is the scholarship to reduce or waive education costs? NO
2. Is the scholarship a reward or a prize? NO
3. Is the scholarship for board or lodgings? NO
4. Is scholarship paid directly to the student/graduate, not to an education institution? YES

It will most likely be classified as an Equity and Merit based Scholarship.

(If you receive an equity or merit based scholarship, an amount per year being \$7,904 at the time of writing, is exempt from the income test for all Centrelink payments with a personal, partner or parental income test. Any amount over this amount p.a. is considered personal income. If you receive more than one scholarship, the threshold applies to the total amount you receive, not each scholarship. The amount is indexed each year.)

Because the Aurora Scholarship is paid over a 4 – 6 week period it will be assessed over that same timeframe.

As a possible example for 6 weeks - \$909 would be exempt income and the rest would be assessed. [This is worked out by Centrelink using {\$7,904 divided by 365 x no. of days received}].

If you have received other Scholarships (equity or merit based) then you may have already used your exempt amount and therefore the total of this Scholarship will be assessed as income.

The payment is to cover living expenses and is NOT a payment for work or services performed or as compensation and it won't be classified as 'employment income'. Centrelink advises that you will NOT have to include the Scholarship amount in your fortnightly Income Reporting or Income Bank balance (Centrelink will have already adjusted this amount using their system and the information you provided about the Scholarship). BUT it WILL likely affect your entitlement for those fortnights that you receive the money.

As an indication and at the time of writing, you can earn up to \$437 per fortnight before that income impacts on your ABSTUDY payments. The Scholarship payments could put you over that amount (particularly if you also have other Income amounts, but depending on your circumstances and any Income Bank you may have accumulated, it could mean you still receive a reduced payment). Even if

your payment is reduced to \$0 for those weeks you receive the Scholarship, your ABSTUDY payments should resume as normal after that period.

If your ordinary income (made up of entirely or partly employment income) exceeds the cut-off causing the Payment to become NIL for that period, persons can continue to qualify for their entitlement at the employment income nil rate for up to 6 fortnights after the initial instalment period the nil rate determination happened.

There are some payments that recipients may continue to receive during that time (depending on their personal circumstances) including Family Tax Benefit, Childcare Benefit, and to retain a health care card. (*All depending on personal circumstances, so please check with Centrelink if you have a question or concern regarding any of this).

As long as your benefit resumes, you are entitled to subsequent employment income nil rate periods at a later time. If a recipient does not have their income support reinstated (goes over 6-7 fortnights with income at the nil rate), then their payment will be cancelled at the end of an employment income nil rate period (and they would have to reapply for any possible future entitlement).

Information has come from Centrelink website and ABSTUDY Policy Document 2017.

Because the Scholarship payments will be made weekly over up to 3 fortnights (and possibly assessed over 4 fortnights by Centrelink depending on start-end dates and payment cycles) this will mean payment entitlements should not be cancelled solely because of these payments. But your own circumstances need to be taken into consideration, i.e. if you undertake part-time or casual employment each fortnight.

This information is to try to help you to understand how the payments may affect your Centrelink entitlements, but cannot be relied upon. Your own circumstances need to be taken into account. This information has not considered other Centrelink entitlements you may also be receiving and the impacts it could have on that. Please contact Centrelink to discuss your entitlement.

Table 1

Indicative Income allowed before Payment affected and cut-off

Status	To receive full allowance / fortnight	To receive part allowance / fortnight	See Table 2 for amounts assessed as Income	Basic Rates of Living Allowance under ABSTUDY
Single >18 yrs at home	up to \$437	Less than \$939.34	Possibly over cut-off	\$433.20 per fortnight
Single or member of couple 18-21 years old, no dependent children, away from home	up to \$437	Less than \$1,192.34	Close to cut-off	\$433.20 per fortnight (+\$130.40 rent assistance if eligible)
Member of couple, 18-21 yo, with dependent children	up to \$437	Less than \$1,265.17	Possibly under cut-off, could receive part payment	\$475.70 per fortnight (+\$122.80 rent assistance if eligible)
Single, 18-21 yo, with dependent children	up to \$437	Less than \$1,422.34	Possibly under cut-off, could receive part payment	\$567.60 per fortnight (+\$130.40 rent assistance if eligible)

Single, over 22 years old, no children	Up to \$437	Less than \$1,036.34	Close to cut-off	\$527.60 per fortnight (+\$130.40 rent assistance if eligible)
Single, over 22 years old, with dependent children	Up to \$437	Less than \$1,110.34	Close to cut-off	\$570.80 per fortnight (+\$130.40 rent assistance if eligible)
Single, over 22 years old, Principal carer with dependent children	Up to \$437	Less than \$1,576.00	Under cut-off, could receive part payment	\$570.80 per fortnight – or more
Member of a couple	Up to \$437	Less than \$948.17	Possibly over cut-off	\$433.20 per fortnight (+\$122.80 rent assistance if eligible)
Member of couple with children	Up to \$437	Less than \$1,100 (estimate)	Close to cut-off	\$476.40 (+\$122.80 rent assistance if eligible)

** Personal circumstance can affect these amounts – including if eligible for Rent Assistance or Pharmaceutical Allowance.

Partner Income cut-out point can also reduce payment limits and can vary for individuals depending on circumstances.

Table 2

Scholarship amount likely to be assessed as Income

Scholarship term	Total amount assessed by Centrelink as Income	If assessed over 2 fortnightly periods	If assessed over 3 fortnightly periods (Income per fortnight)	If assessed over 4 fortnightly periods (Income per fortnight)
4 weeks	\$3000 (-\$614 if exempt = \$2386)	\$1500 (or \$1193)	\$1000 (or \$795)	
5 weeks	\$3750 (-\$757 if exempt = \$2993)		\$1250 (or \$997)	\$937.50 (or \$748)
6 weeks	\$4500 (-\$909 if exempt = \$3591)		\$1500 (or \$1197)	\$1125 (or \$897)

Please contact Centrelink directly on all of the above.

If you have any further questions, please call the Aurora Placements Manager, Kim Barlin on 02 9310 8413 or kim.barlin@auroraproject.com.au