

# Types of External Income

## Supporting Document

### The External Income Test

Participants accessing Small Business Coaching who receive Self-Employment Allowance may earn income separate to their allowance and their Business, but only up to a certain amount. The External Income Test checks the total gross External Income earned by a Participant during a Financial Quarter and is used to confirm a Participant's continuing eligibility for Self-Employment Allowance and Self-Employment Rental Assistance (if relevant).

The External Income Test is run when a Self-Employment Allowance recipient submits an Income Statement to their Provider, usually at the beginning of each Financial Quarter.

A Participant will not pass the External Income Test if their total gross External Income during the Financial Quarter exceeds twice the rate of Self-Employment Allowance for that same period. If a Participant fails the External Income Test, their Self-Employment Allowance and Self-Employment Rental Assistance (if applicable) is suspended for the remainder of the Financial Quarter in which the test was conducted.

### Types of External Income

Unless otherwise specified in this guidance document, any gross income that the Australian Taxation Office (ATO) regards as assessable income is considered to be External Income. Information about the ATO's definition of assessable income is available on the ATO website.

External Income includes, but is not limited to:

- earnings from any employment outside the Participant's Business
- interest
- dividends
- rent from investment property
- any lump sum compensation, redundancy or termination payment (see Notes below)
- income from a trust (if the ATO deems this assessable income, unless this income is from the Participant's Business)
- periodic superannuation payments.

External Income excludes:

- Self-Employment Allowance
- Self-Employment Rental Assistance
- income from the Participant's Business
- payments from Services Australia

- payments from Department of Social Services
- payments from the Department of Veterans' Affairs
- income from the Participant's partner
- small business grants made to the Participant's Business that relate to the operation of the Business
- lump-sum superannuation payments
- inheritance.

## Timing of External Income

In some cases, a Participant may receive income in a Financial Quarter due to an event that occurred in a previous Financial Quarter. For the purposes of the External Income Test, External Income must be accounted for in the Financial Quarter in which the income was received.

For example, a Participant may receive a lump sum payment on 10 July 2023 for employment that was terminated on 20 May 2023. In this example, the Participant must report this External Income in the Income Statement they submit for the Financial Quarter ending 30/09/2023.

## Income from employment

A Participant's Business income may include casual, part-time or fixed short-term, full-time wages. If those earnings directly relate to the core activities of the Business, and are included in the Participant's Business Plan, they are not considered to be External Income. However, such earnings, or the duration of any fixed short-term employment must not be so significant as to impact the independence of the Business (that is, it must not affect the requirement for the Participant to maintain a controlling interest over their Business). Income from casual or part-time employment not allowed for in the Business Plan is External Income for the purposes of the External Income Test.

## Lump sum payments

**Lump sum compensation payments** that do not include a component for lost earnings or lost capacity to earn are not treated as External Income under the External Income Test. However, if a settlement or part settlement includes an amount for lost earnings or lost earnings capacity, this amount is treated as External Income.

**Lump sum redundancy or termination payments** that have not been invested in a superannuation fund is treated as External Income under the External Income Test.