Australian Bureau of Statistics

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TOTAL INCOME - APPENDIX D: EXCLUSIONS FROM THE NOMINAL AND OPERATIONAL DEFINITIONS OF TOTAL INCOME

This appendix outlines exclusions from the nominal and operational definitions of 'Total income'. Receipts are excluded from income measures if they are:

I. explicitly excluded in the nominal definition of 'Total income';
II. are excluded from the operational definition of 'Total income'.

1. Exclusions from the nominal definition of 'Total income'

The concept of household income excludes transfers between members of the same household, that is intra-household transfers, given there is no net effect on total household income. Intra-household transfers include:

- an allowance or pocket money received from another member of the same household
- board received from another member of the same household.

Those receipts that are excluded from the nominal definition of 'Total income' include:

(i) Capital transfers

Capital transfers refer to the acquisition of, or disposal of, assets. Capital transfers received are considered an addition to capital, even though they may subsequently be dissaved. A household may receive capital transfers from other households, private institutions and enterprises, and from governments.

Capital transfers received include:

- inheritances or bequests
- lump-sum retirement benefits
- life insurance claims, except annuities
- compensation payments , except for foregone earnings such as workers' compensation
- principal component of loan repayments
- divorce settlements
- certain government transfers intended to support saving or capital accumulation such as the First Home Owners Grant Scheme.

(ii) Certain current transfers offset against expenditures

Lottery and other gambling winnings and non-life insurance claims are excluded from the nominal definition of 'Total income'. The household sector overall incurs net expenditure on these items and, by convention, the transfers received are offset against the related expenditures.

Current transfers which are treated as offsets against expenditures include:

- lottery winnings
- gambling winnings
- non-life insurance claims (except annuities)
- prizes
- reimbursement of, or allowances for, work-related expenses e.g. travel or car allowances paid by an employer
- refunds of expenditure
- rebates (e.g. the Medicare rebate, renewable solar / wind energy rebates).

(iii) Holding gains or losses

Holding (or capital) gains or losses refer to changes in the value of financial and non-financial assets and liabilities over a given period. A holding gain, the result of an increase in the value of assets or a reduction in the value of liabilities, increases the net worth of the owner's assets while a holding loss has the opposite effect. All holding gains and losses are excluded from income whether they are realised (that is, if the owner sells the asset) or remain unrealised and are treated as a net accumulation or reduction of capital.

(iv) Other receipts that result in a reduction in net worth

Receipts that result from the running down of assets or an increase in liabilities are excluded from income. Reductions in net worth can be used to support consumption, at least for a time, in the same way income can.

Receipts that represent a running down of assets or an increase in liabilities may include:

- the sale of assets e.g. owner-occupied dwelling, rental investment property, shares, vehicles, patent,
- withdrawals from savings or bank accounts
- an increase in the amount borrowed, without a corresponding increase in assets e.g. re-drawing on a mortgage to fund everyday living expenses.

2. Exclusions from the operational definition of 'Total income'

(i) All modules

The operational definition of total income is more limited in scope than the nominal definition as it is constrained by practical considerations such as the availability of data that can be reported by respondents. For practical reasons the operational definition normally excludes:

- income from the production of household services for own consumption, that is, imputed rent from owner occupied dwellings and subsidised rentals, estimates of unpaid domestic services and services from consumer durables
- employers' social contributions, such as workers' compensation insurance and mandated payments to superannuation schemes
- the value of goods and services produced for barter as well as goods produced for own consumption, less expenses.
- social transfers in kind, that is non-cash benefits and services provided by the government or non-profit institutions for education, health, housing, social security and welfare. Social transfers in kind include reimbursements of approved expenditures such as:
  - Medicare rebate
  - Private Health Insurance Rebate
  - Funeral Benefit (DVA)
  - Child Care Benefit
  - Child Care Rebate
  - Education Entry Payment.

(i) Basic, Short and Single question modules

There are also differences in the level of implementation of the operational definition possible in each of the standard income modules. While the operational definition is fully implemented in the detailed income module, it is not possible to collect details on all the components in the shorter modules due to space and time constraints.

For practical reasons, the operational definition of total income derived from the single question and the short and basic income modules is limited to receipts that are usually or regularly received and able to be reported by respondents. Receipts collected in these modules exclude:

- lump sums payments received from the Government such as:
  - Maternity Payment, also sometimes referred to as the Baby Bonus
  - Maternity Immunisation Allowance
  - Australian Government Disaster Recovery Payment
  - Crisis Payment
  - Exceptional Circumstances Exit Package
- one-off or irregular financial support or gifts received from persons not living in the same household
- an honorarium or ex-gratia payment e.g. payment to a guest speaker of a conference to cover their costs and / or preparation time.