BALDWIN ADVOCACY & CLAIMS

DVA Incapacity Payments Explained

A no-bullshit guide to DVA's income replacement payment: what it is, how it's worked out, who can claim it now, and the traps that cost veterans real money.

REVIEWED AGAINST DVA SOURCES ON 11 SEPTEMBER 2026.

Incapacity payments are DVA's income replacement for veterans who can't work, or can't work as much, because of an accepted service-related condition. Not a pension, not a lump sum, not a reward for impairment points. They replace lost wages.

What Incapacity Payments Are

Incapacity payments are compensation for economic loss. If an injury or disease DVA has accepted as service-related stops you working, or cuts back how much you can work, DVA pays the gap between what you were earning before and what you can earn now. That's the whole idea.

Since 1 July 2026, every new claim for incapacity payments is assessed under the Military Rehabilitation and Compensation Act 2004 (MRCA), even if your condition was accepted under the Veterans' Entitlements Act 1986 (VEA) or the Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988 (DRCA). One Act, one set of rules. The wider changes are in What Changed on 1 July 2026.

They're a working-age payment. In most cases they're not payable past Age Pension age, and DVA reviews them every year and whenever your circumstances change.

Don't confuse them with Permanent Impairment (PI). PI is a lump sum for the lasting impact a condition has on your life. Incapacity payments are about lost income. You can have both.

How Much Do They Pay?

Three moving parts: normal earnings, actual earnings, and time on the payment.

Normal earnings is what you were earning before the incapacity. Injured in the Permanent Forces? DVA uses the ADF salary you were on at the time. Reservist? Your Reserve earnings plus your civilian earnings, or your full-time ADF salary if you were on continuous full-time service. DVA's rates page also lists an indexed remuneration loading for discharged members. Ask how it applies to you.

Actual earnings is what you're earning in a job now. For a lot of people that's zero. If you're self-employed, DVA can assess it from the work you do and what it would cost to employ someone to do it.

For the first 45 weeks you get 100% of the difference between normal and actual earnings. After that, DVA applies a percentage of your normal earnings between 75% and 100% depending on how many hours a week you're able to work. Not working at all? The rate is 75% of normal earnings.

Then the deductions come off, and the big one is superannuation (more below). Incapacity payments are generally taxable because they replace taxable income. If the income they replace was tax-free, like part-time Reserve pay, the payment replacing it is tax-free too.

> **BAC tip:** I'm deliberately not quoting dollar figures here. The rates are indexed and DVA publishes the current ones on its MRCA rates page.

Who Can Claim Now

MRCA veterans. Nothing changed. Same eligibility, same process.

VEA-only veterans. This is the big one. Before 1 July 2026, if your conditions were only accepted under the VEA, incapacity payments weren't on the menu. Now they are. Your VEA conditions are automatically taken to be MRCA conditions, so you can claim on those, on a newly accepted MRCA condition, or both. You must be under Age Pension age. A Disability Compensation Payment (DCP) you were on before 1 July 2026 keeps being paid alongside. And there's no "alone test" under the MRCA, which matters if that's what cost you the VEA's Special Rate pension, better known as TPI (Totally and Permanently Incapacitated).

DRCA veterans. If you were on DRCA incapacity payments immediately before 1 July 2026, you were moved to MRCA payments automatically. No claim, no reduction, no backdating of the new rates. Any DRCA incapacity claim still undecided on 1 July became an MRCA claim. One exception: DRCA "former employee" recipients under Division 3 of Part X weren't moved and were grandparented instead.

Still serving? DVA's test is a current or former ADF member (Permanent or Reserve), Cadet or declared member, with medical certification of total or partial incapacity for service or work. Serving members aren't excluded, but talk to someone before anything is lodged.

You claim through MyService or on DVA form D1360, or DVA picks it up through a needs assessment. Either way you need medical evidence that a service condition makes you totally or partially unfit for service or work.

How They Interact With Everything Else

This is where people get burned. Seriously.

Commonwealth superannuation. Incapacity payments are reduced dollar for dollar by the Commonwealth-funded part of any super you receive, including a ComSuper invalidity benefit from the Commonwealth Superannuation Corporation (CSC). The part from your own contributions isn't counted.

Retrospective invalidity and overpayments. If you've been on incapacity payments and CSC later pays you an invalidity benefit for the same period, DVA treats what you already received as an overpayment, because the super offset wasn't applied at the time. DVA recovers it from your CSC arrears before you see a cent, and if the arrears don't cover it, you owe the rest. DVA itself says it can be significant. Not a reason to avoid a retrospective invalidity application. It's a reason to model the numbers first.

DCP for VEA veterans. If you get a DCP for the same condition causing your incapacity, the general rate portion is not offset. Anything above the general rate (Special Rate, Intermediate Rate, Extreme Disablement Adjustment) is offset, but only down to the underlying general rate. Once the incapacity payments stop, the offset stops.

Other payments. DVA says plainly that incapacity payments will affect, or be affected by, payments from Services Australia, and that Child Support can come out of them. I won't pretend to know your Centrelink position from here. Get advice on the whole picture before anything is lodged.

SRDP: The Alternative

The Special Rate Disability Pension (SRDP) is the MRCA's alternative for veterans whose capacity for work is severely restricted. It's paid instead of incapacity payments, not on top.

You need all four: you're receiving MRCA incapacity payments; you're assessed at 50 or more impairment points under MRCA principles; your treating specialists confirm you can't work more than 10 hours a week; and they confirm rehabilitation is unlikely to improve your ability to work. Since 1 July 2026, DRCA and VEA veterans can get there too.

Eligible veterans get a Gold Card with TPI embossing. You have 12 months from the offer to decide, DVA requires advice from a qualified financial adviser first, and once you choose SRDP it can't be changed. The offsets differ: dollar for dollar against the weekly equivalent of any PI and any VEA DCP, and 60 cents in the dollar of the Commonwealth-funded part of your super. There's no claim form: DVA assesses you when it becomes aware you qualify, or you can ask by email or phone.

Your Obligations Once You're On Them

Medical certificates when DVA asks: whether you're unfit, which conditions, how unfit, what restrictions, for how long. Miss them and payments stop.

Employment and earnings, all of it. Full-time, part-time, contract, self-employed, any involvement in a business, paid or unpaid. Evidence of earnings and every change to your rate of pay.

Rehabilitation. Refuse or fail to participate and payments can be suspended. Assessed as able to return to work but not looking? DVA can deem you with an ability to earn.

Everything else. Starting study, other income including super, address changes, travel over three months, and the D1352 Annual Review of Circumstances form when asked.

Mistakes I See All the Time

Not claiming at all. VEA-only veterans of working age who don't know this is open to them now. Don't leave money on the table.

Lodging a CSC retrospective invalidity application without modelling the DVA overpayment. The arrears can vanish before they reach you.

Not declaring earnings. Including the side business that "doesn't really make money."

Choosing SRDP without proper advice. Final decision, different offsets. Get it modelled.

How BAC Can Help

I work out whether incapacity payments are on the table for you, what your normal earnings should be based on, how super and any DCP will bite, and whether SRDP is the better long-term move. Then I prepare the claim, get the medical evidence in shape, lodge it and chase DVA. If ComSuper or retrospective invalidity is in play, I sequence it so you don't walk into an overpayment.

Fixed fee. No percentage cuts. You know what it costs before we start.

Ready to Get Started?

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