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COMPENSATION LAWYERS



Australian veterans' compensation changes from 1 July 2026: what you need to know

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Australia's veteran compensation system is undergoing its biggest overhaul in decades. From 1 July 2026, the Veterans' Entitlements, Treatment and Support (Simplification and Harmonisation) Act 2025 replaces three separate compensation Acts with a single scheme, the Military Rehabilitation and Compensation Act 2004 (MRCA). Here's a summary of what's changing, and what it means if you or a family member has a claim with DVA.

1. Why is Australia's veterans' compensation system changing?

Since the mid 1980s veterans have had to deal with three(3) different compensation systems which included:

The Veterans' Entitlements Act 1986 (VEA)

The Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988 (DRCA)

The Military Rehabilitation and Compensation Act 2004 (MRCA)

It is (soon to be was) a complicated system which depended strictly on their precise dates of service and the nature or timing of their injury. This structural fragmentation resulted in severe administrative backlogs, inconsistent compensation outcomes, and immense mental strain on claimants.

Following the Royal Commission into Defence and Veteran Suicide. Its interim report concluded that the legislative framework was adversarial and bewildering for veterans, and needed urgent simplification. The government of the day acted and the VETS Act

became law, to begin as from 1 July 2026.

2. The "Single Act" Model ; a unified system.

The sunset for the VEA and DRCA is 11:59 pm AEST on Tuesday, 30 June 2026, both the VEA and the DRCA officially close to new claims for compensation and rehabilitation.

After this exact moment, any claim submitted to the Department of Veterans' Affairs (DVA)—irrespective of when or where the veteran served—will be evaluated solely under the guidelines and legal tests etc of the of the modified MRCA.

But I have an accepted claim under one of the ‘old ‘ systems? What happens to me?

In a nutshell, you do not need to worry at all, due to the legal concept of ‘Grandparenting’. Basically this means that to prevent financial detriment and offer stability, the Government implemented comprehensive ‘grandparenting’ arrangements, which provide legal protection for all veterans in receipt of pensions, weekly payments, or treatment cards under the VEA or DRCA, prior to 1 July 2026.

The will experience no reduction in their baseline entitlements (including continued ‘indexation’ of their existing entitlements into the future).

Also, any claims formally lodged before the 1 July cutoff will be determined by reference to the relevant ‘old’ Act (VEA, DRCA).

3. Major Enhancements to Permanent Impairment (PI) Compensation

One of the more significant changes to occur with the ‘new’ Act, is to the calculation of benefits due to permanent impairment. Permanent Impairment (PI) represents the financial recognition for lifelong physical or psychological conditions caused by military service. The post-2026 framework updates how old claims are calculated alongside new developments

And for Veterans who are currently in receipt of benefits under one of the ‘old schemes’, the most important thing for them is what is to happen if their injury/conditions get worse. For these Veterans with existing conditions originally accepted under the VEA or DRCA, any additional compensation due to their illnesses or injuries deteriorate will shift into the ‘new’ scheme (the MRCA) framework.

This will introduce the all-important ‘5-Point Rule’ to their situation. Essentially this means that to qualify for additional compensation for any worsening of their accepted injury/condition(s), the veteran must demonstrate a minimum increase of five impairment points evaluated under the Guide to Determining Impairment and Compensation (GARP M).

Importantly for existing claims, the ‘new’ scheme has what are known as ‘Baseline’ assurances/measures. In other words, because the ‘old’ systems didn't use the same parameters/rules as the ‘new’ scheme (MRCA), the DVA will apply a specific mathematical translation formula. This will convert VEA and DRCA impairment ratings into a modern baseline to track deterioration

fairly, without reducing the veteran’s baseline situation.

Another important protection (for existing claimants) is the ‘Additional Disablement Amount (ADA)’. This payment model mirrors the intent of the legacy VEA Extreme Disablement Adjustment (EDA) but adapts it for the unified modern system. It acts as a financial supplement specifically for older veterans who have reached retirement age and face a significant service-related health decline late in life.

4. Updating Income Support and Incapacity Payments

Incapacity payments provide economic support when service-caused medical conditions prevent a veteran from performing civilian work. The 2026 changes bring crucial, long-awaited standardisations in this area of veteran compensation in Australia.

Automatic DRCA-to-MRCA Transition

Veterans receiving incapacity support through the legacy DRCA immediately prior to 1 July 2026 will automatically migrate across to the more generous MRCA system.

No Reductions

DVA guarantees that baseline weekly values will not decrease due to the administrative swap-over.

Better Payment Rates

The structural calculation under the MRCA typically features more advantageous calculation rules and step-down thresholds than its older DRCA equivalent.

Abolishing the VEA "Alone" Test

Under legacy VEA pathways, qualifying for the Totally and Permanently Incapacitated (TPI) pension required proving that service-related disabilities were the only factor keeping the individual from working. This strict "alone test" routinely disqualified veterans who also had civilian health conditions or age factors. From 1 July 2026, the MRCA’s alternative—the Special Rate Disability Pension (SRDP) pathway—takes over for new cases. It features no equivalent "alone test," creating a fairer, more transparent assessment process for veterans under pension age who cannot work.

5. Harmonizing Medical, Travel, and Rehabilitation Supports

Beyond direct lump-sum or ongoing cash payments, the VETS Act restructures critical lifestyle and medical support mechanisms to align across all service eras.

Travel for Treatment Equalization

Historically, the legacy VEA capped travel reimbursement for medical treatments at a substantially lower rate than modern schemes. The new system brings immediate parity:

Unified Rate

All eligible DVA treatment card holders can claim the standard MRCA rate of $0.68 per kilometre when operating a private vehicle for approved medical trips. This directly replaces the legacy VEA rate of $0.44.

Removal of Distance Minimums

The legacy 50km travel limit restriction under the MRCA is eliminated. Veterans are reimbursed for reasonable local trips to see doctors or specialists without being penalized for proximity.

Consolidation of Rehabilitation Frameworks

The Veterans' Vocational Rehabilitation Scheme (VVRS) operating under the VEA closes to new registrations on 1 July 2026.

The MRCA Super-Framework will mean that all subsequent rehabilitation initiatives will follow the MRCA model, placing occupational therapists, mental health professionals, and workplace transition specialists under one roof.

Active Plans

Open legacy VVRS rehabilitation tracks will transition automatically over to MRCA management. DVA is required to audit these open plans to ensure supports are preserved or expanded, with a firm clause stating that existing rehabilitation activities cannot be reduced or cut.

6. Streamlined Support for Dependants and Families

The 'new' scheme will introduce significant structural improvements for widows, widowers, and children, ensuring families do not face unequal treatment based on service dates.

Standardized Death and Funeral Benefits

If a veteran passes away after 1 July 2026, new compensation claims made by surviving family members will be evaluated universally against the MRCA 'Wholly Dependent Partner' criteria.

Preservation of Auto-Grants

The long-established system of automatically granting war widow/er pensions for specific legacy classes (such as partners of TPI veterans) is protected.

Expanded Coverage

If a veteran was receiving the modern SRDP or the newly created ADA at their time of death, their partner is automatically eligible for compensation, including an immediate Veteran Gold Card.

Funeral Expenses

Funeral compensation under the updated MRCA matches the maximum ceiling of up to $14,990.43, standardizing a benefit that was historically unequal across different eras.

The Unified Education Scheme for Veterans' Children

Prior to July 2026, veteran children were split between the Veterans' Children Education Scheme (VCES) under the VEA and the Military Rehabilitation and Compensation Act Education and Training Scheme (MRCAETS).

From 1 July 2026, the VCES closes to new entries, leaving the MRCAETS as Australia's single, comprehensive veteran youth education framework.

Students active on the legacy VCES during the transition will automatically migrate to the MRCAETS without needing to lodge paperwork mid-study.

Eligibility expands so that children of highly impaired veterans who only qualified under legacy DRCA statuses can now access full MRCAETS benefits.

7. Operational and Governance Overhauls

Commission Consolidation
The Military Rehabilitation and Compensation Commission (MRCC) is officially dissolved and absorbed directly into the primary Repatriation Commission (RC). This yields a singular, unified regulatory body administering all veteran compensation rules. By eliminating duplicate executive structures, the DVA aims to accelerate internal training, remove conflicting legal interpretations, and clear remaining claim queues.

Direct Review Pathways
Appeals and legal review procedures have been consolidated. Rather than navigating wildly different internal dispute channels based on whether a condition fell under the DRCA or the VEA, all legacy and modern appeals are funneled through a single, consistent review pathway directly to the Veterans' Review Board (VRB).

Why it’s important to get legal advice for new and existing veterans' compensation claims

Whether you already have an accepted claim or you're lodging one for the first time, these changes are complex, and how they apply can depend heavily on your service history and existing claim status. Our experienced team can review your situation and help you understand your options under the new scheme, so you don't miss out on an entitlement you're owed. Get in touch with our Brisbane, Rockhampton or Darwin office for tailored advice.

This article is of a general nature and should not be relied upon as legal advice. If you require further information, advice or assistance for your specific circumstances, please contact us.