

Permitted uses of refundable deposits

You can use refundable deposits to generate income, to fund investments and to pay for permitted expenses. Your main use must be to provide residential and flexible aged care. The 'permitted uses' control how you use refundable deposits. You can find more information in:

- s310 of the new *Aged Care Act 2024* (new Act)
- s310-5 to s310-30 of the Aged Care Rules 2025
- Financial and Prudential Standards.



Approved financial products

Investments

- ✓ Bank and term deposits
- ✓ Debentures, stocks and bonds (federal, state and territory government bonds)
- ✓ Securities
- ✓ Religious charitable development funds
- ✓ Unregistered managed investment schemes for residential or flexible care



Debt and refundable deposit repayment

Repayments

- ✓ Debt from capital expenditure (like land or buildings) to provide residential or flexible care
- ✓ Debt from refunding refundable deposits
- ✓ Refundable deposits



Capital expenditure

Expenses and payments

- ✓ Buy land to build a service
- ✓ Buy, construct, extend or refurbish a service
- ✓ Refurbish or renovate (major) including furniture, fittings and equipment
- ✓ Pay associated costs and expenses for land, construction and refurbishment



Commercial loans

Between organisations or services

- ✓ For a permitted use
- ✓ To a business
- ✓ On a commercial basis
- ✓ For residential or flexible aged care
- ✓ With a written agreement that it is only for a permitted use



Business losses

Repayments

- ✓ For new providers in the first 12 months of providing funded aged care services

Non-permitted uses of refundable deposits



You can't use refundable deposits for:

- ⊗ day-to-day operating costs, such as wages or consumables
- ⊗ general repairs and maintenance
- ⊗ business activities other than residential aged care.



Providers commit a criminal offence if:

1. they misuse refundable deposits or bonds and,
2. within 5 years of the misuse occurring, suffer an insolvency event and owe refundable deposit or bond balance refunds.



Offences — punishable by up to two years' imprisonment — apply to both providers and key personnel who knew about the misuse or were reckless or negligent as to whether the refundable deposits or bonds were being misused if they could have taken steps to prevent the misuse but failed to do so.

An individual convicted of such an offence would automatically become a disqualified individual for the purposes of the new Aged Care Act and would be unable to be one of the key personnel of any other provider.

Providers and individuals can avoid potential liability for an offence by using refundable deposits for permitted uses only.

You can find more information in Section 178 of the new Act.