

How tax applies to redundancy payments you receive

Information about the different payments you may receive when you are made redundant, and how tax applies to your payments and super.

WHAT TYPE OF PAYMENTS CAN YOU RECEIVE?

If you have recently left your employer due to redundancy, you may receive payments in the form of:

- employment termination payments (ETPs)
- genuine redundancy payments
- payments for time worked or leave already taken
- payments for unused annual leave and long service leave.

HOW DOES TAX APPLY TO YOUR PAYMENTS?

Employment termination payments (ETPs)

ETPs include amounts you receive:

- for unused rostered days off
- in lieu of notice
- as a gratuity or 'golden handshake'.

ETPs you receive are generally taxed at a lower rate depending on the amount of the ETP and your age. For example, if you are under 55, any amount you receive up to \$165,000 for the year ended 30 June 2012 will be taxed at a maximum rate of 31.5%.

Genuine redundancy payments

Genuine redundancy payments you receive are tax-free up to a limit based on your years of service with the employer.

For the year ended 30 June 2012, the tax free limit is \$8,435 plus \$4,218 multiplied by the years of service.

For example, for ten years service:

$$\begin{aligned} & \$8,435 + (\$4,218 \times 10) = \\ & \$8,435 + \$42,180 = \\ & \$50,615 \end{aligned}$$

The amount over the limit will then form part of your ETP.

Payments for time worked or leave already taken

Payments you receive for time you have already worked or leave you have already taken are taxed at your normal rates. However, payments you receive for unused annual leave and long service leave have special rates.

Your employer will know these rates and how much tax to withhold but you can view them by visiting our website at www.ato.gov.au and searching for 'How to withhold amounts from unused leave payments on termination of employment'.

CAN YOU ROLL OVER YOUR PAYMENT INTO YOUR SUPER?

From 1 July 2007, you cannot contribute or roll any ETPs you receive into your super fund, unless they are transitional ETPs. A payment you receive is a transitional ETP if paid between 1 July 2007 and 30 June 2012 and you were entitled to it due to termination of your employment under one of the following:

- a written contract
- an Australian or foreign law, or an instrument under such a law
- a workplace agreement under the *Workplace Relations Act 1996*.

The contract, law or instrument under that law, or agreement must be in force at 9 May 2006.

➔ For more information about ETPs, transitional ETPs and tax rates, visit our website at www.ato.gov.au and search for 'Employment termination payments'.

RECEIVING A PAYMENT SUMMARY

Your former employer should provide you with a payment summary within 14 days of paying you. The payment summary sets out the amounts you have received and the tax withheld from these amounts. You must use the payment summary to complete your next income tax return.

CAN YOU ACCESS YOUR SUPER?

The money you have in super is for your retirement and can only be accessed when you meet certain conditions, which are generally retirement related.



! Promoters of illegal early release schemes will often target people who have been made redundant, offering ways to access their super in exchange for a fee.

Accessing your super early without meeting a condition of release is illegal and will attract penalties.

> For more information about when you can legally access your super, visit our website at www.ato.gov.au and search for 'Conditions of release'.

> MORE INFORMATION

For more information about how tax applies to your redundancy payments and super:

- visit our website at www.ato.gov.au/paygw
- phone us on **13 28 61**.

If you do not speak English well and need help from the ATO, phone the Translating and Interpreting Service on **13 14 50**.

If you are deaf, or have a hearing or speech impairment, phone the ATO through the National Relay Service (NRS) on the numbers listed below:

- TTY users, phone **13 36 77** and ask for the ATO number you need
- Speak and Listen (speech-to-speech relay) users, phone **1300 555 727** and ask for the ATO number you need
- internet relay users, connect to the NRS on www.relayservice.com.au and ask for the ATO number you need.

OUR COMMITMENT TO YOU

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information in this publication and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we must still apply the law correctly. If that means you owe us money, we must ask you to pay it but we will not charge you a penalty. Also, if you acted reasonably and in good faith we will not charge you interest.

If you make an honest mistake in trying to follow our information in this publication and you owe us money as a result, we will not charge you a penalty. However, we will ask you to pay the money, and we may also charge you interest. If correcting the mistake means we owe you money, we will pay it to you. We will also pay you any interest you are entitled to.

If you feel that this publication does not fully cover your circumstances, or you are unsure how it applies to you, you can seek further assistance from us.

We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for more recent information on our website at www.ato.gov.au or contact us.

This publication was current at **June 2011**.