



Redundancy

Employers will sometimes offer voluntary redundancy packages to employees. It is important that you give careful thought to the long-term implications of leaving your job through redundancy. If considering a redundancy package, you should consider the following issues:

- ✿ The security of your existing income weighed up against future work prospects.
- ✿ The level of satisfaction with your current job.
- ✿ Potential uses you have for a lump sum redundancy package.
- ✿ Your age, your health, and the length of time until expected retirement.
- ✿ If you have a partner, their current work situation or potential to work.
- ✿ Financial dependents, including child support payments.
- ✿ Any potential entitlements to Centrelink benefits and relevant waiting periods.

Tax Treatment of Redundancy Packages

Any annual or long service leave (LSL) entitlements are paid out upon redundancy. The tax on these payments will be:

- ✿ Annual Leave - 100% of lump sum taxed at a maximum rate of 30% plus Medicare.
- ✿ LSL accrued before 16/8/78 - 5% included in assessable income and taxed at your marginal rate, plus Medicare.
- ✿ LSL accrued after 15/8/78 – 100% included in assessable income and taxed at a maximum rate of 30% plus Medicare.

Where a termination payment is part of a bona fide redundancy or approved early retirement scheme special taxation rules apply:

- ✿ The first \$12,524 plus \$6,624 for each complete year of service will be tax-free (24/25 figures¹).
- ✿ Any amount more than this will be treated as an employment termination payment (ETP). The following tax rates apply to the taxable portion of ETPs received in each financial year.

<u>Age</u>	<u><\$245,000</u>	<u>>=\$245,000</u>
Under preservation age	30%	Top Marginal Tax Rate
Over preservation age	15%	Top Marginal Tax Rate

As employer ETPs and leave payments are included in your assessable income in the year that they are received it is important to consider that they may have other once off effects on Family Tax benefits or the tax payable on superannuation contributions.

Centrelink Waiting Periods

If you are unable to find further work, you may need to apply to Centrelink for benefits such as a Jobstart Allowance. Any leave payments you receive as part of the redundancy package will be considered when determining a waiting period that will apply before you can receive benefits. The termination payment will also be included in the assessment of the waiting period.

While every care has been exercised and the recommendations and other statements herein are based on information believed to be accurate and reliable, no liability, (unless required by law) can be accepted for any error or omission including negligence however caused.

¹ These amounts are indexed to AWOTE each July.