## Redundancy Payments and Options transcript

Hello, my name’s Craig. Today I’m going to talk to you about the payments you might get if you’ve been retrenched or made redundant.

I’ll explain how tax is worked out on these payments, and discuss how they might affect any payments from Services Australia, including Centrelink and Child Support.

There are three types of payment that you might receive when you are made redundant or are retrenched.

They are Redundancy payments, which is a payment made to you as an employee if you're dismissed because the job you were doing has been abolished, usually based on your years of service. Some of this may be tax free Employment termination payments, which includes unused rostered days off, any of the taxable parts of your redundancy payments, and Unused leave, which includes annual leave and long service leave that you have accrued but not used.

We’ll cover these in more detail through this presentation.

A genuine or bona-fide redundancy payment is a payment made to you as an employee if you're dismissed because the job you were doing has been abolished. This means your employer has made a decision that your job no longer exists, and your employment is to be terminated.

A redundancy is not considered genuine if the employee is dismissed because they've reached normal retirement age, if their pension age or older on the day of dismissal, leaves voluntarily, has their contract terminated, or is dismissed for disciplinary or inefficiency reasons.

Your genuine redundancy payment is tax-free up to a limit, based on your years of service.

Amounts above the tax-free limit are concessionally taxed as an Employment Termination Payment. In some circumstances, amounts above certain caps will be taxed at your usual marginal tax rate.

If you are Age Pension age or over, you do not qualify for the tax-free component of the redundancy payment. Instead, the total amount is deemed an Employment Termination Payment.

A payment for a non-genuine redundancy is taxed as part of the employee's Employment Termination Payment.

This means it will generally be taxed at a lower rate than your normal income, provided the payment doesn't exceed certain caps.

Here’s an example of how this works. The rates I use are just for this example and not the actual rates that apply. You can get the current rates from ato.gov.au

Bill worked at his employer for 6 years and 9 months. He has received a redundancy payout of $50,000.

The tax free limit is $10 000 plus $5 000 for every full year of service. For Bill, that works out to $40,000.

So $40 000 of Bills payout won’t be taxed, and $10 000 will be taxed at the concessional rate.

The Employment Termination Payment (or ETP) includes any amount of your redundancy payment that is over the tax free threshold, unused rostered days off and sick leave, a gratuity or ‘golden handshake’, payments in lieu of notice, an invalidity payment for permanent disability.

ETPs are generally taxed at a lower rate than your normal income, or concessionally taxed, provided the payment is made within 12 months of your termination.

You can't roll over your ETP to your superannuation.

ETPs are concessionally taxed up to a certain limit, or 'cap'.

There are two caps that apply to ETPs: the lifetime cap, and the whole-of-income cap.

More information about these caps, including applicable taxation rates is available through the ATO website.

Unused leave includes any annual leave or long service leave paid on termination.

It’s taxed ata different rate if it’s considered a genuine redundancy. Otherwise, ordinary tax rates apply.

None of these payments can be rolled directly into superannuation

They’ll all have an effect on the start date of Services Australia social security payments. They’ll need to be included in your annual income estimates for family assistance payments.

The Fair Entitlements Guarantee is a basic payments scheme to assist employees who are made redundant due to bankruptcy or liquidation of their employer.

It provides financial assistance to cover unpaid employment entitlements.

Visit the website or call the hotline for more information.

If you are a separated parent, it’s important for you to contact Child Support to let us know if your circumstances have changed.

You must tell us as soon as possible if your income changes, including a redundancy payment – especially if it drops by more than 15%, you start with a new employer, there is a change to the care of your children, your contact details have changed, you are newly separated, get back together with the other party, or have any children as part of a new relationship.

If you are newly separated, use our online application to apply for a Child Support assessment. This ensures that you receive the right amount of Family Tax Benefit.

If you don’t tell us, you risk paying the wrong amount of child support, getting the wrong amount and having to pay it back, missing important information from us, falling behind with your payments and building up a debt. Most changes can only take effect from the date that you tell us, so you must let us know as soon as you can

You can contact us by:

Using the Services Australia website to apply for a Child Support assessment.

Logging into your existing myGov account and linking your Child Support service if you’re already a Child Support customer.

Using the Express Plus Child Support app if you’re already a Child Support Customer.

Income changes and Child Support

Your income affects the amount of child support you pay or receive

so you must tell us if your income changes.

This will help us to know whether you are paying or receiving the right amount of child support.

You should tell us as soon as possible because most changes cannot be backdated.

We use taxable income information from the tax office to calculate your child support. If your income has dropped since we last made a child support assessment, you may be able to make an income estimate election for this financial year.

Call us as soon as possible to discuss what you can do.

Redundancy payments and debts

If you have a child support debt and you expect to receive a redundancy payment, you should call us to discuss your options.

It’s important that you call us as soon as possible so that we can understand your circumstances.

You can contact us by:

Using the Services Australia website to apply for a Child Support assessment

If you’re already a customer, logging into your existing myGov account and linking your Child Support service, using the Express Plus Child Support app, visit the Services Australia website to find out more.

If you already get a payment from Services Australia, you must tell us if your circumstances change

All payments and services delivered by Services Australia have a requirement that you tell us about changes in your circumstances. This could affect how much you get paid. If you don’t tell us, you could have to repay money.

Every payment and service has specific things you need to tell us about. I’ll list the most common, but make sure you know all of the requirements for the payment or service you get.

This includes changes to Income and Assets, Changes to accommodation details, Employment and study, Care of children, Medical information, Income estimate for Family Tax Benefit and Child Care Subsidy.

This should include any lump sum payments.

If you are not sure, go to servicesaustralia.gov.au and search for “Change of circumstances if you get a Centrelink payment”. This will bring up a list of our payments, and you can choose the one you need to know about.

If you’re thinking of claiming Centrelink Payments, don’t make any decisions about your redundancy payments until you’ve checked whether you’re eligible for Centrelink payments.

If you have received a lump sum payment from your employer, you might have to wait a number of weeks from the time you claim a payment until it starts. You’ll need to use the lump sum payment to support yourself until the payment starts.

If you’re claiming or receiving Family Tax benefit or Child Care Subsidy, you’ll need to include any lump sum payments in your income estimate.

It’s important that you are aware of these issues before you make any decisions about how to use your lump payment.

There are several different waiting periods that may apply:

The Compensation Preclusion Period applies to most social security income support payments. If you are receiving regular compensation payments, or have received a lump sum compensation payment, this will reduce the amount of some payments from Centrelink. It’s usually a dollar for dollar payment reduction, and could mean you’re not entitled to a payment from Centrelink.

The Income Maintenance Period applies to all payments except Age Pension & Carer Payment. This will be applied if you’ve received leave or redundancy entitlements after ceasing or terminating employment. They’re treated as income for a period equal to that which the payment represents. There’s no maximum period.

You’re expected to use the payments you’ve received to support yourself for that time.

In this example, Mark gets 15 days annual leave, and 16 weeks, or 80 days of redundancy payment. He’ll need to wait 95 days for his payment to start.

He should still apply for a payment, and we’ll determine his waiting period.

If Mark waits past what would have been the end of his waiting period to lodge his claim, he may miss out on some payment.

The Seasonal Work Preclusion Period applies to all payments except Age Pension. It applies to customers who have undertaken seasonal, intermittent or contract work in the 6 months prior to the claim. The duration is based on how long it would take an average wage earner to earn the same amount as a person engaged in contract, seasonal or casual work.

The Ordinary Waiting Period applies to JobSeeker Payment, Parenting Payment and Youth Allowance for job seekers while the Liquid Assets Waiting Period applies to JobSeeker Payment, Youth Allowance and Austudy. It is automatically applied to some payments. This is in addition to other waiting periods that may apply.

The Liquid Assets Waiting period is calculated based on the amount of any funds that are readily available to you or your partner. This can be from 1 to 13 weeks.

There may be exemptions to waiting periods for your specific circumstances. Refer to the Services Australia website for further information.

When you find another job, or if you start some casual work, it’s important to think about your superannuation.

Decide what to do with your current superannuation fund. You can leave it where it is, or rollover to another fund.

Consider where future contributions will go.

Take care not to duplicate fees, pay for excess insurance, or lose track of funds.

You may be able to access some of your super early in limited circumstances through either the financial hardship or compassionate release of super rules. The amount you can access is limited and there are certain requirements that must be met.

You can speak to your super fund for additional information on accessing your super early.

Services Australia provides the Financial Information Service (called FIS).

FIS provides free, independent and confidential information and education, to help you understand your financial options.

It’s information, not advice.

FIS can talk to you about all of the areas we’ve covered in this presentation, and help you understand how they work with your individual circumstances.

Access us online, or call us on the Retirements line on 132 300. Say “Financial Information Service” when we ask why you are calling