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Redundancy – what now?

If you're facing redundancy, you may have some important decisions to make…

Do you look for another job, start your own business or perhaps retire if you're ready? Everyone is different.

Losing your job through redundancy can be a stressful time, and could mean a bump in the road financially and emotionally. You're likely to have a lot of questions about redundancy and what it means to your financial and lifestyle plans. Speaking to a financial adviser at this time can prove very beneficial and may assist you in making major financial decisions. For more information, please refer to the **Did you know**… section below.

What is redundancy?

Redundancy occurs when a job is no longer required to be performed – the job has become redundant – not you. Redundancies can be voluntary or compulsory and can occur for a number of reasons, such as:

- economic slowdown
- re-structures
- mergers, takeovers or acquisitions, and
- new technology advancements automate roles that were performed manually.

Generally, a genuine redundancy payment arises if your employer has determined that your position no longer exists, you're not replaced by another employee, you're not retiring and you're not being dismissed for other reasons (such as disciplinary or performance).

Other conditions also apply.

How do I manage my financial situation?

It's important to think carefully about the actions you take financially following redundancy. There are no hard and fast rules on what to do with a redundancy payment – it all depends on individual circumstances, such as;

- do you have a family to provide for?
- do you have a mortgage you need to cover?
- what are your living expenses?
- is it time to retire?
- how much will you need?

Using a budget planner can help you identify your current and future financial commitments. This is a good basis for understanding how much money you need now and how long it will need to last to replace your previous income. This may then identify if you need to retain access to some or all of the payment made by your employer or if you could contribute some of it to super for retirement later on.

What payments will I receive?

When you are made redundant your employment is terminated and you receive a redundancy payment, usually including unused leave and severance pay. The types of payments you receive from your employer can be grouped into three main categories, each with different tax implications. These include:

- a tax-free redundancy payment (if eligible)
- an employment termination payment, and
- other termination payments.

This could mean you'll receive a lump sum, which may contain taxable and/or tax-free components depending on which type of termination payment you are receiving.

Genuine redundancy payment

If you're leaving your employer as a result of a genuine redundancy, some (or all) of your payment will be tax-free and must be received as cash. The maximum amount of a genuine redundancy payment you can receive tax-free in the 2024/2025 financial year is $12,524 plus $6,264 for each completed year of service. These thresholds may be indexed (increased) on 1 July each year. The amount of the payment that exceeds the tax-free portion is treated for tax purposes as an employment termination payment.

Employment Termination Payment

On leaving your employer, you may be entitled to an employment termination payment (ETP). ETPs also include payments for unused rostered days off, in lieu of notice, gratuity or golden handshake, compensation for loss of job or wrongful dismissal and invalidity. You will receive your ETP as cash after any applicable taxes are deducted (see Table 1). You could however invest the after-tax proceeds in super as a personal contribution[1]. If eligible, you could also claim a tax deduction (up to an annual cap) for your personal contribution to super. In addition, investment earnings are taxed at a maximum rate of 15% in super. Please note, super contributions are preserved until you meet one of the 'conditions of release' from super.

Tax payable on ETPs in 2024/2025

The tax treatment will depend on the ETP type (which is often a result of how employment is terminated). The following table summarises the tax rates payable in the 2024/2025 financial year on ETPs that are received as a result of a genuine redundancy or other involuntary terminations of employment[2].

Table 1

Component	Tax payable[2]
Tax free	**Nil**
Taxable[3]	
If under preservation age	First $245,000[4] taxed at 32%[5] and excess taxed at 47%[5]
If preservation age or over	First $245,000[4] taxed at 17%[5] and excess taxed at 47%[5]

Note: Preservation age is 60 from 1 July 2024. An ETP must generally be made within 12 months of terminating employment in order to qualify for lower tax rates.

Other termination payments

On termination of employment, you may also be eligible to receive a range of other payments that must be taken as cash. Table 2 below outlines other termination payments and explains how these payments are taxed in the 2024/2025 financial year in the event of a genuine redundancy[6]. Different rates apply where the ETP is a result of other circumstances such as voluntary resignation, redundancy received on or after your age pension age or termination of employment not as a result of genuine redundancy. These payments could be used to meet your immediate needs or invested in super as a personal contribution to build your retirement savings.

Table 2

Payment	Tax treatment in the event of a genuine redundancy	When tax is paid
Accrued annual leave	100% taxed at a maximum rate of 32%[5]	Deducted by your employer
Accrued long service leave		
Pre 16 August 1978	5% taxed at your marginal rate	Deducted by your employer
Post 15 August 1978	100% taxed at a maximum rate of 32%[5]	Deducted by your employer

Is there any Government support that I may qualify for?

This will depend on your eligibility to access Government benefits and your income and assets. Waiting periods may also exist depending on the benefit you're applying for. You might like to think about registering for the JobSeeker Payment with Services Australia and check your eligibility for income support. If you have a partner, it may also be worthwhile your partner checking their own income support eligibility. Services Australia provides a financial information service which can assist in understanding your entitlements and impact of decisions you may make and can be contacted on on **132 850** or visit the website – **servicesaustralia.gov.au**

It's easy to keep your super with us.

You can stay with us when you leave your employer and generally continue in the same investment option. There's no cost to join and no ongoing contribution fees. Your Death and TPD insurance cover may also continue automatically, without having to fill out forms or undergo medical checks.

Did you know...

As a member, you can call us for help about your super. We can provide you with access to phone-based general advice on a range of super strategies at no additional cost. If you need more in-depth help, a face-to-face meeting with a financial adviser can be arranged. To access any of these services contact us on **1800 602 977** between 8:30am and 6pm AEST, Monday to Friday.

The Trustee is not a Registered Tax Agent and any tax information is of a general nature and should not be relied upon to determine your personal tax or financial situation.

Contact us

For more information, visit **plum.com.au** or call us from anywhere in Australia on **1300 55 7586** between 8am and 7pm AEST (8pm daylight savings time), Monday to Friday.

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1. *Super contributions are subject to certain eligibility criteria and contributions caps. Penalties apply if you exceed these caps. You should speak to your financial adviser before making contributions to super.*
2. *A different tax treatment may apply to ETPs received when leaving an employer voluntarily or where a redundancy is not considered as genuine.*
3. *If you receive an ETP that reasonably could be expected to be received as a result of a voluntary termination of employment and that payment causes your income to exceed $180,000 (the 'whole of income' cap), the part of the ETP that causes your income to exceed $180,000 will not be subject to a tax offset and will be taxed at 47% including the Medicare Levy.*
4. *This is the ETP cap. This cap is current for 2024/2025 and is an annual limit that applies to all ETPs received as a result of a genuine redundancy or other involuntary terminations of employment in a financial year (or related to that year).*
5. *Includes Medicare Levy*
6. *Different tax rates may apply where the payment refers to a period of service after 18 August 1993 and it does not relate to a genuine redundancy.*

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