



Understanding Redundancy

Facing redundancy?

It's important to understand your termination payment.

mtaasuper.com.au
1300 362 415

What is a genuine redundancy?

Your redundancy is considered genuine if the job you were doing is no longer required and your employment is terminated for this reason. This means you will not be replaced by another person, and there is no agreement with your employer (or your employer and another person) for you to be re-hired or employed by another person after your position is made redundant.

What type of payments might I receive?

If your position is made redundant by your employer, you may receive the following types of payments:

- employment termination payments (ETPs)
- genuine redundancy payments
- salary, wages or allowances owing to you for work done or leave already taken
- payments for unused annual leave and long service leave

What is included in an ETP?

Depending on your arrangement with your employer, your ETP could be a lump-sum payment that includes:

- unused rostered days off
- amounts in lieu of notice
- unused sick leave
- a gratuity or 'golden handshake'
- genuine redundancy and approved early retirement scheme payments over the tax-free amount

Is Tax payable on ETPs?

The tax treatment will depend on the ETP type (and in particular, whether the ETP is paid as a life benefit termination payment or a death benefit termination payment).

The following tax rates apply to ETPs that are life benefit termination payments. As the taxation consequences are complex, it is recommended that you consult a Registered Tax Agent to determine the taxation consequences of receiving an ETP:

| Tax free component | | Nil |
|--------------------|------------------------------|--|
| Taxable component | If under preservation age* | First \$215,000 (reduced by other income you earn during the financial year) taxed at 32% and excess taxed at 47% (plus applicable levies) |
| | If preservation age* or more | First \$215,000 (reduced by other income you earn during the financial year) taxed at 17% and excess taxed at 47% (plus applicable levies) |

*For more information on preservation ages see the *Super Guide* available at mtaasuper.com.au/member-handbooks

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This document is issued by Motor Trades Association of Australia Superannuation Fund Pty. Limited (ABN 14 008 650 628, AFSL 238 718) of Level 3, 39 Brisbane Avenue Barton ACT 2600, Trustee of the MTAA Superannuation Fund (ABN 74 559 365 913). Motor Trades Association of Australia Superannuation Fund Pty. Limited has ownership interests in Industry Super Holdings Pty Ltd and Members Equity Bank Limited.

The information provided is of a general nature and does not take into account your specific needs or personal situation. You should assess your financial position and personal objectives before making any decision based on this information. We also recommend that you seek advice from a licensed financial adviser. The MTAA Super Product Disclosure statement (PDS), an important document containing all the information you need to make a decision about MTAA Super, can be obtained by calling MTAA Super on **1300 362 415**. You should consider the PDS in making a decision.

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The Motor Trades Association of Australia Superannuation Fund Pty. Limited (ABN 14 008 650 628, AFSL 238 718) has engaged Industry Fund Services Limited (IFS) (ABN 54 007 016 195 AFSL No 232 514) to provide financial advice to members of MTAA Super. Fees may apply. Further information about cost of advice is set out in the relevant Financial Services Guide, a copy of which is available by calling **1300 138 848**. IFS is responsible for any advice given to you by its representatives.

The tax free component is comprised of any invalidity and pre-July 1983 service amount of the ETP. The taxable component is the balance of the ETP.

The \$215,000 ETP cap for the 2020/21 financial year is reduced (but not below zero) by any earlier ETPs or genuine redundancy payments that relate to the same termination or that you receive in the financial year in which the ETP is paid to you.

What amounts are paid directly to me?

Amounts paid directly to you include the following (these payments are taxed as income and are not considered ETP's):

- unused long service leave, annual leave and/or leave loading
- salary, wages and allowances owing to you for work done or leave already taken
- genuine redundancy payments up to the tax free amount.

| Payment | Tax treatment in the event of a genuine redundancy | When tax is paid |
|--|--|---------------------------|
| Unused annual leave | 100% taxed at a maximum rate of 32% | Deducted by your employer |
| Unused long service leave | | |
| Pre 16 August 1978 service | 5% taxed at your marginal rate | Deducted by your employer |
| Post 16 August 1978 service until the termination date | 100% taxed at a maximum rate of 32% | Deducted by your employer |

Can I rollover my payment into super?

An ETP can only be paid into your superannuation account as a voluntary (after-tax) contribution (which will count against your non-concessional contribution cap). If you are aged between 65 and 74, you must meet the work test requirements. If you are aged 75 or more you cannot make a voluntary contribution to your superannuation account.

Get advice

MTAA Super offers access to general and limited personal advice either **over-the-phone** or **face-to-face**. We provide simple advice to you at no additional cost - its all covered by your MTAA Super administration fees.

Genuine redundancy payments are tax free up to a limit based on the number of complete years you have worked for your employer. For the 2020/21 financial year, this is \$10,989 (the base limit) plus \$5,496 for each completed year of service with your employer.

Example, for ten years' service: \$10,989 + (\$5,496 x 10) = \$10,989 + \$54,960 = **\$65,949**.

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. The table below outlines the main examples and how they are taxed in the 2020/21 financial year in the event of a genuine redundancy. Different rates apply where an ETP is paid in other circumstances, such as voluntary resignation.

Comprehensive advice

We offer access to **comprehensive personal advice** through Industry Fund Services (IFS).

With comprehensive personal advice, you work with a financial planner to develop a full financial plan. This plan considers both your personal and financial circumstances and helps you set and achieve final goals.

Your first consultation with an IFS planner is at no additional cost to you. Once you have discussed your financial situation and needs with the planner, they will provide you with an obligation free quote.

All advice is provided on a strictly **fee-for-service** basis. Fees charged will depend on the complexity of the advice required. There are no commissions or hidden fees. Where the advice applies only to your super, the fee can be deducted from your MTAA Super account.

Member workshops

We run regular education workshops throughout Australia to help you understand and get the most out of your super. Our workshops cover all aspects of super and are suitable for those starting out in the workforce through to those approaching retirement.

These sessions are free and are facilitated by our dedicated Education Specialists.

Public workshops

Public workshops are open for anyone to attend, including non-MTAA Super members.

For more information, or to register for a workshop, go to mtaasuper.com.au/member-workshops

Tailored worksite workshops

We also run tailored worksite workshops at the request of employers.

To organise a workshop at your worksite, ask your employer to contact one of our Education Specialists at mtaasuper.com.au/field-staff

For more information, please visit our website at mtaasuper.com.au
You can also call us on **1300 362 415**. We're here to help.

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