

## Leaving-your-employer benefits set to change June 30

If you're thinking about resigning or retiring (or are faced with a redundancy), you should know the special tax concessions for certain employment termination payments (ETPs) will end 30 June 2012. Making sure you receive your payment before these 'transitional rules' end could mean a big difference to your situation.

### What is an ETP?

An ETP is a type of payment received on termination of employment such as sick leave, ex gratia payments (such as a golden handshake) and a redundancy payment exceeding the legislatively determined tax-free amount. ETPs are taxed differently to ordinary income such as salary.

### What are the transitional rules?

When the ETP tax rates changed on 1 July 2007, special 'transitional' rules were introduced for payments where the amount (or a formula for determining the amount) was specified in the person's employment contract, or workplace agreement.

### Benefits of receiving ETP pre 30 June

This financial year will be the last opportunity that these ETPs can be paid directly into a super fund, where substantial tax savings could be made. Also, less lump sum tax could be payable on ETPs of \$165,000 or more that are taken as cash.



### Leaving your employer after 30 June

While considerable tax savings could be made by receiving an ETP this financial year, there are other issues to consider. For example, if you put off leaving your employer until the new financial year:

- less tax may be paid on amounts that are taxable at your marginal rate (such as accrued annual or long service leave) if your income from other sources is lower
- new taxable income thresholds and marginal tax rates will come into effect on 1 July that particularly benefit lower income earners, and
- the Flood levy currently payable by people with incomes over \$50,000 pa will no longer apply.

### Timing is key

If you're thinking of leaving your employer or face redundancy, getting the timing right could make a big difference to your financial situation. We can assess the payments you're eligible to receive and the tax implications and help you decide when to retire so you can maximise your entitlements.

**Rick Maggi.**