



## TAX ON EMPLOYMENT PAYMENTS

If you take leave, are stood down or lose your job because of COVID-19 there are different tax consequences for payments you may receive from your employer.

### *Leave or temporary stand down*

If you take leave or are temporarily stood down, your employer may pay you regular payments or make a one-off payment. Your employer may give your payment a special name such as:

- stand-down payment
- COVID-19 payment
- pandemic allowance.

Regardless of what your employer calls these payments, we treat them the same as your usual payments from your employer.

This means you:

- declare them as wages and salary on your tax return
- pay tax on them at your normal marginal tax rate.

This treatment applies regardless of whether the payments are funded by the JobKeeper scheme.

If you are receiving less than your normal pay, you will have less tax withheld on the payment. This will occur automatically, so you don't have to do anything.

### *If your employment has been terminated*

If your employment is terminated you may receive payments from your employer.

These payments can have up to three parts:

- tax-free
- concessional tax (taxed at a lower rate than your marginal tax rate)
- taxed at your usual marginal tax rates.

The tax rate depends on the type of payment. The tax return instructions will explain how to include these amounts in your return.



# Stream Advisory

Making More Possible

## *Genuine redundancy amounts*

You have a genuine redundancy if you haven't reached your pension age and your job is abolished. This means that your employer has made a decision that your job no longer exists and your employment is terminated.

Your genuine redundancy payment is:

- tax-free up to a limit – based on your years of service
- concessional tax as an employment termination payment (ETP) above your tax-free limit
- taxed at your usual marginal tax rate for any amount above certain caps.

Your employer will report the tax-free amount as a lump sum on your PAYG payment summary – individual non-business or income statement.

## *Accrued leave*

Upon termination of your employment, your employer will pay out unused annual leave and long service leave.

Your employer will separately record these on your PAYG payment summary – individual non-business or income statement as either a lump sum A or B.

These payments may be concessional tax or taxed at your marginal tax rate, depending on the type of termination, date of accrual and type of leave.

## *Other amounts*

Your employer may pay you other amounts that are not redundancy benefits or accrued leave. Examples may include payments for leaving voluntarily, gratuities, severance pay or having your contract terminated.

We treat these payments as an ETP, which is generally taxed at a lower rate than your normal income, provided the payment does not exceed certain caps.

If your employment is terminated because of ill-health, or part of your payments relate to your employment before 1 July 1983, part of your payment may be exempt from tax.