

## Media Release

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# Lower Tax for Redundant Workers

Workers who have been retrenched following the impact of the global financial crisis are entitled to lower income tax rates that can reduce their tax burden, providing relief to struggling households across the country.

Etax Accountants Director, Scott Griffin, said while being retrenched was a distressing experience, there were concessional (lower) income tax rates available to those made redundant as long as they checked to see if the correct information was reported on paperwork – especially PAYG statements.

“Check Item D on your PAYG statement to ensure your employer has reported your redundancy payment correctly if you intend to claim the lower tax rate on your payout,” he said.

Mr Griffin said it was critical for retrenched workers to be aware of how their redundancy payments are affected by income tax rules, especially in difficult economic times where it can maximise the income a household receives.

“In our current economic climate redundant workers need to maximise their tax deductions and redundancy payments are the first place to start,” he said.

Some workers who receive a redundancy payout are eligible for lower tax rates up to a certain limit and this limit can change each year and redundant workers can always check with their tax agent.

Tax payable on redundancy payments is calculated by multiplying \$3676 by the number of years you have been employed by the company and adding \$7350 to this amount.

For example, if you have been employed for two years, your tax-free redundancy amount would be \$3676 x 2 which is \$7352. Add \$7350 to this and you get \$14,702. If you payout is \$20,000 then the income tax you pay will only be on \$5298 and not on \$20,000 (\$20,000 minus \$14,702).

Mr Griffin said the “good news” is if your redundancy payout is less than the tax-free amount then you do not have to pay tax at all.

The tax concession a redundant worker receives also depends on their employment contract.

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*Etax Accountants Pty Ltd is Australia's largest online accounting firm preparing tens of thousands of tax returns every year. Etax Accountants has been offering online tax services since 1998 and provides a low cost way to do a tax return while still getting professional advice. Etax is based in Brisbane however clients come from all over Australia and overseas. Etax Director Scott Griffin is an MBA graduate from the Harvard Business School and launched Etax with father, Don and brother, Kent over ten years ago.*