Leaving the workforce

If you're leaving the workforce because you are retiring, there are a range of options for making the transition.

Planning to retire

Find out what you need to consider when planning to retire. Consider when you can access your super and the tax payable.

Transition to retirement

Find out how you may be able to reduce your working hours without reducing your income.

Accessing your super to retire

Find out how and when you can access your super to fund your retirement.

Approved early retirement schemes

Find out how an early retirement scheme encourages certain groups or classes of employees to retire early or resign.

QC 27129

Planning to retire

Find out what you need to consider when planning to retire. Consider when you can access your super and the tax payable.

Last updated 9 June 2025

Before you retire

If you're planning to retire, you need to consider:

- your age, including if you have reached your preservation age
- your super
- how much tax you will pay on amounts you receive
- if good leaver conditions apply if you are part of an employee share scheme
- if the retirement capital gains tax concession applies if you sell your small business.

Special rules apply if you receive an employment termination payment, genuine redundancy payment or payments from an approved early retirement scheme.

If you're **leaving your job** for other reasons, such as termination, change of industry or leaving Australia, the tax on payments you receive may be different.

Payments leading into retirement

If you receive a **lump sum payment** from your employer for unused annual or long service leave, you may pay tax on it at a lower rate than your other income. Your employer will report any lump sum payments at either 'Lump sum A' or 'Lump sum B' on your income statement or payment summary. You will need these details when you prepare your tax return.

A **genuine redundancy payment** is a payment made to you usually because the job you have been doing has been abolished. These payments are tax-free to a limit depending on the number of years you worked for that employer.

Your employer may offer staff an **early retirement scheme** to encourage certain groups of employees to retire early or resign. You may pay less tax on payments you receive under an early retirement scheme.

After you retire

Once you retire, you can access a number of tax offsets, such as:

- **seniors and pensioners tax offset**
- **superannuation income stream tax offset**.

If you have income from an Australian superannuation income stream, you may be able to claim a tax offset if you're:

- receiving a disability superannuation benefit
- receiving a death benefit income stream
- 60 or over.

Employee share schemes

If you are a member of an employee share scheme (ESS), you need to consider the **'good leaver' conditions**. Good leaver conditions in an ESS may allow employees to retain ESS interests if they cease employment to retire from the workforce permanently during the forfeiture period.

Whether ESS interests acquired under an ESS with good leaver conditions are at a **real risk of forfeiture** will depend on the facts and circumstances. This includes how the ESS operates and the employee's personal circumstances.

CGT retirement exemption for small business

If you are selling your small business assets, the **capital gains tax retirement concession** may apply. The retirement concession can exempt a capital gain on a business asset, up to a lifetime retirement exemption limit of $500,000. This concession allows you to provide for your retirement.

If you choose the retirement exemption, there is no requirement to terminate any activity or cease business.

If you are under 55 years old just before you choose to use the retirement exemption, you must make a personal contribution equal to the exempt amount to a complying superannuation fund or a retirement savings account.

QC 31878

Transition to retirement

Find out how you may be able to reduce your working hours without reducing your income.

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Transition to retirement rules

Under the transition to retirement rules, when you reach your **preservation age**, you may be able to reduce your working hours without reducing your income. You can do this by choosing to start a **transition to retirement income stream (TRIS)**.

The TRIS payment tops up your part-time income with a regular 'income stream' from your super savings. Previously, you could only access your super once you were 65 years old or retired.

For more information on the changes to transition to retirement income streams from 1 July 2017, see GN 2019/1 – *Changes to transition-to-retirement income streams*.

Under these rules, you can only access your super benefits as a 'non-commutable' income stream. A non-commutable income stream is one that you can't convert into a lump sum. This generally means you can't take your benefits as a lump sum cash payment while you are still working. You must take your super benefits as regular payments.

Super guarantee contributions and TRIS

Employers still need to make compulsory super guarantee contributions for all their eligible employees. This includes people on a TRIS.

We recommend you seek financial advice when considering:

- super withdrawal options
- how tax applies to your retirement, transition to retirement or superannuation income streams.

If a TRIS is not in the retirement phase:

- the earnings from the assets supporting the TRIS will not be eligible for exempt current pension income (ECPI), and will be taxed at the relevant tax rate
- it will not count towards your transfer balance cap (until it goes into the retirement phase).

A TRIS isn't in the retirement phase until you meet one of the following conditions of release:

- you're 65 years old or older
- retirement
- permanent incapacity
- terminal medical condition.

QC 31882

Accessing your super to retire

Find out how and when you can access your super to fund your retirement.

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When you can access your super

When you reach your preservation age and retire, you can access your super to fund your retirement.

You can also access your super:

- when you turn 65 years old
- under the **transition to retirement** rules (if you are eligible), while you continue to work.

You don't have to cash out your super just because you've reached a certain age. However, you need to check if the rules of your super fund specify otherwise.

Preservation age

Your **preservation age** is not the same as your pension age. Your preservation age is the age you must reach before you can access your super and depends on when you were born.

If you are 60 years old or older your super payments may be tax free.

You may receive your super benefits as:

- a **super income stream**
- a **super lump sum**
- a combination of both.

If you're 60 years old or older and your only source of income is super benefits from a taxed source, you won't need to lodge a tax return.

You will need to lodge a tax return if you have income from other sources or if you have tax withheld on your PAYG *payment summary – superannuation income stream*. This includes investments or some public sector super funds.

Tax on super benefits

The tax payable on super benefits depends on a number of things, including:

- your age
- the amount of the payment
- whether you receive your super benefits as a super income stream or a super lump sum
- whether your super comes from a taxed or untaxed source.

Some super benefits have a tax-free component and a taxable component. The tax-free component generally includes:

- amounts you have contributed to your super fund without claiming those amounts as a tax deduction
- certain other tax-free amounts you may have rolled into your super fund.

We recommend you seek financial advice when considering:

- **super withdrawal options**
- **how tax applies** to your retirement, transition to retirement or superannuation income streams.

Approved early retirement schemes

Find out how an early retirement scheme encourages certain groups or classes of employees to retire early or resign.

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What is an approved early retirement scheme?

An approved early retirement scheme is a payment which is **tax-free to a limit**. These schemes are put in place by employers to encourage certain groups or classes of employees to retire early or resign.

For employees to get special concessional tax rates, the Commissioner of Taxation must approve the scheme before payments start.

Tax on an early retirement scheme payment

The tax-free amount of the early retirement scheme payments depends on the number of years you worked for your employer. The tax-free limit is a whole dollar amount, plus an amount for each whole year of service with that employer. Indexation changes the tax-free limit on 1 July each year.

The tax-free amount is not part of your **employment termination payment** (ETP). Any payment amount over the tax-free limit is treated as an ETP.

The concessional taxation treatment for **genuine redundancy and early retirement scheme payments** now extends to individuals who are

65 years of age or older, if they are dismissed or retire before they reach pension age. This applies to payments made on or after 1 July 2019. Before 1 July 2019 this tax treatment only applied to individuals under 65 years old.

You need to be wary of **Illegal super schemes** people offer to help you gain access to your super savings before you reach your **preservation age**. Heavy penalties apply if you participate in these schemes.

QC 27131

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If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

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