Schedule 11 – Tax table for employment termination payments

This schedule applied to payments made from 13 October 2020 to 30 June 2024.

Last updated 13 October 2020

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This withholding schedule is made by the Commissioner of Taxation in accordance with sections 15-25 and 15-30 of Schedule 1 to the

Taxation Administration Act 1953 (TAA). It applies to withholding payments covered by paragraph 12-85(b) of Schedule 1 to the TAA.

Using this schedule

This schedule applies to payments made from 13 October 2020.

You should use this schedule if you pay an individual an amount that is either:

- an employment termination payment (ETP)
- a delayed termination payment – that is, a payment that would be an ETP but was paid more than 12 months after the relevant termination of employment.

If you employ individuals under a working holiday makers visa, you must use the **Tax table for working holiday makers** for all payments made to them, including employment termination payments.

See also:

- **Taxation of termination payments** for information about ETPs for employers and employees
- Delayed termination payments.

Employment termination payments

An ETP is a lump sum payment you make:

- to an employee when their employment is terminated (referred to as a 'Life benefit' ETP)
- to an employee's estate because their employment has been terminated due to death (referred to as a 'Death benefit' ETP).

ETPs include lump sum payments paid upon resignation, retirement or death. A payment from a super fund is not an ETP.

A payment must generally be made within 12 months of termination to qualify as an ETP. A payment made outside of 12 months is a delayed termination payment, unless we have given approval for the payment to be treated as an ETP.

Tax treatment of ETPs

ETPs can have two different components:

- a tax-free component
- a taxable component.

You only withhold tax from the taxable component.

Depending on the type of ETP, the concessional tax treatment may be limited to the smaller of:

- the ETP cap
- the whole-of-income cap.

The top rate of tax applies to amounts paid in excess of these caps.

The ETP cap amount for the 2020–21 income year is $215,000. This amount is indexed annually.

The whole-of-income cap amount for the 2020–21 income year is $180,000. This amount is not indexed. This cap is reduced by any other taxable income payments your employee receives in the income year – for example, salary or wages you have paid to your employee.

In some cases, you may need to include an ETP in the taxable payments when working out the whole-of-income cap.

The ETP payment summary has an ETP code that you use to describe the type of ETP and which cap has been applied to it.

See also:

- ETP reporting for more information about ETP codes.
- Taxation of termination payments

ETP caps

The following table lists the types of ETPs that are subject to withholding and the applicable cap for each type of payment.

For payments in column 2, both caps are considered, and the smaller cap applies. Withholding will be required to be made at the top rate of tax on the amount over the smaller of the two caps.

Applicable caps for ETPs subject to withholding

Column 1 **ETP cap only applies to:**	**Column 2** **Smaller of the ETP cap or whole-of-income cap applies to:**
a payment made under an early retirement scheme that exceeds the tax-free limit (see Note 1) – only the amount in excess of the limit is an ETP	a 'golden handshake' whether paid under: • contract • industrial award obligation • recognition of prior service
a genuine redundancy payment that exceeds the tax-free base limit and for each complete year of service limit (see Note 1) – only the amount in excess of the limit is an ETP	a non-genuine redundancy payment
a payment made because of the employee's permanent disability	severance pay
compensation payment for personal injury	a gratuity
compensation for unfair dismissal	a payment in lieu of notice
compensation for harassment	a payment for unused sick leave
compensation for discrimination	a payment for unused rostered days off
lump sum payments paid on the death of an employee.	an ETP not covered in column 1.

Note 1: The tax-free base limit for the 2020–21 income year is $10,989 plus $5,496 for each completed year of service.

Find out about:

- [Working out the withholding amount]()

Steps to work out smallest cap

Follow these steps to work out the smaller of the ETP cap and whole-of-income cap:

1. Add up all taxable payments you made to your employee (excluding the ETP).
2. Subtract the step 1 result amount from $180,000.
3. The result from step 2 is the calculated whole-of-income cap.
4. Compare the calculated whole-of-income cap from step 3 and the ETP cap amount of $215,000 for 2020–21 (or the balance of ETP cap if a payment component has already applied to the ETP cap where there have been multiple payments for the same termination).
5. If both caps are equal, use the whole-of-income cap. The smaller of the two caps at step 4 is the cap to apply to the ETP taxable component.

Multiple payments for same termination

For various reasons, ETPs may be made in more than one instalment. Payments made after the initial payment subject to the ETP cap, will attract a lower ETP cap. This is because the cap amount is reduced by the amount of all previous payments for the same termination.

Lump sum payments that are not ETPs may also be subject to PAYG withholding. Use the applicable tax table to work out the amount to be withheld from these payments.

Do not allow for any tax offsets or Medicare levy adjustments.

Do not withhold any amount for study and training support loans.

See also:

- Tax table for unused leave payments on termination of employment for unused annual leave, leave loading or long service leave payments.

Death benefit ETPs

A death benefit termination payment is received by a person after another person’s death, in consequence of termination of the other person’s employment. The amount to withhold depends on a number of factors including whether the payment is made:

- directly to a dependant of the deceased
- directly to a non-dependant of the deceased
- to the trustee of the deceased estate.

Use table A to work out how much to withhold.

See also:

- Deceased estates and their tax obligations

Working out the withholding amount

An ETP can be made up of a tax-free component and taxable component. You must withhold an amount from the taxable component, including death benefit ETPs.

Do not withhold from the tax-free component of the ETP.

If your employee who is receiving an ETP has given you their tax file number (TFN) on a *Tax file number declaration*, use table A to work out how much to withhold.

A *Tax file number declaration* remains effective for 12 months after you make the last payment to them.

Withholding amounts calculated by applying table A are rounded to the nearest dollar. Results ending in 50 cents are rounded upwards.

If the payment is to be made to a foreign resident, you will need to check if there is a tax treaty with their country of residence. The full list of our tax treaties is maintained by Treasury and can be found at Australian Tax Treaties. If the ETP is assessable only in the other country because of the treaty, then no withholding is required.

If a foreign resident's ETP is assessable in Australia, you are required to withhold from the payment. Adjust the rates set out in table A to exclude the Medicare levy of 2%.

See also:

- **Taxation of termination payments** for information about ETP components.
- Tax file number declaration
- What are tax treaties?

When a TFN has not been provided

You must withhold 47% from the taxable component of an ETP you make to a resident employee and 45% from a foreign resident employee (ignoring any cents) who has not given you their TFN.

Examples

Example 1: ETP cap

Lloyd is an employee of BigBiz Pty Ltd and is 41 years old. His preservation age is 60. He is made redundant from his position at BigBiz and receives an ETP of $45,000. This is the taxable amount remaining after Lloyd received a genuine redundancy payment. (The amount that exceeds the tax-free base limit and for each complete year of service limit is an ETP.)

The ETP has no tax-free component.

BigBiz is required to withhold from the ETP. Lloyd has previously provided his TFN to BigBiz and claimed the tax-free threshold.

BigBiz classifies the payment as a genuine redundancy and, using table A, works out that only the ETP cap applies.

As Lloyd is under preservation age and his entire ETP fits within the ETP cap amount, BigBiz withholds $14,400 from Lloyd's ETP. This is 32% of Lloyd's taxable component of $45,000.

Example 2: Whole-of-income cap – payment less than cap

Jane is an employee of SmallBiz Pty Ltd and is 50 years old. Jane's preservation age is 60. Jane resigns from SmallBiz to start a new business.

Up until Jane's date of resignation, SmallBiz paid Jane salary and wages totalling $84,000. Under her employment contract, Jane will receive a 'golden handshake' of $10,000 from SmallBiz. This payment is an ETP and has a tax-free component of $2,000 (relating to service before July 1983) and a taxable component of $8,000.

SmallBiz is required to withhold an amount under the PAYG withholding system. Jane had previously provided her TFN to SmallBiz. SmallBiz does not withhold from the tax-free component of $2,000 but must withhold an amount from the taxable component of $8,000.

SmallBiz classifies the payment as a 'golden handshake'. Using table A and the following steps, SmallBiz works out which cap to apply and the withholding rate:

Step	SmallBiz action	Result
1	Adds up all taxable payments (excluding the ETP) paid to Jane.	$84,000
2	Subtracts the step 1 amount from $180,000. This is the calculated whole-of-income cap.	$96,000
3	Determines the smallest cap by comparing the result from step 2 against the ETP cap amount of $215,000.	Whole-of-income cap is smallest
4	Uses table A to determine the withholding rate on amounts up to the calculated whole-of-income cap of $96,000, remembering Jane is under preservation age.	32%
5	Uses table A to determine the withholding rate on amounts above the whole-of-income cap of $96,000. As the whole $8,000 ETP is under cap, no further calculation is required.	Nil

SmallBiz withholds $2,560 from Jane's ETP of $10,000. This is 32% of Jane's taxable component of $8,000.

Example 3: Whole-of-income cap – payment greater than cap

Chris is younger than his preservation age. He has his employment terminated by MediumBiz in January. His employment termination does not meet the criteria of a genuine redundancy.

MediumBiz paid Chris $50,000 in leave entitlements as a lump sum and $50,000 in salary and wages before his termination. In addition to this income, Chris is also paid $130,000 as an ETP comprising of a $100,000 taxable component and has a tax-free component of $30,000 (relating to service before July 1983).

As the ETP is not a genuine redundancy, MediumBiz classifies the payment as a 'golden handshake'. Using table A and the following steps, MediumBiz works out which cap to apply and the withholding rate:

Step	MediumBiz action	Result
1	Adds up all taxable payments (excluding the ETP) paid to Chris.	$100,000
2	Subtracts the step 1 amount from $180,000. This is the calculated whole-of-income cap.	$80,000
3	Determines the smallest cap by comparing the result from step 2 against ETP cap amount of $215,000.	Whole-of-income cap is smallest
4	Uses table A to determine the withholding rate on amounts up to the calculated whole-of-income cap of $80,000,	32%

	remembering Chris is under preservation age.	
5	Uses table A to determine the withholding rate on amounts over the calculated whole-of-income cap of $80,000. An ETP of $100,000 less the cap amount $80,000 gives $20,000 over the cap.	47%

MediumBiz withholds $35,000 from Chris's ETP of $130,000. This is $25,600 ($80,000 × 32%) plus $9,400 ($20,000 × 47%) of Chris's taxable component of $100,000.

Example 4: ETP subject to both ETP cap and whole-of-income cap

Alec, 30, is made redundant by MacroBiz after 5 years of service and receives a termination payment of $65,678 that is part genuine redundancy ($40,678) and part gratuity ($25,000). Until his redundancy, Alec had received $140,000 in salary and wages for the income year.

In this situation, the part of the payment that is subject to the ETP cap only is always dealt with first.

Alec's employer calculates the genuine redundancy amount over the tax-free limit (see Note 2) as $2,209. This is calculated as follows:

> $40,678 less $38,469 due to the 5 years of service [$10,989 base limit plus $27,480 (5 × $5,496)]. The amount of $2,209 is an ETP.

Using table A, his employer works out that only the ETP cap applies. Alec is under preservation age, so MacroBiz withholds $707 (32% of $2,209).

Using table A and the following steps, MacroBiz then works out which cap to apply and the withholding rate on Alec's $25,000 gratuity part of the ETP.

Step	MacroBiz action	Result
1	Adds up all taxable payments, salary and wages paid to Alec.	$140,000
2	Subtracts the step 1 amount from $180,000. This is the calculated whole-of-income cap.	$40,000
3	Determines the smallest cap by comparing the result from step 2 against the ETP cap of $212,791 (ETP cap $215,000 for 2020–21 less the $2,209 ETP).	Whole-of-income cap is smallest
4	Uses table A to determine the withholding rate on amounts up to the calculated whole-of-income cap of $40,000 remembering Alec is under preservation age.	32%
5	Uses table A to determine the withholding rate on amounts over the calculated whole-of-income cap of $40,000. As the $25,000 gratuity is under the cap, no further calculation is required.	Nil

MacroBiz withholds $707 from the $2,209 part of the ETP for genuine redundancy and $8,000 from the $25,000 gratuity part of the ETP. MacroBiz must issue Alec with two separate ETP payment summaries covering each part of the payment.

Note 2: For more information about calculating the tax-free portion of a genuine redundancy payment, refer to Taxation of termination payments.

Table A: Withholding rates for ETPs

Table A: Withholding rates for ETPs

Income component derived by your employee in the income year	Age of person at the end of the income year that the payment is received	Component subject to PAYG withholding	Rate of withhol
Life benefit ETP – taxable component Payment is because of: • early retirement scheme • genuine redundancy • invalidity • compensation for personal injury, unfair dismissal, harassment or discrimination.	Under preservation age	Up to the ETP cap amount	32%
	Preservation age or over	Up to the ETP cap amount	17%
	All ages	Amount above the ETP cap amount	47%
Life benefit ETP – taxable component Payment is: • a 'golden handshake' • non-genuine redundancy payment • severance pay • a gratuity	Under preservation age	Up to the relevant cap amount	32%
	Preservation age or over	Up to the relevant cap amount	17%

• in lieu of notice **• for unused sick leave** **• for unused rostered days off.**	**All ages**	**Amount above the relevant cap amount**	47%
Death benefit ETP paid to non-dependants – taxable component	**All ages**	**Up to the ETP cap amount**	32%
		Amount above the ETP cap amount	47%
Death benefit ETP paid to dependants – taxable component	**All ages**	**Up to the ETP cap amount**	Nil
		Amount above the ETP cap amount	47%
Death benefit ETP paid to a trustee of a deceased estate	**–**	**–**	Nil

Additional information

The **ETP cap amount** for the 2020–21 income year is $215,000. The amount is indexed annually.

The **whole-of-income cap** amount for the 2020–21 income year and future years is $180,000. This amount is not indexed.

A **death benefit dependant** for taxation purposes includes:

- spouse of the deceased
- child of the deceased under 18 years old
- a person who had an interdependency relationship with the deceased
- a person who was a dependant of the deceased just before the latter died.

A **spouse of the deceased** includes another person (of any sex) who:

- was in a relationship with the deceased as registered under a prescribed state or territory law
- lived with the deceased on a genuine domestic basis in a relationship as a couple, although not legally married.

A **child of the deceased** includes:

- an adopted child, stepchild or ex-nuptial child
- a child of the deceased's spouse
- a child of the deceased within the meaning of the *Family Law Act 1975* (for example, a child who is considered to be a child of a person under a state or territory court order giving effect to a surrogacy agreement).

An **interdependency relationship** includes:

- a close personal relationship between two people who live together, where one or both provides for the financial and domestic support and personal care of the other
- a close personal relationship between two people who live together but do not satisfy one or more of the requirements mentioned in the previous dot point due to either or both of them suffering from a physical, intellectual or psychiatric disability.

For further information on interdependency relationships and before accepting that a person is financially dependent, phone us on **13 10 20**.

If an ETP will be paid to the **trustee of a deceased estate**, no amount should be withheld.

Rounding of withholding amounts

Withholding amounts calculated by applying this schedule are rounded to the nearest dollar. Results of 50 cents or higher are rounded upwards. If a TFN is not provided, ignore cents when calculating withholding amounts.

Delayed termination payments

Generally, a payment must be made within 12 months of termination to qualify as an ETP. A payment made after 12 months is a delayed termination payment, unless we have given approval for the payment to be treated as an ETP.

A delayed termination payment is not treated as an ETP. It must be reported in:

- 'Gross payments' in Single Touch Payroll (STP), or
- *PAYG payment summary – individual non-business* for those not reporting through STP.

When a TFN is provided

If your employee has given you their TFN, withhold an amount equal to 32% from the payment. Withholding amounts are rounded to the nearest dollar once calculated. Results ending in 50 cents are rounded to the next higher dollar.

When a TFN has not been provided

You must withhold 47% from the payment you make to a resident employee and 45% from a foreign resident employee (ignoring any cents) who has not given you their TFN.

Preservation age

The withholding amount varies depending on whether the employee has reached their preservation age by the end of the income year in which the payment is made.

Preservation age is determined using your employee’s date of birth. For example, if your employee was born on 1 October 1962, they reached their preservation age of 58 on 1 October 2020. The table below will help with this:

Preservation age

Date of birth	Preservation age
Before 1/7/1960	55
1/7/1960–30/6/1961	56
1/7/1961–30/6/1962	57
1/7/1962–30/6/1963	58
1/7/1963–30/6/1964	59
After 30/6/1964	60

ETP reporting

You must provide your employee with one or more **PAYG payment summary – employment termination payment** forms within 14 days of making an ETP, or report the ETP in the pay event if using Single Touch Payroll (STP).

An ETP code is used to describe the type of payment, and determines which cap, ETP cap or whole-of-income cap is applied. The tables below shows the type of ETPs and which code applies:

Life benefit ETP

Code	Description
R	ETP because of: • early retirement scheme • genuine redundancy • invalidity • compensation for – personal injury – unfair dismissal – harassment

	– discrimination.
O	Other ETP not described by **R**, for example, golden handshake, gratuity, payment in lieu of notice, payment for unused sick leave, payment for unused rostered days off.

Multiple payments for same termination

Code	Description
S	This is a code **R** payment. You made one of the following payments to your employee in a **previous income year for the same termination**: • a code **R** payment • a code **O** payment • a **transitional termination payment**.
P	This is a code **O** payment and you made one of the following payments to your employee in a **previous income year for the same termination**: • a code **R** payment • a code **O** payment • a **transitional termination payment**.

Death benefit ETP

Code	Description
D	Death benefit ETP paid to a dependant of the deceased.
B	Death benefit ETP paid to a non-dependant of the deceased. You made a termination payment to the non-

	dependant in a **previous income year for the same termination**.
N	Death benefit ETP paid to a non-dependant of the deceased.
T	Death benefit ETP paid to a trustee of the deceased estate.

Transitional termination payments were certain ETPs paid to an employee under an employment contract entered into before 10 May 2006. They were taxed concessionally if paid before 1 July 2012.

See also:

- Single Touch Payroll
- PAYG payment summaries: forms and guidelines – payment summaries can also be printed using software that conforms with ATO reporting specifications
- Software developers homepage for more details and reporting specifications
- Taxation of termination payments for information about transitional ETPs

PAYG withholding publications

You can access all PAYG withholding tax tables and other PAYG withholding publications at:

- Tax tables
- PAYG withholding
- Taxation of termination payments.

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