



Status: **legally binding**

Class Ruling

OneSteel Manufacturing Pty Limited – Whyalla Early Retirement Scheme 2026-2027

❶ Relying on this Ruling

This publication (excluding appendix) is a public ruling for the purposes of the *Taxation Administration Act 1953*.

If this Ruling applies to you, and you correctly rely on it, we will apply the law to you in the way set out in this Ruling. That is, you will not pay any more tax or penalties or interest in respect of the matters covered by this Ruling.

Table of Contents	Paragraph
What this Ruling is about	1
Who this Ruling applies to	4
When this Ruling applies	5
Ruling	6
Scheme	9
Appendix – Explanation	37

What this Ruling is about

1. This Ruling sets out the tax consequences of an early retirement scheme implemented by OneSteel Manufacturing Pty Limited (OSM).
2. Full details of this scheme are set out in paragraphs 9 to 36 of this Ruling.
3. All legislative references in this Ruling are to the *Income Tax Assessment Act 1997*, unless otherwise indicated.

Who this Ruling applies to

4. This Ruling applies to you if you are an OSM employee who receives a payment under this scheme.

When this Ruling applies

5. This Ruling applies from 15 October 2026 until 31 May 2027.

Ruling

6. The OSM Whyalla Early Retirement Scheme 2026-2027 (Scheme) is an early retirement scheme for the purposes of subsection 83-180(3).
7. Accordingly, so much of the payment received by an eligible employee that exceeds the amount that could reasonably be expected to be received by the employee in

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consequence of the voluntary termination of their employment at the time of the retirement will be an early retirement scheme payment.

8. In addition, so much of the Scheme payment as falls within the threshold calculated in accordance with section 83-170 is not assessable income and is not exempt income.

Scheme

9. This description of the scheme is based on information provided by the applicant. If the scheme is not carried out as described, this Ruling cannot be relied upon.

10. OSM is an Australian integrated steel producer that operates in a local, regional area, the Whyalla Steelworks. It manufactures and supplies steel products, with its operations supported by upstream iron ore mining for the supply of raw materials for steel production, and a port.

11. OSM is currently in administration and in the process of being sold through a Deed of Company Arrangement (DOCA), under which OSM will remain the employing entity.

12. OSM has 5 primary operating functions:

- steelmaking, which revolves around the 60-year-old Blast Furnace which is currently not operating
- steel products, which produce steel products to meet customer requirements through a series of mills with associated Site Support Services including transport and port functions
- port operations, including an inner and outer harbour for import and export of bulk material and products
- mining, which involves the mine operations in the Southern Middleback Ranges, and
- pellet plant operations, which produce iron ore pellets for steel making and export purposes.

13. OSM employs around 1,350 permanent employees who are covered by OSM Whyalla and Ardrossan Enterprise Agreement 2025 and OSM Middleback Ranges Enterprise Agreement 2025 and utilise a substantial number of contractors.

14. OSM will reorganise its operations as a result of a decision to permanently decommission and demolish the Blast Furnace located at the Whyalla Steelworks. This is because the Blast Furnace cannot be returned to commercial operations upon a restart. The associated Basic Oxygen Furnace will also be decommissioned and permanently shut down. The steelmaking function will cease, with a necessary reduction in employee numbers in functions which support the steelmaking operations. The result is a displacement of around 400 permanent employees.

15. As part of the sale process pursuant to the DOCA, the closure will be supplemented by OSM's development of a new steelmaking function with substantially changed employee skill requirements. These new functions and facilities will require the implementation of new technologies, associated infrastructure, and the training and recruitment of employees with skills to support the reorganised operations.

16. The new infrastructure to support the steelworks will utilise Electric Arc Furnace and Direct Iron Reduction technologies for continuous processing operations. This will integrate with any subsisting steel products operations (together the 'installations'). The

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new installations will require different skills, with reduced operator functions compared to the historical Blast Furnace operations. The new installations will be programmed for building works scheduled to be completed over 4 years from the decommissioning of the Blast Furnace operations.

17. A combination of state and Australian Government funding tied to the sale process will mandate the introduction and completion of the changes and installations.

18. Extended mining operations will also increase iron ore supplies over the next 4 or more years with the result that the mining operations will be both expanded and adapted to utilise new and emerging technologies, requiring different skill requirements to take full effect over the next 3 to 4 years.

19. The purpose of the Scheme is to ensure there is appropriate skilled support for the changed operations, new technologies and development of new infrastructure. The Scheme will support the progressive reorganisation of operations through the retention of skills and knowledge for specific positions which will continue to be required with the installations, and the training of new staff to support continued reorganised operations.

20. The Scheme will assist OSM to increase the number of employees who can progress through an established skill development process.

21. The Scheme will:

- facilitate the regeneration of technical and specific skills in connection with a move to clean energy and green steelmaking technology
- facilitate a pathway for early retirement which enables a retraining of new staff with particular skills to be enhanced or further developed
- maximise employee choice and provide an incentive for employees within the defined class to transition to retirement
- introduce skills that will be critical to meet OSM's strategic objectives which relate to the establishment of new Steelworks to replace the current aged and failing infrastructure, and
- retain local area employment.

22. The class of employees to whom this Scheme applies:

- are aged 58 years or older as at 1 August 2026
- who completed at least 5 years continuous service with OSM as at 1 August 2026
- who are employed on a full-time or part-time basis, and
- are covered by the MPS EA the MBR EA employed and paid
 - under a Production and Utilities Classification in the Steel Products, Site Services or the Pellet Plant business units
 - under a Production and Utilities Classification in Stores and Warehousing, or
 - under a Tradesperson Classification in a Whyalla Iron Ore business unit (including Pellet Plant), or

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- who are employed as Staff (employees who are not covered by an enterprise agreement or any other industrial instrument) employed in operational roles in the following business units
 - Whyalla Steelworks
 - Whyalla Iron Ore Supply Chain and Operational Excellence
 - Whyalla Port, or
 - Integrated Planning, Freight and Logistic Procurement.

23. The following employees are excluded from the Scheme:

- employees aged above pension age (as defined in the *Income Tax Assessment Act 1997* by reference to the *Social Security Act 1991*) as at the date of retirement
- employees employed as
 - saw doctors
 - engineers, power and services leader, lead planning scheduler
 - technicians of any description within Steelworks
- employees who are in positions and hold skills which are objectively deemed by OSM as being critical to its reorganisation and ongoing operations and which require more than 6 months to train a replacement
- employees employed pursuant to fixed term contracts at 14 October 2026
employees who have given notice of resignation in writing prior to 14 October 2026
- employees who have been absent from work on leave without pay for more than 6 continuous calendar months (or 6 calendar months in a 12-month period), other than employees on parental leave
- employees in receipt of weekly workers compensation payments under the *Return to Work Act 2014* (SA)
- employees who are suspended with pay pending determination of misconduct allegations as at 14 October 2026.

24. The employees employed in excluded positions are proposed for exclusions on the basis that the identified roles are and will remain critical to the operations which are to continue as part of the installations. OSM is not able to train replacement employees for such positions within 6 months.

25. Accessing the Scheme is as follows:

- Production and Utilities Classifications – a maximum of 30 packages will be offered under the Scheme to employees engaged in the Production and Utilities Classifications at the Whyalla Steelworks. An unlimited number of packages will be offered under the Scheme to employees engaged in the Production and Utilities Classifications at the Pellet Plant. An unlimited number of packages will be offered under the Scheme to employees engaged in the Production and Utilities Classifications in Stores and Warehousing.

Status: **legally binding**

- Tradesperson Classifications – an unlimited number of packages will be offered under the Scheme to employees engaged in Tradesperson Classifications employed in the Whyalla Iron Ore division.
- Staff – an unlimited number of packages will be offered under the Scheme to Staff.

26. Applications for participating in the Scheme will be determined on the basis of length of continuous service with OSM, with preference given to those employees with the longest period of continuous service with OSM, with continuous service calculated in accordance with the *Fair Work Act 2009*.

27. OSM will retain the right of refusal in relation to roles which are and will remain critical to OSM's ongoing operations and are required as part of the installations. Employees in such roles may be refused access to the Scheme if the loss of their essential skills is judged by OSM to have an unacceptable impact on the efficiency, continuity or sustainability of OSM's business operations despite those employees falling within the class proposed in paragraph 23 of this Ruling. Relevant in such considerations will be the timing and extent of OSM's reorganisation of its operations, including the need to continue the steelmaking operation utilising imported steel, and competition from international steel manufacturers pending implementation of the new installations.

28. Following approval of the Scheme, employees will have one week from the issue of the expression of interest letters to express their interest.

29. Once expressions of interest have been received, OSM will consider all applications and make an offer to the employees within 2 weeks.

30. All employees whose applications are accepted under the Scheme will receive payment and terminate employment anticipated to be between 3 to 6 months after the acceptance date.

31. Payment under the Scheme is calculated to the last day of employment (or retirement) and will be paid at the conclusion of the pay period immediately following the last day of employment (retirement).

32. Employees retiring under the Scheme will receive any unused annual leave and long service leave entitlements on termination, however those entitlements do not form part of the payment under the Scheme.

33. In order to receive concessional-tax early retirement scheme payment, employees must retire under the Scheme before they reach pension age.

34. There is no agreement or arrangement in place with OSM, or any associated employer, to employ the employee following termination of employment under the Scheme.

35. Employees who participate in the Scheme will be restricted from working for OSM or any of its subsidiaries or contractors, for a period of 3 calendar years from the date of termination (or retirement).

36. There is no association between the eligible employees and OSM. Accordingly, the employees and OSM will be at arm's length.

Commissioner of Taxation

14 October 2026

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Appendix – Explanation

❗ *This Explanation is provided as information to help you understand how the Commissioner's view has been reached. It does not form part of the binding public ruling.*

Table of Contents	Paragraph
Requirements for an early retirement scheme	37
<i>All employees within a class approved by the Commissioner may participate in the Scheme</i>	39
<i>Employer's purpose in implementing the Scheme is to rationalise or reorganise the employer's operations in a way approved by the Commissioner</i>	43
<i>Scheme must be approved by the Commissioner prior to its implementation</i>	46
Other relevant information	49

Requirements for an early retirement scheme

37. A scheme will be an early retirement scheme if it satisfies the requirements of subsection 83-180(3).

38. Subsection 83-180(3) states that:

A scheme is an **early retirement scheme** if:

- (a) all the employer's employees who comprise such a class of employees as the Commissioner approves may participate in the scheme; and
- (b) the employer's purpose in implementing the scheme is to rationalise or reorganise the employer's operations by making any change to the employer's operations, or the nature of the work force, that the Commissioner approves; and
- (c) before the scheme is implemented, the Commissioner, by written instrument, approves the scheme as an early retirement scheme for the purposes of this section.

All employees within a class approved by the Commissioner may participate in the Scheme

39. In order to satisfy the first requirement of subsection 83-180(3), the Scheme must be offered to all employees in a class approved by the Commissioner.

40. The class of employees to whom early retirement will be offered under the Scheme is set out in paragraph 22 of this Ruling.

41. The Commissioner considers that, for the purposes of paragraph 83-180(3)(a), this is an appropriate class of persons for the Scheme to be offered to.

42. Therefore, the first requirement of subsection 83-180(3) is satisfied.

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Employer's purpose in implementing the Scheme is to rationalise or reorganise the employer's operations in a way approved by the Commissioner

43. The proposed Scheme must be implemented by the employer with a view to rationalising or reorganising the operations of the employer, as required by paragraph 83-180(3)(b).

44. Paragraphs 11 to 19 of this Ruling describe the nature of the rationalisation or reorganisation of the employer's operations. In approving the Scheme, we have had regard to the changes in the operations and nature of the workforce of OSM. It is considered that the Scheme is to be implemented by OSM with a view to rationalising or reorganising the operations of OSM for the purposes of paragraph 83-180(3)(b).

45. Accordingly, the second requirement of subsection 83-180(3) has been met.

Scheme must be approved by the Commissioner prior to its implementation

46. The Scheme is proposed to operate for a period from 15 October 2026 to 31 May 2027.

47. The Scheme will be in operation for a period considered appropriate due to the circumstances of the reorganisation.

48. As the approval provided by this Ruling was granted prior to implementation, the third requirement of subsection 83-180(3) is satisfied.

Other relevant information

49. Under subsection 83-180(1), so much of the payment received by an employee because the employee retires under an early retirement scheme as exceeds the amount that could reasonably be expected to be received by the employee in consequence of the voluntary termination of their employment at the time of termination is an early retirement scheme payment.

50. It should be noted that in order for a payment to qualify as an early retirement scheme payment, it must also satisfy the following requirements (as set out in subsections 83-180(2), (5) and (6)):

- The retirement occurred before the employee reached pension age or such earlier date on which the employee's employment would have terminated under the terms of employment because of the employee attaining a certain age or completing a particular period of service (as the case may be).
- If the employee and the employer are not dealing with each other at arm's length (for example, because they are related in some way), the payment does not exceed the amount that could reasonably be expected to be made if the retirement was at arm's length.
- At the time of retirement there was no arrangement between the employee and the employer, or between the employer and another person, to employ the employee after the retirement.
- The payment must not be made in lieu of superannuation benefits.
- It is not a payment mentioned in section 82-135 (apart from paragraph 82-135(e)).

Status: **not legally binding**

51. The term 'pension age' has the meaning given by subsection 23(1) of the *Social Security Act 1991*.

52. The term 'arrangement' is defined in subsection 995-1(1) as meaning '... any arrangement, agreement, understanding, promise or undertaking, whether express or implied, and whether or not enforceable (or intended to be enforceable) by legal proceedings'.

53. In accordance with section 83-170, an early retirement scheme payment that falls within the specified limit is referred to as the 'tax-free' amount and will not be assessable income and will not be exempt income.

54. For the 2026–27 income year, the tax-free amount is limited to \$13,598 (base amount) plus \$6,801 (service amount) for each whole year of completed employment service to which the early retirement scheme payment relates. It should be noted that 6 months, 8 months or even 11 months do not count as a whole year for the purposes of this calculation.

55. The total of the amount received on the termination of employment calculated in accordance with paragraph 26 of this Ruling will qualify as an early retirement scheme payment.

56. The total payment calculated in accordance with paragraph 26 of this Ruling will be measured against the limit in accordance with the formula mentioned in paragraph 54 of this Ruling to determine the tax-free amount of the early retirement scheme payment.

57. The tax-free amount will not be:

- an employment termination payment (ETP), and
- able to be rolled-over into a super fund.

58. Any payment in excess of this limit will be an ETP and will be split into tax-free and taxable components. The tax-free component of an ETP includes the pre-July 83 segment of the payment. The tax-free component is not assessable income and is not exempt income.

59. The taxable component of the ETP will be taxed at various rates depending on the person's age. It should be noted that the 'whole of income cap' does not apply to any part of the early retirement scheme payment.

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References

Legislative references:

- | | |
|-----------------------|----------------------------------|
| - ITAA 1997 82-135 | - ITAA 1997 83-180(3)(a) |
| - ITAA 1997 82-135(e) | - ITAA 1997 83-180(3)(b) |
| - ITAA 1997 83-170 | - ITAA 1997 83-180(5) |
| - ITAA 1997 83-180(1) | - ITAA 1997 83-180(6) |
| - ITAA 1997 83-180(2) | - ITAA 1997 995-1(1) |
| - ITAA 1997 83-180(3) | - Fair Work Act 2009 |
| | - Social Security Act 1991 23(1) |
-

ATO references

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