



Status: **legally binding**

Class Ruling

RACQ Operations Pty Ltd – Early Retirement Scheme 2026-2027

① 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 RACQ Operations Pty Ltd (RACQ).
2. 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 RACQ eligible employee who receives a payment under this scheme.

When this Ruling applies

5. This Ruling applies from 22 October 2026 until 30 June 2029.

Ruling

6. The RACQ Operations Pty Ltd Early Retirement Scheme 2026 (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

Status: **legally binding**

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. RACQ is undertaking a strategic review and multi-year transformation of its operations in response to significant changes to its business portfolio and broader organisational objectives.

11. RACQ is reorganising and rationalising its operations to right-size the workforce and align role design, capability mix and workforce levels with its post-divestment operational model. This includes simplifying organisational structures, reducing surplus capacity and legacy roles, and responding to material changes in the required skill across parts of the reorganisation. Some areas of the workforce reflect an ageing demographic where existing skills, role design and workforce composition are no longer well aligned to RACQ's future operating requirements.

12. Elements of RACQ's on-road and service delivery workforce have historically been structured around traditional mechanical and vehicle support models. As the external environment continues to evolve, including the increasing prevalence of electric vehicles, advanced vehicle technology and emerging mobility models, the skills required in these roles are expected to shift towards new technical capabilities, digital diagnostics and different service models. In circumstances where the workforce profile in these areas is ageing, there may be a reduced practicality for large scale retraining or upskilling, contributing to a misalignment between current capability and future operational needs. Further, as employees age, the physical demands of these roles can give rise to increased health and safety risks. The age threshold supports RACQ's objective of reducing these risks while facilitating a sustainable and future-focused workforce profile.

13. Over the period of transformation, RACQ anticipates that this workforce reduction will impact approximately 150 to 300 roles, implemented progressively through staged workforce planning and transformation initiatives.

14. A key focus of the transformation is the redesign of RACQ's organisational architecture to support a flatter, more agile structure with clearer accountability and decision-making, while realigning the workforce to emerging priorities and future focused skills.

15. The reduction in full-time employees is expected to support RACQ's transition to a more streamlined and agile operating model, as well as managing business risk associated with labour intensive areas of the business and an ageing employee population. While workforce reductions are anticipated, these are being implemented as part of a broader redesign of organisational structures, role design and capability mix to align with future operational requirements and to not impact operational function while the reductions are occurring.

16. RACQ has 1,827 employees. RACQ has identified that approximately 172 employees meet the eligibility criteria. The Scheme is primarily targeted to RACQ's Enterprise Agreements and salaried workforce and will be offered to each department on a voluntary basis.

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17. RACQ reserves the right to limit participation by department or class of employee to maintain desired staffing levels and operational requirements.
18. The Scheme will operate via annual offer windows as determined by RACQ.
19. The class of eligible employees to whom this Scheme applies (eligibility criteria):
- are engaged in ongoing employment
 - will be 55 years of age or older as at the intended offer date
 - have at least 10 years of service with RACQ as at the intended offer date.
20. The following employees are specifically excluded from participating in the Scheme:
- employees engaged on casual basis
 - employees engaged on a fixed-term basis
 - employees who have less than 10 years of service with RACQ
 - employees currently under investigation for allegations of misconduct or serious misconduct
 - employees who have resigned in writing as at the date of the Scheme's commencement
 - employees who have already attained the age-pension age.
21. Eligible employees are employed under either:
- an applicable RACQ Enterprise Agreement
 - RACQ Group Enterprise Agreement 2022–2025
 - RACQ Assistance Contact Centre and Dispatch Operations Enterprise Agreement 2024–2027
 - RACQ Roadside Assistance (Patrol Officers) Enterprise Agreement 2023–2026
 - RACQ Motoring (Vehicle Recovery Officers) Enterprise Agreement 2022–2025
 - RACQ Motoring (Fleet Technicians) Enterprise Agreement 2020–2023
 - individual employment contracts (for salaried employees), or
 - Executive Service Agreements (for executive employees).
22. Employees have 30 days to submit an expression of interest following an offer from RACQ.
23. Once expressions of interest have been received, RACQ will consider all applications and make an offer to the employee within 30 days. There will be no automatic approvals as there are a limited number of packages available.
24. All employees whose applications are accepted under the Scheme will receive payment and terminate employment at a date mutually determined by RACQ and its employees but within the relevant financial year. This is anticipated to be one month after the acceptance date.
25. The payment date and termination date will be the same.

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26. There are a limited number of places under the Scheme. In the event of oversubscription, participation will be limited to maintain operating staffing requirements. Preference will be given to employees in the following order:

- employee's length of continuous service with RACQ, with those with a longer service period to be given priority, and
- age, with employees closest to pension age given priority.

27. If uptake under the Scheme is lower than anticipated, RACQ will continue to implement its transformation and workforce rationalisation program through a range of workforce management strategies. These may include natural attrition, vacancy management, redeployment opportunities, role redesign, targeted organisational restructuring, and the reassignment or consolidation of work where appropriate. The Early Retirement Scheme is intended to support the broader transformation program by providing a voluntary pathway for eligible employees.

28. Employees who retire under the Scheme will receive a payment of:

- (a) 4 weeks pay, and
- (b) one week of pay per each completed year of continuous service, up to maximum of 10 years.

29. For ongoing part-time employees, payments shown at paragraph 28(a) of this Ruling will be calculated on a pro rata basis based on average hours within the preceding 12 months prior to retirement. For employees who have a period of part-time employment in the most recent years of continuous service, payment shown at paragraph 28(b) of this Ruling will be calculated on a pro rata basis based on average full-time equivalent over their length of continuous service.

30. All employees retiring under the Scheme will receive their accrued annual leave, unused long service leave entitlements, and any other entitlements that would normally be paid on termination. Long service leave entitlements will be paid pro rata for employees with at least 7 years of continuous service.

31. The package will be paid in addition to any superannuation and other benefits, including annual leave or long service leave, to which an eligible employee would otherwise be entitled.

32. Executive uptake is expected to be relatively small (one to 2 early retirement scheme payments each year). Eligible employees in the 'executive' category who terminate under the Scheme will receive a payment of 2 months base salary. This payment is separate from, and not in satisfaction of, any contractual notice entitlement.

33. Participation in the Scheme does not involve any arrangement, understanding or agreement under which the Scheme payment is funded by, calculated by reference to, or substituted for any salary, wages, bonuses, incentives, leave entitlements or superannuation benefits that an employee has accrued, foregone or otherwise sacrificed. The Scheme payment is an ex gratia payment incentive payable only where an employee voluntarily retires under the Scheme.

34. Any employee who terminates other than under the terms of the Scheme will not be entitled to receive a payment under the Scheme.

35. At the time of retirement, there will be no arrangement between RACQ and terminating employees, or between RACQ and any other person, for those employees to be re-engaged or re-employed after retirement.

CR 2026/79

Status: **legally binding**

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

Commissioner of Taxation

21 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>The 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>The 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 19 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.

The 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).

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44. Paragraphs 10 to 15 of this Ruling describe the nature of the rationalisation or reorganisation of the employer's operations. In approving the Scheme, the Commissioner has had regard to the changes in the operations and nature of the workforce of RACQ. It is considered that the Scheme is to be implemented by RACQ with a view to rationalising or reorganising the operations of RACQ for the purposes of paragraph 83-180(3)(b).

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

The Scheme must be approved by the Commissioner prior to its implementation

46. The Scheme is proposed to operate for a period from 22 October 2026 to 30 June 2029.

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, and
- it is not a payment mentioned in section 82-135 (apart from paragraph 82-135(e)).

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'.

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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 28 of this Ruling will qualify as an early retirement scheme payment.

56. The total payment calculated in accordance with paragraph 28 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 82-135(e)
 - ITAA 1997 83-170
 - ITAA 1997 83-180(1)
 - ITAA 1997 83-180(2)
 - ITAA 1997 83-180(3)
 - ITAA 1997 83-180(3)(a)
 - ITAA 1997 83-180(3)(b)
 - ITAA 1997 83-180(5)
 - ITAA 1997 83-180(6)
 - ITAA 1997 995-1(1)
 - Social Security Act 1991 23(1)
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ATO references

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