CR 2026/45 - Thales Australia Limited - Early Retirement Scheme 2026-2027

Status: **legally binding**

Class Ruling

Thales Australia Limited – Early Retirement Scheme 2026-2027

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. This Ruling sets out the tax consequences of an early retirement scheme implemented by Thales Australia Limited (Thales).

2. Full details of this scheme are set out in paragraphs 9 to 28 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 a Thales employee who receives a payment under this scheme.

When this Ruling applies

5. This Ruling applies from 30 July 2026 to 31 January 2027.

Ruling

6. The Thales Australia Limited 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

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. Thales is a multinational company that designs and builds systems providing services for the aerospace, defence, security and transport markets.

11. Thales has approximately 4,500 employees spread across the following business units:

- Defence – 3,500 employees of defence businesses sit within Thales; the Protected Vehicles business unit employs 435 employees as part of the land domain
- Aerospace and aviation – 500 employees
- Cyber and digital – 500 employees.

12. Thales' Protected Vehicles business unit needs to ensure its position for sustained relevance, competitiveness and profitability into the future.

13. Thales is transforming their industrial footprint and has updated their operating model, supported by ways of working which require new and different complementary skills and experience.

14. Thales is in transition and working with their customers to identify opportunities that ensure long-term sustainability, particularly for their regional workforce in Bendigo.

15. In order to have significant impact, the transition will require Thales to release up to 100 positions from a workforce of 435. This will be achieved by utilising an early retirement scheme. It is expected this will enable the creation of new positions aligned to future needs.

16. To ensure sustainability, as they have an ageing workforce, Thales requires a different mix of skills and capabilities to meet the needs of their long-term workforce.

17. Thales' long-term workforce planning will require a broader demographic of employees, including focusing on creating more opportunities with this plan, allowing a chance to rebalance the age demographic and hiring of new expertise for anticipated future requirements of the business. The Protected Vehicles business unit is consolidating its structure, processes and ways of working to align with a new operating model that requires a different mix of skills and experience. The restructure enables Thales to reset its workforce profile. The current workforce is ageing and no longer aligned to future operational needs.

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

- are employed at levels LR0 to LR10 in the Australia-wide Protected Vehicles business unit

- have served a minimum of 12 months' service with Thales, and
- will be aged
  - either between 50 and 65 years old, or
  - 65 years or older and who are dismissed or retire before the pension age of 67 years old.

19. The following employees are specifically excluded from participating in the Scheme:

- an employee who has tendered their notice prior to the Scheme's implementation start date
- casual employees, contractors and fixed-term employees
- employees who, before or throughout the commencement of the Scheme, were subject to termination on the grounds of misconduct or unsatisfactory performance or under investigation for allegations of misconduct or serious misconduct
- employees who have an active workers compensation claim where payments have been made for loss of income
- employees who have attained the pension age of 67 years old.

20. Following approval of the Scheme, employees will be given approximately 2 weeks to provide an expression of interest.

21. Once expressions of interest have been received, employees will be offered retirement dates which will take effect anywhere between immediately and prior to 31 December 2027. This may be determined in accordance with operational requirements, to ensure service levels are not detrimentally impacted.

22. There are a limited number of places under the Scheme and, in the event of oversubscription, Thales will manage the oversubscription by releasing employees in age order, with the eldest being given priority.

23. Employees who accept the offer will terminate employment and receive a payment on a date mutually agreed between the employee and Thales, but no later than 31 January 2027.

24. Employees who retire under the Scheme will receive a lump sum payment capped at 71 weeks wages or salary comprising of:

- 4 weeks of ordinary wage or salary for each of the first 5 years of employment, and
- 3 weeks of ordinary wage or salary for each year of completed service thereafter and pro rata entitlements for partially completed years.

25. 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.

26. Employees will be permitted to utilise their outstanding annual leave balances prior to their termination, subject to business requirements.

27. At the time of retirement, there will be no arrangement between Thales and terminating employees, or between Thales and any other person, for those employees to be employed after retirement.

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

Commissioner of Taxation
29 July 2026

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.

Requirements for an early retirement scheme

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

30. 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 re-organise 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

31. 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.

32. The class of employees to whom early retirement will be offered under the Scheme is set out in paragraph 18 of this Ruling.

33. 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.

34. 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

35. 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).

36. Paragraphs 13 to 17 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 Thales. It is considered that the Scheme is to be implemented by Thales with a view to rationalising or reorganising the operations of Thales for the purposes of paragraph 83-180(3)(b).

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

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

38. The Scheme is proposed to operate for a period from the day after the Commissioner's approval to 31 January 2027.

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

40. 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

41. 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.

42. 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)).

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

44. 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'.

45. 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.

46. 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.

47. The total of the amount received on the termination of employment calculated in accordance with paragraph 24 of this Ruling will qualify as an early retirement scheme payment.

48. The total payment calculated in accordance with paragraph 24 of this Ruling will be measured against the limit, in accordance with the formula mentioned in paragraph 46 of this Ruling, to determine the tax-free amount of the early retirement scheme payment.

49. The tax-free amount will not be:

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

50. 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.

51. 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.

Status: **not legally binding**

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)

ATO references

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