

# *Business Alert !*

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## ***New tax rules for termination payments***

The *Tax Laws Amendment (Simplified Superannuation) Act 2007 (Cth)* has recently been enacted, bringing in new tax rules for 'employment termination payments'. Formerly called 'eligible termination payments', the new rules form part of the Federal Government's "Simpler Superannuation" reforms.

They take effect from 1 July 2007.

### **Main features of the new rules**

- Employment termination payments not subject to the transitional provisions must be taken in cash - and cannot be rolled into superannuation funds.
- Reasonable benefits limits ("RBL's") will be abolished and, instead, an indexed \$140,000 cap on employment termination payments will apply for each employee.
- Employment termination payments within the cap will receive concessional tax rates. (Amounts in excess of the cap will be taxed at the top marginal tax rate plus Medicare levy.)
- Transitional provisions will be in place from 1 July 2007 to 1 July 2012.
- The transitional rules are substantially similar to the existing rules for eligible termination payments, allowing employees to roll the payments over into superannuation funds.
- Whether or not the transitional rules apply may be a significant matter for employees terminated before 1 July 2012.

**Need Assistance or More Information? Contact our Legal Compliance experts on:**

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