



# How is tax withheld under FEG?

The Department of Employment and Workplace Relations (the department) is required to withhold Pay as you go (PAYG) tax from payments for assistance under the Fair Entitlements Guarantee (FEG). This fact sheet provides information about how tax is calculated.

## Payment of FEG assistance

If you are eligible for FEG assistance, the department pays you directly.

## Notice of variation

Under the *Taxation Administration Act 1953* (the TAA), where the department pays FEG assistance directly, it is required to withhold PAYG tax. The department must withhold tax in accordance with the Notice of Variation under section 15-15 of Schedule 1 to the TAA issued by the Commissioner of Taxation (the variation).

## Providing a tax file number (TFN)

The department is authorised to collect your TFN under the TAA. The variation specifies the tax arrangements that apply where a person provides the department with their TFN on a TFN declaration form\*. **It does not apply where a person fails to provide one.**

**\*You are not required to provide your TFN. However, if you do not provide your TFN or claim a relevant exemption on your TFN declaration, the department is required to withhold tax from your FEG payment at the top marginal rate (currently 47 per cent).**

## PAYG withholding under FEG – TFN provided

### Unpaid wages, annual leave and long service leave

Under the variation, from 1 July 2016, tax is withheld from FEG payments for unpaid wages, annual leave and long service leave at the rate of 34.5 per cent.

**Example 1:** Jan is a part-time employee who lost her job when her employer entered into liquidation on 30 November 2023.

Jan lodges a claim for FEG assistance and provides the department with her TFN. The department determines that Jan is eligible for FEG assistance of \$800 for unpaid wages and \$400 for unused annual leave (total \$1,200).

The department withholds \$276 from Jan's FEG payment for unpaid wages (34.5 per cent of \$800) and \$138 from her FEG payment for annual leave (34.5 per cent of \$400). Following these tax amounts being withheld from her gross FEG entitlement of \$1,200, the net amount paid to Jan is \$786.

## Payment in lieu of notice (PILN) and redundancy pay

### Under the age-pension age

For tax purposes, FEG payments for PILN and redundancy pay for a person who was under the age-pension age (Table 1) at the time their employment ended are treated as genuine redundancy payments.

**Table 1: Age-pension age for men and women**

Date of birth	Age-pension age
Before 1 Jul 1952	65
1 Jul 1952 to 31 Dec 1953	65 years and 6 months
1 Jan 1954 to 30 Jun 1955	66 years
1 Jul 1955 to 31 Dec 1956	66 years and 6 months
On or after 1 Jan 1957	67 years

Genuine redundancy payments are tax-free up to a limit calculated as follows:

Income year	Base limit	For each completed year of service
2024-25	\$12,524	\$6,264
2023-24	\$11,985	\$5,994
2022-23	\$11,591	\$5,797
2021-22	\$11,341	\$5,672

**Example 2:** Roger is a full-time employee who lost his job when his employer entered into liquidation on 20 March 2024. Roger is 48 years of age and had worked for his employer for just over 10 years.

Roger lodges a claim for FEG assistance and provides the department with his TFN. The department determines that Roger is eligible for FEG assistance for PILN (5 weeks) and redundancy pay (12 weeks). Roger's weekly wage for the purposes of calculating PILN and redundancy pay is \$1,000, which means that he is entitled to a total FEG payment of \$17,000 for PILN and redundancy pay.

As the employment end date falls in 2023-24, it's that income year that applies. The department does not withhold any tax from Roger's FEG payment for PILN and redundancy pay because the payment does not exceed the tax-free component of \$71,925 [ $\$11,985 + (\$5,994 \times 10 \text{ years})$ ]. The full (untaxed) amount of \$17,000 is paid to Roger by the department.

If FEG assistance for PILN and redundancy pay exceeds the tax-free component, but is less than the Employment Termination Payment cap (ETP cap), the department must withhold tax at the rate of 34.5 per cent. The ETP cap is as follows:

Income year	ETP cap
2024-25	\$245,000
2023-24	\$235,000
2022-23	\$230,000
2021-22	\$225,000

**Example 3:** Jill is a full-time employee who lost her job when her employer entered into liquidation on 4 December 2023. Jill is 50 years of age and had worked for her employer for just over 8 years.

Jill lodges a claim for FEG assistance and provides the department with her TFN. The department determines that Jill is eligible for FEG assistance for PILN (5 weeks) and redundancy pay (24 weeks). Jill's weekly wage for the purposes of calculating PILN and redundancy pay is \$2,400, which means that she is entitled to a total FEG payment of \$69,600 for PILN and redundancy pay.

The tax-free component of Jill's FEG payment for PILN and redundancy pay is \$59,937 [ $\$11,985 + (\$5,994 \times 8 \text{ years})$ ]. The department does not withhold any tax from the tax-free component (\$59,937), but withholds \$3,333 (34.5 per cent of  $(\$69,600 - \$59,937)$ ) from the remainder of Jill's FEG payment for PILN and redundancy pay because it exceeds the tax-free component.

The net amount of \$66,267 is paid to Jill by the department.

If a FEG payment for PILN and redundancy pay exceeds the ETP cap, the department must withhold tax at the rate of 47 per cent from the amount that exceeds the ETP cap.

### Of the age-pension age or older

Under the TAA payments for PILN and redundancy pay to a person who was of the age-pension age (Table 1) or older at the time their employment ended are not genuine redundancy payments. Under the variation, the department must withhold tax from these payments as follows:

- 34.5 per cent from the portion of the payment below the ETP cap, and
- 47 per cent from the portion of the payment that exceeds the ETP cap.

**Example 4:** Phil is a full-time employee who lost his job when his employer entered into liquidation on 1 March 2023. Phil is 67.5 years of age and had worked for his employer for just over 23 years.

Phil lodges a claim for FEG assistance and provides the department with his TFN. The department determines that Phil is eligible for FEG assistance for PILN (5 weeks) and redundancy pay (46 weeks). Phil's weekly wage for the purposes of calculating PILN and redundancy pay is \$1,200, which means that he is entitled to a total FEG payment of \$61,200 for PILN and redundancy pay.

As Phil was over the age-pension age at the time his employment ended, no tax-free component applies to the PILN and redundancy payments.

As the total amount does not exceed the ETP cap, the department must withhold \$21,114 (34.5 per cent of \$61,200) from Phil's FEG payment for PILN and redundancy pay. The net amount of \$40,086 is paid to Phil by the department.

## Want more information?

You can contact the FEG Hotline if you would like more information about how tax is withheld under FEG.

To contact the FEG Hotline:

- phone 1300 135 040  
Mon - Fri, 9 am - 5 pm (AEST/ADST)
- email [FEG@dewr.gov.au](mailto:FEG@dewr.gov.au)

If you speak a language other than English, please call the Translating and Interpreting Service (TIS) on 13 14 50 for assistance.

If you speak an indigenous language, please call the Aboriginal Interpreter Service on 1800 334 944 for assistance.

Further information about FEG is also available on the [FEG website](#).

**Table 2: PAYG withholding and reporting for payments made under the Fair Entitlements Guarantee**

Item	Type of payment	Relevant provision - PAYG withholding	Applicable tax table or withholding rate	Relevant payment summary
1	Back payment of wages, including unpaid amounts of leave already taken  Payments for rostered days off	Payment to employee Section 12-35 of schedule 1 to the TAA	Withhold at 34.5% <sup>1</sup>	<i>PAYG payment summary - individual non-business (NAT 0046)</i> <sup>3</sup>
2	Unused annual leave	Payment for unused leave Section 12-90 of schedule 1 to the TAA	Withhold at 34.5% <sup>1</sup>	<i>PAYG payment summary - individual non-business (NAT 0046)</i>
3	Unused long service leave	Payment for unused leave Section 12-90 of schedule 1 to the TAA	Withhold at 34.5% <sup>1</sup>	<i>PAYG payment summary - individual non-business (NAT 0046)</i>
4	Redundancy pay and payment in lieu of notice when paid to a worker who is under the age-pension age (Table 1) at the time of termination which falls within the tax-free limit	Employment termination payment (ETP) <sup>2</sup> Section 12-85 in schedule 1 of the TAA	No withholding <sup>1</sup>	<i>PAYG payment summary - employment termination payment (NAT 70868)</i>
5	Redundancy pay and payment in lieu of notice when paid to a worker who is under the age-pension age (Table 1) at the time of termination that exceeds the tax-free limit, but is less than the ETP cap	Employment termination payment (ETP) <sup>2</sup> Section 12-85 in schedule 1 of the TAA	Withhold at 34.5% <sup>1</sup>	<i>PAYG payment summary - employment termination payment (NAT 70868)</i>
6	Redundancy pay and payment in lieu of notice when paid to a worker who is of the age-pension age (Table 1) or older at the time of termination to the extent that the payment does not exceed than the ETP cap	Employment termination payment (ETP) <sup>3</sup> Section 12-85 in schedule 1 of the TAA	Withhold at 34.5%	<i>PAYG payment summary - employment termination payment (NAT 70868)</i>
7	Redundancy pay and payment in lieu of notice when paid to any worker regardless of age at the time of termination to the extent that they exceed the higher of the tax-free limit or ETP cap	Employment termination payment (ETP) <sup>4</sup> Section 12-85 in schedule 1 of the TAA	Withhold at 47.0%	<i>PAYG payment summary - individual non-business (NAT 0046)</i>

1. The tax-free amount of a genuine redundancy includes only those amounts which exceed the amount which the individual would have been paid upon a normal termination. This includes amounts for payment in lieu of notice if applicable. Unused leave cannot be tax-free. For the tax-free threshold for the year in which the payment is made, refer to the *Tax table for employment termination payments (ETP)*.
2. An ETP includes the part of a genuine redundancy payment or early retirement scheme payment for a worker who is under of the age-pension age at the time of termination that exceeds the tax-free threshold.
3. Redundancy pay and payment in lieu of notice paid to a worker who is of the age-pension age or older at the time of termination are not classed as genuine redundancy payments and no tax-free component applies.
4. All payments for redundancy pay and payment in lieu of notice, regardless of a worker's age at the time of termination that exceed the ETP cap will have tax withheld at the top marginal rate.

The information contained in this fact sheet is of a general nature and explains, in summary form, the intended operation of the *Fair Entitlements Guarantee Act 2012* - it is not legal advice. Where necessary, you should seek your own independent legal advice relevant to your particular circumstances. The Commonwealth does not make any representation or warranty about the accuracy, reliability, currency or completeness of the information contained in this fact sheet and is not liable for any loss resulting from any action taken or reliance made by you on the information contained in this fact sheet.