

Redundancy and retirement allowance - tax and entitlements

This factsheet explains how redundancy payments and retirement allowances are taxed and how these payments may affect your entitlements.

The tax rate used to tax redundancy payments and retirement allowances is based on your expected income for the year. Your employer will work out your expected income by totalling your wages for the last four weeks and multiplying that figure by 13.

You can use the table below to work out the tax rate that will be used. You'll need to work out what your estimated yearly income is (1 April to 31 March) **plus** the redundancy payment and retirement allowance.

Income	Tax rate
\$14,000 or less	10.5%
\$14,001 to \$48,000	17.5%
\$48,001 to \$70,000	30%
\$70,001 or more	33%

You don't pay ACC earners' levy on redundancy payments and retirement allowances.

You may get a refund

PAYE is calculated each pay day based on your expected yearly income. If you don't work a full year your actual yearly income may be lower. In this situation you may be eligible for a tax refund at the end of the year.

Sometimes a redundancy payment or retirement allowance pushes you into a higher tax bracket. If this happens you may be eligible for a tax refund at the end of the year.

If you're eligible for a refund we'll send you an income tax assessment notification to finalise your end-of-year tax information automatically.

Student loan repayments are deducted

If you have a student loan, repayments must be deducted from any redundancy payment and retirement allowance you receive.

If repaying your student loan would cause you serious financial hardship we can look at lowering your student loan repayment rate. You'll need to write to us asking for a reduced student loan rate and complete a *Disclosure of financial position (IR590)*. You can get a copy from www.ird.govt.nz (search keyword: IR590) or by calling our self-service line on 0800 257 773.

Please send your written request and IR590 to:
Inland Revenue
PO Box 39010
Wellington Mail Centre
Lower Hutt 5045

KiwiSaver contributions

- Retirement payments are liable for KiwiSaver deductions and your employer makes employer contributions, if you're eligible.
- Redundancy payments aren't liable for KiwiSaver deductions and your employer doesn't have to make contributions.

You don't need to make KiwiSaver contributions if you're unemployed. If you'd like to continue them you'll need to contact your KiwiSaver provider.

If you become self-employed you'll need to contact your KiwiSaver provider to restart your contributions.

Once you've found a new job, KiwiSaver deductions will be made from your salary or wage unless you've taken a contributions holiday. You can take a contributions holiday if you've been a member for 12 months or more. You can apply for an early contributions holiday if you've been a KiwiSaver member for less than 12 months and are experiencing financial hardship. The contributions holiday can last from three months to five years.

Here's how you can apply for a contributions holiday or an early contributions holiday:

- online if you're registered for "myIR" or "My KiwiSaver"
- send us a completed *Contributions holiday request (KS6)*
- call us on 0800 549 472 (0800 KIWISAVER).

If you provide evidence that you're suffering significant financial hardship, you may be able to withdraw some of your KiwiSaver savings. You'll need to contact your KiwiSaver provider direct if you want to do this.

You may have to:

- show that you've explored reasonable alternative sources of funding
- complete a statutory declaration about your assets and liabilities
- provide other documents or information to support your application.

Working for Families Tax Credits (WfFTC)

If your family income changes, your WfFTC entitlement may change.

If you receive weekly or fortnightly WfFTC payments you'll need to contact us immediately to tell us the amount of your redundancy payment and retirement allowance. We'll need to ask you some questions about your new situation to work out your entitlement.

Note: You will not need to notify us of the payment details if the only payment you are receiving is the first year of your Best Start tax credit and you have not yet provided your income details for continuing this payment into the second year.

The amount and timing of your redundancy payment and retirement allowance could mean your weekly or fortnightly payments will reduce or stop for the rest of the financial year (1 April to 31 March). At the end of the year, we'll do a calculation based on your actual annual family income and circumstances and work out any under or overpayments that have been made.

If your annual family income decreases because you've been made redundant or retired, you may be entitled to more WfFTC payments.

Call us on 0800 227 773 if you'd like to discuss your situation.

If you receive a childcare subsidy or accommodation supplement you can go to www.workandincome.govt.nz/products/a-z-benefits/working-for-families.html to see if your entitlements have changed.

Child support payments

Redundancy payments and retirement allowance won't affect any current child support assessments. Your previous years' income is used to calculate child support. The redundancy payment you receive this year will be included as income in your next year's child support assessment.

If your income has reduced by 15% or more, you may be able to estimate your income to reduce your assessment. You can do this by logging into your myIR secure online services account and selecting "income" under the "My family" tab. Alternatively, you can write to us or complete an *Estimate of income for child support assessment (IR104)* form. You can get a copy from www.ird.govt.nz "Forms and guides" or by calling our self-service number on 0800 257 773. You'll need to estimate how much you expect to earn for the whole year and may be asked to provide evidence to support your estimation, eg, payslips or, if you're self-employed, a letter from your accountant.

If you're not eligible to estimate your income and you disagree with our assessment, you may be able to ask for an administrative review.

Paying your child support

If you think you may have trouble paying your child support, please call us on 0800 221 221.

You can find out more information about child support at www.ird.govt.nz/childsupport

Any changes in your circumstances may affect the child support payments you receive or make. Please tell us immediately of any changes by calling us on 0800 221 221.



www.ird.govt.nz

Go to our website for information and to use our services and tools.

- **Log in or register for myIR** – manage your tax and entitlements online.
- **Demonstrations** – learn about our services by watching short videos.
- **Get it done online** – complete forms and returns, make payments, give us feedback.
- **Work it out** – use our calculators, worksheets and tools, for example, to check your tax code, find filing and payment dates, calculate your student loan repayment.
- **Forms and guides** – download our guides and forms.

www.ird.govt.nz New Zealand Government