

Redundancies & Payouts - Income Maintenance Periods

This factsheet provides information for anyone who has recently received a redundancy payment. Redundancy payments can exclude individuals from Centrelink Payments for significant periods of time, possibly even years.

If you are in this situation, you need to be aware that you must be careful in how you use your redundancy payment as Centrelink treats it as ongoing income. If you do not find new employment as quickly as you anticipate, you may be excluded from receiving Centrelink payments for longer than you expect.

This period of time is called an **“Income Maintenance Period” (IMP)**, and is the length of time in which people who have received redundancy or leave payments have these amounts treated as income.

What does this mean for you?

Centrelink will treat you as though you are still earning your regular weekly income for the entire period that the total separation payment covers, regardless of whether you have spent it.

How is it calculated?

Centrelink rules on income maintenance periods are complicated, but to calculate a rough estimate you can divide the total separation payment you received (including leave and redundancy payments) by the rate of gross income you were receiving per week prior to termination (if you worked part time, this will be your part time income):

$$\frac{\text{Total Separation \$}}{\text{Gross weekly \$ prior to termination}} = \text{No. of weeks in your IMP}$$

For example, Jim earned \$1000 gross per week while he was working. When he received a redundancy payout Jim accepted a total of

\$23,500 gross. To get a rough idea of his income maintenance period, Jim can use the calculation above. His estimated IMP is 23.5 weeks.

To get an accurate calculation of your IMP you can also lodge a claim for Newstart or Disability Support Pension (DSP) with Centrelink. You should provide Centrelink with an employment separation certificate which details the termination pays you received.

You will need to make the separation payment last throughout your Income Maintenance Period because there are no special circumstances exceptions to these rules.

I am having trouble paying my household bills

Centrelink will not take into account that you have no money left over to pay for essentials.

We have seen clients forced to rely on family, friends and charities for extended periods after spending all their payout. Centrelink will not take into account that you have paid off debts (e.g. a credit card). In some instances reductions in the income maintenance period can apply but only in extremely limited circumstances where an unexpected and reasonable expenditure occurs (e.g. emergency medical costs).

We recommend that everyone seek financial/budgeting advice on how to make their separation payments last.

Who can help?

Basic Rights Queensland cannot give you advice on how to calculate your IMP. To get an accurate calculation of your IMP you can lodge a claim for Newstart or Disability Support Pension (DSP) with Centrelink. You should provide Centrelink with an

employment separation certificate which details the pay you have received while working.

If you believe your income maintenance period has been calculated incorrectly you have the right to appeal the decision to Centrelink. We can provide you with advice on your appeal.

For more information:

Centrelink information about redundancies:

<http://www.humanservices.gov.au/business/publications/lw068>

Please Note:

This Fact Sheet contains general information only. It does not constitute legal advice. If you need legal advice please contact Basic Rights Queensland on 3421 2510 or 1800 358 511.

Basic Rights Queensland is a community legal centre, which provides specialist advocacy and legal services in Social Security law, administration and policy. We are independent of Centrelink. All assistance is free.

This Fact Sheet was updated in August 2012.

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