

Redemptions

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Introduction

When the amount of a current or ex employee's weekly incapacity payments is below a set threshold (known as the redemption ceiling rate), and the degree of the employee's incapacity is unlikely to change, Comcare must make a lump sum payment to the employee in lieu of ongoing weekly payments. This is known as a redemption payment, payable under section 30 of the SRC Act.

A former employee may request their weekly incapacity payments be paid to them in a lump sum if the weekly amount they are entitled to falls below the redemption ceiling rate, however, it is not a requirement of the legislation as is the case with section 30. Redemption payments for former employees are paid under section 137 of the SRC Act.

The redemption ceiling rate is a statutory rate which is updated on 1 July each year. The current rate can be accessed on Comcare's website [here](#).

Redemption formulae

The SRC Act sets out the relevant formulae and definitions for the calculation of redemption payments (refer section 30 and 137 of the Act).

Roles in the redemption process

The Income Support team is responsible for calculating and determining an employee's redemption payment. Any changes, questions or issues with an employee's redemption payment should be raised with the [Income Support](#) team.

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Eligibility for a redemption

To be eligible for a redemption payment the following conditions must be met:

- the employee must be receiving weekly incapacity payments
- the degree of the employee's incapacity is unlikely to change based on medical evidence, and
- the weekly gross incapacity payment is equal to or less than the current redemption ceiling rate.

The current redemption ceiling rate can be found here on the Comcare website at [Statutory rates for compensation](#).

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Taxation on redemptions

Redemption payments are income, and tax is therefore payable. For current employees, the tax will be calculated by the employer when they make the payment through their salary system. For ex-employees and former employees receiving payments XPay, tax is calculated by Pracsys).

A section 137 redemption is made up of an amount for pre pension age and an amount for post pension age. Tax is only payable on the pre pension age component. If an employee is over the pension age when they request a redemption payment, no part of the lump sum will be subject to tax.

Important: You should direct an employee to the Australian Taxation Office (ATO) if they have any questions about the tax component of a redemption. As there are many factors that may affect a person's taxation, Comcare cannot advise employees on how a redemption payment will affect their overall taxation.

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Incapacity payments after redemption

Current and ex-employees, whose redemption payment was made under section 30, can claim further incapacity payments if their level of incapacity increases after the redemption payment is made. This recommencement of incapacity payments is provided for under section 31 of the SRC Act.

To be eligible for a recurrent incapacity payment after receiving a redemption lump sum, the following conditions must be met:

- the employee must have previously received a redemption lump sum payment under section 30 of the SRC Act
- the employee's incapacity results in them being unable to engage in suitable employment, and
- the incapacity is likely to continue indefinitely.

If it is found that a recurrent incapacity payment should be made, the amount of compensation is the amount that would otherwise have been payable to the employee under sections 19, 20, 21 or 21A, less the amount per week that was redeemed at the date of the determination under section 30.

Former employees who have received a redemption payment under section 137 cannot claim any further incapacity payments.

Please note, the Income Support team are responsible for processing the redemption payments.

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