

Termination Payment Basics

KS-049

A practical guide to termination payments for Australian small business owners.

TOPIC	PREPARED BY	FORMAT
Small business education	SML Bookkeeping & Tax	Knowledge Sheet

Key message

Termination Payment Basics is an important small business topic because it affects payroll, employee records, super, PAYG or workplace obligations. Business owners should understand the basic rule, keep clear records, and ask for review before making decisions that affect tax, payroll, reporting or compliance.

Termination Payment Basics - practical workflow

1

Identify

Confirm who the obligation applies to and what information is needed.

2

Calculate

Use current rates, payroll settings and source records.

3

Record

Keep payroll reports, declarations, payslips and payment evidence.

4

Review

Check unusual cases before reporting or paying.

What is Termination Payment Basics?

Termination Payment Basics refers to the practical rules, records and decisions a business owner should understand in this area. The aim is not to turn the owner into an accountant, but to help them recognise what matters, what records to keep, and when to ask for advice.

Key points for business owners

- Understand how termination payments applies to the business before acting.
- Keep source documents and notes that explain the business purpose.
- Check dates, thresholds, registrations and reporting periods where relevant.
- Use bookkeeping or payroll software carefully, but do not rely on automation without review.
- Ask the accountant to review unusual, high-value or unclear situations.

Records or information to keep

- Invoices, receipts, contracts, statements or reports connected to the topic.
- Accounting software reports and reconciliation records.
- Dates, business-purpose notes and supporting calculations.
- Copies of lodgements, confirmations or correspondence where relevant.
- Manager or accountant review notes for complex issues.

Common mistakes to avoid

- Treating termination payments as a simple admin task when it may affect compliance.
- Using outdated rates, thresholds or software settings.
- Relying on bank transactions without keeping supporting documents.
- Mixing private and business use without clear apportionment.

- Making client-facing conclusions before professional review.

Example

A small business owner is unsure how termination payments affects their next BAS, payroll or tax review. The practical first step is to collect the relevant records, check the current official guidance, and ask SML Bookkeeping & Tax to review the treatment before relying on the result.

Common Questions

Is termination payment basics the same for every business?

No. The right treatment can depend on business structure, registration status, industry, timing, records and the specific facts.

Can software handle this automatically?

Software can help with processing and reporting, but the result still depends on correct setup, complete records and proper review.

When should I ask for professional advice?

Ask before making decisions involving large amounts, unclear facts, private use, payroll obligations, entity structure, deadlines or ATO reporting.

Reference Sources

Source	Used for
Australian Taxation Office	Official tax, payroll reporting and employer obligation guidance.
Fair Work Ombudsman	Employment records, pay and workplace obligation context.
Xero / MYOB	Practical payroll processing and reporting workflow.

Important note

This Knowledge Sheet provides general information only. It does not take into account the full circumstances of any business. Speak with SML Bookkeeping & Tax before making tax, payroll or compliance decisions.