

Frequently Asked Compensation Payout Questions

Q: I got an injury insurance payout, should I claim it as a taxable income?

A: There are 3 types of insurance payments compensating due to the work-related injury.

a) Insurance payments for lost salary or wages under an income protection, sickness or accident insurance policy:

You must declare the amounts paid to you for lost salary or wages. If the payer withheld tax, you can declare it under Income Item 1: Salary or Wages; If the payer didn't withhold tax, you need to declare it under Income Item 2: Allowances, earnings, tips, directors fees etc.

b) Compensation payment through workers' compensation type claims:

You must declare the amounts paid to you for your compensations. The details are the same as above.

c) Compensation payment for personal injury through structured settlement:

If you've made a severe personal injury claim and court orders are in your favour (a sufficiently large amount) and be a tax-free capital payment, you can arrange to receive your compensation in the form of **structured settlement**. This settlement can only be arranged **before** your personal injury case has settled. There are certain conditions are needed to meet to get a structured settlement. Your lawyer can advise you whether or not you are entitled to. A typical structured settlement includes: a personal injury annuity, an immediate lump sum to pay debts incurred and an indexed personal injury lump sum amount every three years to purchase personal needs equipment. All these three income under structured settlement are **tax-exempt** or **tax-free**.

Here at MAS Tax Accountants South Yarra, we can streamline your compensation claims with your tax returns and have qualified financial planners to help implementing your financial strategies for a better financial position for the future!

For an appointment, or a confidential discussion of your needs, please call us today on 03 9279 3912 or 1300 627 829.