

CPA Australia

Drought Assistance Information Kit

June 2007



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AUSTRALIA



Introduction

Australia is experiencing one of the worst droughts in history, with extremely dry conditions continuing in 2007. The dry spell has severe implications for farmers as well as rural businesses affected by diminished farm sector spending.

The Australian Government has recognised the challenge that these conditions create and has made available a number of assistance packages to farmers and agricultural-dependent small businesses in exceptional circumstances (EC). For a definition of EC or EC declared areas, please visit the website of the Australian Government Department of Agriculture, Fisheries and Forestry (DAFF) at www.daffa.gov.au/drought/ec/background

To help drought-affected farmers and small businesses understand where, how and if they can apply for support, CPA Australia has prepared a drought assistance information kit summarising the financial support available from the Australian Government. Assistance is provided by the DAFF and delivered by Centrelink.

State and territory governments also offer financial assistance to rural producers and small business in its region. Farmers and small businesses affected by the drought should investigate the type of drought assistance packages that are available in their states. Further information on drought assistance provided by the state and territory governments is available at www.daffa.gov.au/drought/assistance/contacts

The drought situation can be changeable, resulting in variations to the assistance packages provided by the government. Additional support or different criteria could be introduced if the drought conditions alter. The information provided in this kit is designed to be general in nature, to help farmers and small businesses get started with their application. Detailed information can be obtained by contacting the DAFF and Centrelink or from visiting their websites.

Available drought assistance support

Exceptional circumstances relief payments (ECRP) for farmers

Type of financial support

Fortnightly relief payments are available to help farmers who have difficulty meeting daily living expenses. These payments are equivalent to the Newstart allowance. Recipients of ECRP will also receive a health care card.

Who is eligible?

To be eligible for ECRP, you must:

- be a farmer
- operate a farm enterprise in an EC declared area
- be an Australian citizen
- hold an EC certificate
- prove your identity for the EC certificate if one is not already held (see box below)

Assets test

Applicants for ECRP are assets tested. This test is similar to the one conducted for those who apply for the Newstart allowance. Further information on the assets test is available from Centrelink. Farm assets including business bank accounts are not included in the assets test. Superannuation and life insurance investments are also disregarded.

Income test

Applicants for ECRP are also income tested. This test is similar to the one conducted for those applying for the Newstart allowance. From 1 July 2005 to 30 June 2008, the first \$10,000 from non-farm wages may be disregarded.

EC Certificate

To obtain an EC certificate which is needed in your application for certain drought relief, contact your nearest Centrelink Customer Service Centre or the Drought Assistance Hotline on 13 23 16.

Centrelink will ask for proof of identity documents which give you 100 points on its scale. Any of the following when combined will be equal to 100 points or more:

- original birth certificate, current Australian passport, shooters and firearms licence are worth 70 points each
- ATM cards, credit cards, bank statements, pass books, driver's licence and marriage certificates are worth 40 points each
- Medicare card and rates notice are worth 20 points each

You will also need to provide a farm rates notice to verify that your farm is located in an EC declared area as well as the most recent income statements (farm tax return, profit and loss statements) to prove that your primary source of income is from farming.

Applications

To apply, visit your nearest Centrelink Customer Service Centre or contact the Drought Assistance Hotline on 13 23 16.

Further information

Centrelink: www.centrelink.gov.au

DAFF: www.daffa.gov.au/drought

Interim income support

Interim income support is provided to farmers and small businesses of a district or region which has made a formal application to the Australian Government for EC status. This support lasts for up to six months while they are being assessed.

Further information

Centrelink: www.centrelink.gov.au

ECRP for small business

Type of financial support

An income support payment similar to the Newstart allowance is available to small business owners who provide services direct to farm businesses located in EC declared areas. Recipients of ECRP will also receive a health care card.

Who is eligible?

To qualify, you must:

- be a small business owner who employs less than 20 full-time or equivalent employees
- receive 70 per cent or more of your normal total business income from farm businesses located in EC declared areas
- be an Australian citizen or permanent resident
- be aged 18 years or above
- own a small business with a current Australian Business Number (ABN) and be able to demonstrate that your business is solvent.

Eligible applicants include farm contractors such as harvesters, shearers, livestock or produce transporters, suppliers of farm equipment, seed and fertilizer suppliers, as well as business advisers such as book keepers and accountants.

Assets test

Applicants for ECRP are assets tested. This test is similar to the one conducted for those who apply for the Newstart allowance. Further information on the assets test is available from Centrelink. Essential business assets are not included in the assets test. Superannuation and life insurance investments are also disregarded.

Income test

Applicants for ECRP for small business are also income tested. This test is similar to the one conducted for those applying for the Newstart allowance. From 1 June 2005 to 30 June 2008, \$10,000 in non-business salary or wages will not be assessed as income.

Applications

To apply, visit your nearest Centrelink Customer Service Centre or contact the Drought Assistance Hotline on 13 23 16.

Further information

Centrelink: www.centrelink.gov.au
DAFF: www.daffa.gov.au/drought

Exceptional circumstances interest rate subsidy (ECIRS)

Type of financial support

Interest rate subsidies of either 50 per cent or 80 per cent of eligible interest costs are available, depending on the time the area has been EC declared. A maximum of \$100,000 per year for up to five years can be paid.

Who is eligible?

Farmers and small businesses in EC declared areas.

If you are a farmer, you are considered eligible...

...when your farm is located in an EC declared area and you are experiencing financial difficulty due to exceptional circumstances. Your enterprise has to demonstrate past profitability and its potential to return to profitability in the future. Actual and projected earnings for each commodity produced by the enterprise are required as well as detailed revenue and capital cash flow statements. These will include operators' living costs and all debt servicing costs.

You have to be primarily reliant on your farm enterprise for your livelihood and contribute at least 75 per cent of your labour to your farm enterprise under normal (non-drought) circumstances. There has to be provision for ongoing financial support from commercial lenders. An interest rate subsidy support form is required from each lender.

If you are a small business owner, you are considered eligible...

...when you derive at least 70 per cent of your business turnover from the provision of goods or services for farming activities located within EC declared areas. You must be experiencing financial difficulty due to the impact of exceptional circumstances on farm enterprises.

The following information needs to be provided in your application for ECIRS:

- the total interest payable per annum
- the estimated business turnover in the medium term, and
- the owner or lessees' equity in the business in relation to current and future debt together with both business and other assets and income.

Your business has to demonstrate past profitability and its potential to return to profitability in the future. Actual and projected earnings for each product or service produced by the enterprise are required as well as detailed revenue and capital cash flow statements. These will include operators' living costs and all debt servicing costs.

You have to be primarily reliant on your business for your livelihood and contribute at least 75 per cent of your labour to your business under normal (non-drought) circumstances. In addition to this, you must prove that at least 50 per cent of your income is derived from your business.

Assets test

An assets test applies to the interest rate subsidy. For farmers, the net value of non-farm assets is not to exceed \$458,000 (excluding superannuation and life insurance).

For small businesses, the net value of non-business essential assets is not to exceed \$458,000 (excluding superannuation and life insurance).

Applications

This is an Australian Government drought assistance package but applications are made to the state or territory rural assistance authorities.

Further information

A list of state and territory government drought contacts is available on www.daffa.gov.au/drought



Professional advice and planning grants

Type of financial support

Professional advice on drought management and recovery worth up to \$5,500 including GST is available to farmers. This advice must be provided by a qualified professional.

Each grant is offered to a farming enterprise which means that only one application can be made where the family farm may be operated by several generations. It also means that only one application can be made where the enterprise consists of several farming properties.

The grants will help farmers assess their farm's viability, business plans, drought management or drought recovery plans. They can also be used for appropriate accounting or business software and training.

Who is eligible?

Farmers who are located in EC declared areas that have this status for three years. Applicants do not need to be receiving or be eligible for ECRP. However, they will need to have been a farmer for more than two years.

Applications

To apply, visit your nearest Centrelink Customer Service Centre or contact the Drought Assistance Hotline on 13 23 16.

Further information

Fact sheets on professional advice and planning grants are available from Centrelink at www.centrelink.gov.au and DAFF at www.daff.gov.au/droughtassist

Drought force

Type of financial support

Special unemployment benefits are available for workers who have lost their jobs because of the drought. They receive a fortnightly allowance which is \$20.80 more than the Newstart allowance.

The requirement to seek work under Newstart is waived if the person receiving the support chooses to make a contribution to local farms by participating in a drought force program for more than 30 hours per week. These programs include work on farms or public land.

There is also an \$800 voucher provided for applicants wishing to attend approved training programs. Upon completion of this training, there may be a further \$800 worth of training credits available to participants so that their skills can be updated or improved.

Who is eligible?

Farm employees or self-employed persons who work in EC declared areas and have been laid off due to the drought.

Applications

To apply, visit your nearest Centrelink Customer Service Centre or contact the Drought Assistance Hotline on 13 23 16.

Further information

Centrelink: www.centrelink.gov.au

DAFF: www.daff.gov.au/droughtassist

Australian Government Department of Employment and Workplace Relations: www.workplace.gov.au

Additional assistance

Other financial support may be available for ECRP recipients. They include:

- youth allowance or Austudy for children who are dependants of ECRP applicants. The parental income test, family assets test and the family actual means test will be waived from their application for this income.
- additional boarding allowance for children of ECRP applicants who are at boarding school and are already receiving Assistance for Isolated Children boarding allowances.
- municipal rate subsidies offered by some state or territory governments.
- education maintenance allowance offered by some state or territory governments.

Drought-stricken farmers and small businesses should also investigate the type of financial support or relief offered by their state or territory government as it differs from state to state. In some states, assistance is available from local governments and irrigation water authorities.

The ATO has announced that people with difficulties paying their tax due to the drought can contact them to discuss their circumstances. Two forms of assistance available to drought stricken farmers and small businesses are 'More time to pay tax debts without interest charge' and 'Payment by instalment without interest charge'. For further information, contact the ATO on 13 11 42.

Contact a CPA

Your accountant can advise you regarding your application for drought assistance. To find a CPA in your area, visit CPA Australia's website at cpaaustralia.com.au/links?findacpa

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