

## **Issue**

On 14 February 2009, the Australian Government passed a \$42 billion economic stimulus package which contains several provisions which will apply to agriculture in NSW.

## **Background**

Australia, while faring much better than most Western economies, has been heavily affected by the global financial crisis which commenced in September 2008. As a result, Governments around the world have been supporting key financial institutions by supplying huge quantities of liquidity and offering guarantees on various obligations of banks, in an attempt to stabilise the global financial system.

The Australian Government, with the support of the Reserve Bank of Australia ('RBA'), has developed a number of initiatives (e.g. guaranteeing bank deposits, reducing interest rates and increasing the first home owners grant) in an attempt to revitalise the Australian economy. The Government is attempting to stimulate the economy through short term and immediate spending measures (ie: the Government has announced approximately \$12 billion in one off payments of \$900 to be provided to millions of Australians) as well as more long term infrastructure spending (ie: \$28.8 billion to invest in schools, housing, energy efficiency, community infrastructure, roads and support to small business). Estimates from the Federal Treasury suggest these spending measures will support up to 90,000 jobs over the next two years to assist the economy which is now expected to grow at under 1% this year (down from 2.75 per cent in the May 2008 Budget).

## **Key Parts of the Stimulus Package**

### **1. Drought Hardship Grants**

- The Government will make a one-off payment of \$950 to assist farmers experiencing hardship due to drought conditions and others receiving Exceptional Circumstances related income support.
- The payment will provide immediate financial support to farmers who are most in need and may not have sufficient taxable income to benefit from the Tax Payment.
- It is estimated that this measure will benefit around 21,500 farm families and small businesses currently in receipt of drought relief related income support.
- Eligible recipients will be those who on 3 February 2009 are in receipt of:
  - o Exceptional Circumstances Relief Payment for Farmers;
  - o Interim Income Support for Farmers;
  - o Exceptional Circumstances Relief Payment for Small Business;
  - o Interim Income Support for Small Business;
  - o Transitional Income Support; and
  - o Farm Help Income Support.
- A single payment of \$900 will be paid to eligible households, irrespective of whether the eligible payment they receive is paid at a single or couple rate. The payment will not be taxable or counted as income for income support purposes.
- The Farmer's Hardship Payment is payable in addition to other payments made under the Household Stimulus Package, with the exception of the Training and Learning Bonus. That is, the Training and Learning Bonus and the Farmer's Hardship Payment will not be both provided to the same person. The payment will be made automatically by Centrelink in the fortnight commencing 24 March 2009.
- Those farm families who received an Economic Security Strategy payment in December 2008 will be eligible for the Farmers Hardship Payment provided they meet the other eligibility criteria for the Farmers Hardship Payment. That is, receiving a previous Economic Security Strategy payment will not preclude anyone from this new payment.

### **2. Regional Infrastructure**

- \$150 million to repair regional roads,
- \$90 million over 2 years for the black spot program,

- Bring forward the installation of 200 new boom gates at unsafe level crossings;
- Expand the regional and local community infrastructure program by \$500 million;
- School funding upgrades for every school in the country up to \$200,000 based on the size of the school, for maintenance and minor building works; and
- \$150 million worth of critical maintenance work on national highways.

### **3. Tax break for Small Business**

- The Government is currently drafting legislation surrounding the \$2.7 billion temporary tax breaks for small business. However with Parliament not sitting until March 10, and considering the typical time frames for legislation to be enacted, it is unclear when the small business tax break may not come into affect. However, if passed, the legislation will act retrospectively to cover those eligible assets purchased prior to the legislation's passing.
- Small businesses will be able to claim a bonus deduction of 10-30% (depending on timing of the purchase) on eligible assets costing \$1000 or more. To benefit from the full provision business need to have a turnover of \$2 million or less.
- In its current form, the tax breaks will apply to those tangible depreciating assets for which the business would be currently entitled to claim a deduction (or those identified under Division 40 – Capital Allowances of the *Income Tax Assessment Act 1997*). However, it will not include those primary production assets that are already subject to accelerated depreciation under Subdivision 40F of the Tax Act. These are:
  - water facilities
  - expenditure on Horticultural plant capital, and
  - expenditure on grapevine capital
- This tax break is in addition to the temporary 10% investment allowance announced by the Government last December for the same eligible assets
- Both the 30% and 10% tax break are in addition to the investment allowance businesses would also be able to claim the normal depreciation deductions over the effective life of the asset.
- *Please note, when the final version of the Tax Break is passed and more details are available, the Association will be developing a more comprehensive briefing note detailing the tax break and what it means for farmers.*
- *The Association recommends that Members seek professional advice before making decisions regarding the implications the tax break may have for their businesses.*

### **4. Water Buy Back Acceleration**

- \$500 million brought forward for water buybacks;
- \$200 million in grants to assist local communities save water and to plan for a future with less water; and
- \$200 million on stormwater harvesting projects.