

## When The Going Gets Tough

By Ryan Rostron, Accountant

Australia has one of the most erratic rainfall patterns in the world, and it is widely accepted that drought is a normal, recurring feature of the climate in most parts of the country. When drought strikes, it can persist for several years and its effects can be catastrophic. Even a short, intense drought can cause significant damage and harm to the local economy through disruption to cropping programs and reduction in breeding stock numbers.

Whether you are a farmer, irrigator, agriculture-dependent small business or a part of the wider rural community, inevitably the effects of drought will impact you. During these climate extremes, the stress on farming families and businesses can be enormous and can affect not only your business, but also your family life and quality of life.

Fortunately there is help available when the going gets tough and drought takes its toll. A number of Government assistance packages are available through QRAA and other government departments which have been specifically designed to sustain and rebuild businesses affected by drought.

One such initiative is Interest Rate Subsidies. Subsidies of up to \$500,000 (over five years) are available to businesses operating in exceptional circumstances (EC) declared areas. Areas are categorised as EC areas when so declared by the Department of Agriculture, Fisheries and Forestry.

Interest Rate Subsidies of up to 50 per cent of the interest payable on new and existing loans are available in the first year of an exceptional circumstances declaration. In second and subsequent years, the subsidy is 80 per cent. There is a maximum of \$100,000 available in any 12-month period, totalling \$500,000 over five years to those applicants meeting the criteria.

In addition to the subsidies, Exceptional Circumstances Relief Payments, Drought Recovery Loans and Drought Carry on Loans and Professional Advice and Planning Grants are on hand to businesses coping with unpredictable climatic conditions.

Exceptional Circumstances Relief Payments are payments that are available to assist with everyday living expenses. Income loss is a leading indicator of the impact of drought and is visible in almost every rural-related industry therefore these payments provide financial support to families and businesses in a cash flow crisis. To be eligible, farming businesses must be operating a primary production enterprise in an Exceptional Circumstance declared area and must be able to demonstrate that the enterprise is in financial difficulty because of the exceptional circumstances.

To apply, it is a requirement that at least 50% of the applicant's income comes from the primary production enterprise. Other conditions also apply, including a cap on off farm assets of \$750,000.

Drought Recovery Loans and Drought Carry on Loans are another avenue for financial aid. These are available to drought affected businesses in Exceptional Circumstances declared areas. Loans of up to \$200,000 are available to assist with the purchase of breeding stock, seed, fuel, chemicals and fertilisers and can provide a lifeline to farming businesses.

As well as a priority on providing immediate assistance that aims to help farming businesses stay afloat, it is recognised that resources that focus on drought management and recovery processes are vital. Developing businesses and farming practices that can sustain unpredictable weather patterns means that not only commercial benefits, but also environmental benefits. To achieve this, Professional Advice and Planning Grants of up to \$5,500 are on hand to support drought affected farm businesses. These grants can be used to access professional advice such as farm business viability assessments, farm business planning, and financial and agronomic planning.

Other government agencies also provide support and assistance to help to reduce the strain placed on businesses in times of drought. For example, the Australian Taxation Office may extend deadlines and waive late charges for payment of tax debts, can arrange for tax debts to be paid in instalments, and may waive any penalties or interest that may have been imposed. They can also fast track refunds in particular circumstances, thereby providing quicker access to cash.

Additionally, the ATO allows income from livestock sales (sold because of continuing drought conditions) to be deferred over a five year period. In this way, the income can be declared in your taxable income in any of the next five years. Alternatively, you can elect to defer the profit and use it to purchase replacement livestock in the disposal year or any of the next five income years. Any unused part of the profit is included in assessable income in the fifth income year.

Drought and weather extremes are a harsh reality faced by rural communities across the nation. The effects on business and financial affairs for farming enterprises can be enormous, so it is important to be aware of the assistance and support available. More information on the initiatives and schemes that may be available to you can be found at [www.qraa.qld.gov.au](http://www.qraa.qld.gov.au) and <http://www.daff.gov.au>.

Bentleys in Brisbane has been working closely with rural and regional clients since 1948. We have extensive experience in the agribusiness sector, and can help you with your agribusiness needs. For further information contact us today on (07) 3222 9777