

Schedule 8

Tax exemption for certain grants to businesses affected by the Victorian bushfires

Background

9.1 In February 2009, Victoria experienced the worst bushfire in its history. Many people, businesses and other organisations were affected by the fires. On 18 February 2009, the Australian Government, together with the Victorian Government, announced a \$51 million assistance package to small businesses and primary producers affected by the fires.¹

9.2 The package includes a \$5,000 Clean-up and Restoration Grant which can be increased up to \$25,000 if the suffered damage is significant. Such grants are usually treated as assessable income while expenses related to the carrying on of a business (that is, those funded by the grant) are generally deductible.²

Purpose

9.3 Schedule 8 amends the *Income Tax Assessment Act 1997* to exempt from tax the Clean-up and Restoration Grants. The exemption applies to income years 2008–09 and 2009–10.³

Financial impact

9.4 The measure is expected to cost less than \$7 million over four years, with no compliance cost.

Senator Annette Hurley
Chair

1 Explanatory Memorandum, p. 103.

2 Explanatory Memorandum, p. 103.

3 Explanatory Memorandum, p. 7.