



Tax Insights

A guide to bushfire related tax relief in Australia

Snapshot

A number of tax relief measures have been announced by the Federal and State governments after the 2019-20 bushfire season.

But whilst many governments at different levels have made announcements about bushfire tax relief: who is eligible? What are you entitled to in terms of tax relief? How do you access these entitlements?

This guide is designed to help affected residents in bushfire areas and their local advisors. Subsequent to publication, it is likely that this relief will continue to evolve.

Response from the Australian Taxation Office

Affected areas

The ATO link to the identified bushfire impacted postcodes is [here](#). For taxpayers who have been affected by the bushfires, but are not in the identified zones, there is an Emergency Support Infoline for help – 1800 806 218.

What relief is available?

Deferral of ATO due dates

Outstanding income tax, activity statement, self-managed superannuation fund, fringe benefits tax and excise return lodgments, and their associated payments, will be deferred until 28 May 2020.

This deferral is automatically applied based on postcode. No application is required.

Please note:

- Large PAYG withholders (that is, those who have previously withheld more than \$1 million tax annually or are part of a corporate group that has) are required to pay and lodge as normal.

The ATO has advised taxpayers who expect to have difficulties making payments post 28 May 2020 may set up a payment plan tailored to their circumstances including an interest-free period. The ATO will also remit penalties or interest charged during the time taxpayers have been affected by the bushfires.

Cash flow assistance via PAYG instalment concessions

Taxpayers who are quarterly pay as you go (PAYG) instalments payers, can vary their PAYG instalments to nil on their activity statements for the December 2019 quarter (and later periods in the 2019/20 financial year) by lodging a revised activity statement.

The ATO has advised that it will not apply penalties or charge interest to varied instalments for taxpayers within the impacted postcodes in the 2019–20 financial year.

In addition, instalment amounts in respect of any quarterly activity statements for 2019–20 already lodged can be claimed as a credit (at item 5B) on the next activity statement (i.e. refunded).

Taxpayers wishing to revise their current activity statement must lodge their revision before the activity statement is due and before they lodge their tax return for the year.

Cash flow assistance by converting to monthly GST reporting

Some businesses (particularly those making large purchases to replace stock and other supplies) may elect to change their GST reporting and payment to monthly, in order to obtain quicker access to net GST amount refunds.

However:

- Any change will only take effect from 1 April 2020, as you may only change reporting at the start of a quarter
- Any change to monthly GST report must be maintained for 12 months before you can re-elect back to quarterly reporting.
- Taxpayers who are also registered for fuel tax credits, will also need to report monthly in respect of fuel tax credits.

Taxpayers wishing to change their reporting cycle can do so by using the business portal, applying through their tax or BAS agent or by ringing the ATO on 13 72 26.

Cash flow assistance through expediting refunds

The ATO has advised that taxpayers in the relevant bushfire zones will automatically have their refunds processed as a priority.

Tax audits in progress

The ATO will temporarily suspend audits in respect of taxpayers in affected bushfire areas. This is subject to two exceptions:

- Taxpayers who want to, may request the ATO to continue an audit
- Where there is a risk of fraud, the ATO will continue to complete any reviews before issuing any refunds.

Lost records assistance

The ATO has also indicated that it will assist individuals and businesses in replacing or reconstructing records in the following ways:

- Assisting taxpayers finding their lost tax file numbers (TFN) by using methods to verify your identity such as date of birth, address and bank account details
- Re-issuing income tax returns, activity statements and notices of assessment
- Assisting taxpayers re-construct tax records lost or damaged in the bushfire.

Contact via mail

The ATO will generally stop sending correspondence to areas affected by major disasters.

Taxpayers can get their mail redirected, or request for additional time to respond to mail inquiries by phoning 1800 806 218.

Tax relief for volunteers

In some circumstances, volunteers assisting people affected by a disaster may also be given more time to pay their tax obligations.

ATO media releases on bushfire tax relief can be found here:

- <https://www.ato.gov.au/Media-centre/Media-releases/ATO-extends-tax-relief-and-assistance-for-people-impacted-by-bushfires/>
- <https://www.ato.gov.au/Media-centre/Media-releases/ATO-grants-two-month-deferral-for-bushfire-victims-in-New-South-Wales-and-Queensland/>
- <https://www.ato.gov.au/Individuals/Dealing-with-disasters/In-detail/Specific-disasters/Bushfires-2019-20/>
- <https://www.ato.gov.au/Super/Sup/Bushfire-support-for-SMSFs/>

Taxation treatment of Government disaster recovery payments

All relief and recovery payments and benefits provided by Australian governments in relation to the 2019-20 bushfires will be tax free¹. This means that recipients are not subject to income tax on the payments and the payments will not reduce any current year or prior year tax losses.

This will apply to payments received in the 2019-20 income year and later income years.

Conditions for eligibility

Purpose

The purpose of the payment or benefit must be to provide an entity with relief from the effects of bushfires commencing in Australia in the 2019-20 financial year or assist the entity in recovering from the bushfires. The payment or benefit must be the direct result of bushfires.

This will include payments of Disaster Recovery Assistance (see below) and ex-gratia recovery payments made to New Zealand citizens affected by the 2019-20 bushfires.

It excludes:

- Payments or benefits provided on commercial terms, such as payments to an entity carrying on business to acquire goods and services e.g. government contracts or tenders
- Government payments provided for general purposes, even where these go to entities affected by bushfires. For example, export grants under existing programs to export companies affected by the fires or unemployment benefits received by individuals who may have become unemployed as a direct or indirect result of the fires would keep their existing tax treatment.

Government payment

The second requirement is that the payment is made by the Federal, a State or Territory, or a local government. Private donations and other forms of charitable support are outside the scope of this specific relief measure.

Limitations

Payments of damages or compensation paid by an Australian government as a result of an order of a court or tribunal, or in settlement of a claim are not covered by the legislation and the assessability or otherwise will be subject to the general tax rules.

Types of payments

Individuals and businesses are likely to receive a variety of payments sourced from Federal, State and Local governments. Taxpayers should consider the tax treatment of such payments against the conditions for eligibility set out above.

¹Non assessable non-exempt (NANE) income

The following payments will be tax free.

1. Federal Government Disaster Recovery Payments

The Disaster Recovery Payment is a one-off payment of \$1,000 for eligible adults and \$400 for eligible children who have been directly affected by a major disaster either in Australia or overseas. There is also an additional payment for children of \$400 per child. Information on eligibility and how to make a claim in the various states is available [here](#).

2. Federal Government Disaster Recovery Allowance

The Disaster Recovery Allowance is a short-term payment paid for a maximum of 13 weeks for individuals who lose income as a direct result of the bushfires. The maximum payment rate is the equivalent of Newstart or Youth Allowance, based on an individual's circumstances. A person's income before and after the fires will affect how much they receive. Information on eligibility and how to make a claim in the various states is available [here](#).

3. Federal Government ex-gratia recovery payments

Ex-gratia recovery payments such as the Ex-gratia Disaster Recovery Allowance and the Ex-gratia Disaster Recovery Payment are broadly equivalent support payments to New Zealanders adversely affected by the bushfires. Information on eligibility and how to make a claim in the various states is available [here](#).

4. Natural Disaster Relief and Recovery Arrangements

Broadly National Disaster Relief and Recovery Arrangements are a joint funding arrangement between the Federal and State governments in which the state government determines which areas receive assistance and what assistance will be made available. The type of payments vary from State to State and include:

- Personal Hardship Assistance Program payments (Vic) & Personal hardship and distress assistance (NSW), Personal Hardship Emergency Grants (SA)
- Emergency re-establishment assistance (Vic), re-establishment grants (SA)
- \$75,000 grants for fire affected primary producers (Vic), \$15,000 Recovery grants for eligible primary producers, small businesses and non-profit organisations (NSW), recovery grants for small business and primary producers (SA).

Some State government funded relief is also available.

Taxation treatment of private donations and other forms of charitable support

The taxation treatment of receipt of private donations broadly follows general tax principles. If the amounts are private and domestic in nature, such as amounts received for emergency relief for food, clothing and temporary shelter, these amounts should not be assessable.

Where private donations are received to compensate for lost income, these amounts could be assessable income. Recipients should seek advice from the ATO or their tax agent. Amounts spent on business expenses, such as purchasing new trading stock or feed for livestock should be deductible.

Individuals or businesses who crowd fund should also seek advice, as the taxation treatment of these amounts will differ depending on the nature of the arrangement, your role in it and your circumstances. The ATO has set out some guidance [here](#) to assist taxpayers who crowdfund.

Payments made to eligible rural fire service volunteers

Volunteer fire fighters who are self-employed or work for small and medium businesses, and who have been called out for more than 10 days this fire season, will be able to apply for the payment of lost income. The payments will provide for lost income of up to \$300 per day up to a total of up to \$6,000 per person.

The Federal government has now legislated that government support payments to volunteer firefighters in relation to the 2019-20 bushfires will also be tax free. This means that recipients are not subject to income tax on the payments and the payments will not reduce any current year or prior year tax losses.

To be eligible for tax free status, a payment must be:

- Made to an individual on or after 1 January 2020;
- For the purpose of compensating the individual for loss of income resulting from the individual for loss of income resulting from the individual performing volunteer work with a State or Territory fire service in the 2019-20 financial year; and
- Made by a State or Territory under an agreement with the Federal government.

Note that payments from an individual's employer and worker's compensation will generally continue to be assessable income.

Federal government superannuation relief

Superannuation guarantee payments

Employers must still lodge and pay Superannuation Guarantee (SG) obligations for their employees. Under current law, the ATO is unable to extend relief in relation to these payments.

The ATO recommends that employers unable to pay quarterly SG payments by the due date contact them as soon as possible. They can discuss with the ATO entering into payment arrangements.

Where records are lost or damaged as a result of the bushfires, the ATO recommends employers make an estimate of their contributions using old records from employees, their bank, the superannuation fund they contribute to, or records of PAYG payments (which the ATO hold). Employers should also discuss with their employees how they have calculated this estimate.

Early access to super

The ATO has warned taxpayers to be cautious of individuals advising they can help release or access superannuation at this time.

Taxpayers may in some very limited circumstances (unrelated to the bushfires) be able to access their superannuation savings early if they meet certain conditions of early release. The only three categories of early release are:

1. Compassionate grounds

- This includes reasons such as medical treatment, medical transport, and palliative care for you or a dependent; making a payment on a loan or council rates so you don't lose your home, modifying your home or vehicle, or buying disability aids for you or a dependent because of a severe disability, expenses associated with a death, funeral or burial for a dependent.

2. Severe financial hardship

- You may be able to withdraw some of your super if you received government income support payments continuously for 26 weeks and are unable to meet reasonable and immediate family living expenses.

3. Temporary or permanent incapacity

- You may be able to access your super if you are temporarily unable to work or need to work less hours because of a physical or mental medical condition. This condition of release is generally used to release insurance benefits from a super provider.
- You may be able to access your super if you are permanently incapacitated. You have a permanent incapacity if the trustee of your superannuation fund is satisfied that you have a permanent physical or mental medical condition that is likely to stop you from ever working again in a job you were qualified to do by education, training or experience. At least two medical practitioners must certify this for you to receive concessional tax treatment.

Withdrawing superannuation early may have tax implications. For more information about early access to superannuation and who to contact please see the following ATO resources: https://www.ato.gov.au/Individuals/Super/In-detail/Withdrawing-and-using-your-super/Access-your-super-early/?page=1#Access_on_compassionate_grounds.

Victorian government tax relief

The Victorian government has announced several tax and regulatory relief measures. Eligibility is determined in accordance with identified affected postcodes as listed on the [State Revenue Office \(SRO\) website](#).

Land tax

The SRO has put on hold land tax assessments in affected areas.

Land tax relief is available as follows:

- For property that has been destroyed or substantially damaged by bushfires, land tax will be waived for the 2020 land tax assessment period (i.e. the 2020 calendar year)
- For property affected but not destroyed or substantially damaged, the level of 2020 land tax relief will be determined on case-by-case basis
- For property used to provide free accommodation to people displaced by bushfires:
 - Land tax will be waived for 2021 for property used for more than six months
 - Land tax will be reduced for 2021 for property used for more than one month and less than six months (calculated proportionately).

Land transfer (stamp duty)

If a replacement home, or vacant land on which a replacement home is built, is purchased (because a home has been destroyed in bushfires), transfer duty relief of up to \$55,000 will be available. There is a four-year period to claim this relief.

If one or more commercial or industrial properties are purchased in the East Gippsland, Mansfield, Wellington, Wangaratta, Towong or Alpine local government areas, a 50% concession on transfer duty will be made available for each contract of sale entered into on or after 27 January 2020. This relief will end on 30 June 2023.

If commercial or industrial property is purchased anywhere in Regional Victoria on or after 1 July 2023 a 50% transfer duty concession will apply.

Motor vehicle stamp duty

Relief will be available of up to \$2,100 per vehicle, on up to two motor vehicles (including farm vehicles), that are purchased by a person to replace a Victorian registered motor vehicle destroyed in a Victorian or interstate bushfire. Relief needs to be claimed before 1 April 2022.

Relief for additional vehicles will be considered on a case-by-case basis. Relief is unavailable to companies.

Motor vehicle registration

VicRoads will waive the normal refund administration fee (worth up to \$60) on the cancellation of the registration of each fire-damaged or fire-destroyed vehicle (together with a refund of the unused portion of the vehicle's registration).

Payroll tax

The reduced payroll tax rate for regional employers (i.e. currently 2.425%) will be halved to 1.2125% for employers with a registered address in the East Gippsland, Mansfield, Wellington, Wangaratta, Towong or Alpine local government areas. The 1.2125% rate applies from 1 July 2019 to 30 June 2022.

Relief for employers affected by bushfires (but not eligible for the relief above) will be considered on a case-by-case basis.

In addition, exemption from payroll tax is available for payments to employees who are absent from work to volunteer as firefighters with the Country Fire Authority for example (the exemption is not available in situations where the employee is volunteering while on annual leave, long service leave, etc.).

Water rates

Water rates will be waived for 12 months for all homes or businesses destroyed or significantly damaged by fire, and rebates will be provided for customers affected by interruptions to their water supply.

Land fill levy

The land fill levy will be waived on the disposal of bushfire waste by businesses, farmers and individuals. Bushfire waste includes the debris from damaged homes, businesses, sheds, stock, fencing and equipment, and dead livestock.

Landfill operators and councils in fire-affected areas of Victoria should contact Environment Protection Authority Victoria to apply for exemption from the levy on bushfire waste.

Registry of Births, Deaths and Marriages Victoria

The Government will also waive associated costs and fast-track requests for birth and wedding certificates destroyed by the bushfires.

Announcements about these relief measures can be found [here](#), [here](#) and [here](#).

New South Wales government tax relief

The New South Wales government has announced several tax and regulatory relief measures.

Motor vehicle duty

For vehicles written off in a declared natural disaster, a refund of the motor vehicle duty paid on replacement vehicles will be available.

Payroll tax

An exemption is available for wages paid or payable to an employee for bushfire-fighting activities or emergency operations – (to be identified as 'emergency services leave'). Substantiation will be required e.g. a letter outlining the employee's period of involvement with Rural Fire Services NSW or NSW SES.

Council rates

Full relief from council rates will be provided for the third and fourth quarters of the 2019-20 financial year for residents and farmers who have lost their homes in the bushfires, and for business owners whose properties have been destroyed beyond repair by the bushfires.

Affected persons need to request this relief (or request a refund if rates have already been paid) at a Service NSW centre.

Waste levy fees

Waste levy fees will be waived for residents disposing of bushfire generated waste at nominated facilities. This waste includes building materials, furniture and any other bushfire generated waste.

General assistance available from Revenue NSW

- Allowing taxpayers more time to lodge documents or returns
- Extending payment deadlines
- Agreeing to not charge late payment interest
- Arranging for taxpayer debts to be paid in instalments
- Putting objections and reviews on hold if further information is required from the taxpayer; extending the discretion to accept out of time objections.

Announcements about these relief measures can be found [here](#), [here](#) and [here](#)

South Australia government tax relief

The South Australia government has announced **several** tax and regulatory relief measures.

Land tax

Land tax relief will be available as follows:

- For property destroyed or substantially damaged in the bushfires, land tax will be waived for the 2019-20 and 2020-21 land tax years for affected properties (including by way of refund for 2019-20)
- For property affected by bushfires (not destroyed or substantially damaged), relief for the land tax liability for the 2020-21 land tax year will be considered on a case-by-case basis.

Land transfer (stamp) duty

Land transfer duty relief of up to \$48,830 will be available on the purchase of a replacement home because an existing home was destroyed in bushfires.

Motor vehicle stamp duty

Stamp duty relief will be provided on the purchase of replacement vehicle(s) because existing vehicle(s) were destroyed in bushfires:

- Up to \$1,940 duty relief for replacement passenger vehicles
- Up to \$1,470 duty relief for replacement commercial vehicles
- Relief will be considered on a case-by-case basis if more than two vehicles registered to the same owner are destroyed.

Motor vehicle registration fees

Administration fees charged on the registration of replacement motor vehicles will be waived.

Owners of registered vehicles which were destroyed in the bushfires can apply for a refund of unexpired registration fees including the CTP premium, Lifetime Support Scheme Levy and the Emergency Services Levy.

Emergency services levy

The collection of debts in respect of the Emergency Services Levy is being put on hold.

Payroll tax

Availability of a payroll tax exemption for wages paid to employees who are absent from work to volunteer as fire fighters, or to respond to other emergencies, in respect of any period they are engaged as a volunteer member of the South Australian Country Fire Service or an emergency services organisation responding to the bushfire emergencies.

Other fees and charges

Service SA will waive the administration fee for replacement drivers' licences for people whose licences were lost or destroyed as a result of the bushfires.

Fees will be waived for replacement copies of births, deaths and marriages certificates lost or destroyed as a result of the bushfires.

Announcements about these relief measures can be found [here](#) and [here](#).

All States and Territories

Depending on the State or Territory in question, there may also be relevant standing arrangements for people affected by natural disasters (including fires) regarding tax, duty, etc obligations that could assist 2019/2020 bushfire-affected persons/businesses – whereby, the state/territory revenue office can, for example:

- Extend the time for lodging documents or returns
- Extend the time for making payments without charging interest
- Arrange a payment plan to allow for a debt to be paid by instalments
- Allow land tax exemption to be claimed following a natural disaster even though the land is not being used as a principal place of residence/for primary production purposes.

Deloitte support for affected communities

Our thoughts are with our fellow Australians who have endured such loss as a result of the devastating drought, bushfires and more recent floods. We are deeply saddened to have lost so much beautiful Australian wildlife.

As a firm, we want to make an impact that matters. And what matters most now is digging deep to help the communities and volunteers on the front line. So far we have raised \$380,000 which is being donated towards affected communities, wildlife rescue groups, and emergency services organisations.

We are supportive of the registered volunteer firefighters, emergency response providers and Army Reservists within our teams and have provided additional leave as compensation for their heroic actions.

At the same time, our people who have been directly affected are being offered extra assistance. We will continue to provide support as recovery progresses and pledge to use our specific skills to make an impact where they are needed most.

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