



QLD FLOODS (extended edition)

A snapshot of issues to assist those affected

From late 2010 Queensland, and Australia, have suffered one of most significant natural disasters ever seen. With such wide spread damage and destruction, Australian banks, and the Australian Taxation Office have pledged their support to business and individuals who have been victims of this disaster. A brief snapshot of flood relief information is listed below, and we encourage you to contact us, if we can assist you in any way during this crisis.

The JR office and staff members were also affected by the Brisbane floods. After a week without power, and flooding to the basement of the building, JR has reopened. Fortunately only a small number of our employees were inundated with flood waters, and we are working to support them in any way possible.



OUR PARTNERS

Chris Ball Peter Camenzuli Jason Evans Warwick Face Nigel Fischer Brett Headrick Teresa Hooper Ian Jones
Kylie Lamprecht Mark Nicholson Ken Ogden Norman Thurecht Ross Walker

OUR CONTACT DETAILS

Level 30, Central Plaza One 345 Queen Street Brisbane Qld 4000
GPO Box 1144 Brisbane Qld 4001 Phone (07) 3222 8444 Fax (07) 3221 7779 www.jr.com.au

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MAJOR BANKS AND FINANCIAL INSTITUTIONS

All the major banks are currently offering concessions and financial assistance to their flood affected customers including the following:

- Suspending home loan repayments for up to three months
- Waived early withdrawal fees on term deposits
- Waived home loan and personal loan application fees
- Credit card and personal loan relief where appropriate
- Considering requests for additional loans or credit limit increases where appropriate
- Loan restructuring for business customers without incurring establishment fees

Customers are being encouraged to contact their branch manager or business banker to tailor an assistance package to their personal circumstances. We can assist you in liaising with your bank(s) regarding financial assistance you require.

AUSTRALIAN TAXATION OFFICE

The ATO has a longstanding policy of providing support to people affected by natural disasters, including flooding. This includes:

- allowing lodgment deferrals of activity statements or income tax returns without penalty;
- allowing additional time to pay tax debts without incurring general interest charges;
- making arrangements for payment of tax debts by instalments;
- remitting penalties that were automatically imposed during the disaster;
- fast-tracking refunds;
- refunding amounts credited to existing debts where the client has entered into a deferral to pay, or an arrangement to pay their tax debts; and
- conducting field visits to assist with reconstructing tax records and making reasonable estimates.

Extension to lodge December monthly Activity Statements for business customers in flood affected areas

The ATO recognises that businesses in flood affected areas may need more time to meet their lodgment and payment obligations. The ATO has specified areas by postcode that automatic deferrals are available for lodgment and payment dates for December monthly activity statements from the original due date of 21 January 2011 to 21 February 2011. If you would like us to check if your business is eligible, please contact our office.

Fast tracking refunds for customers in flood affected areas

The ATO can fast track refunds for people affected by a natural disaster. Please contact Johnston Rorke for further information.

Extensions on payment of tax bills for customers in flood affected areas

If clients are experiencing financial difficulties because of a natural disaster, customers can ask for more time to pay their income tax bill. This includes amounts owing on activity statements. We note that no interest will be applied to accounts where the ATO has recorded a deferral of the due date for payment. Where an arrangement to pay by instalments is entered into, interest will show on the account during the period of the arrangement. At the conclusion of the agreed arrangement, the ATO will remit the interest and adjust the account. Please contact Johnston Rorke for further information.

We note that where clients cannot afford to pay tax owing because they are suffering serious financial hardship, Johnston Rorke can assist to apply to the Relief Board for relief.

Assistance for Volunteers in flood affected areas

Volunteers, particularly those travelling interstate, may be given more time to pay their tax debts or lodge documents. Please contact Johnston Rorke for further information.

Lost Records in flood affected areas

After proof of identity has been established, the ATO will re-issue tax documents such as:

- tax returns
- activity statements
- notices of assessment.

They can also provide assistance to help customers reconstruct their records and make a reasonable estimate of their tax liability, however we recommend we assist you in this process.



Where customers have lost their tax file number, the ATO will allow people affected by natural disasters to use other information such as their date of birth, address details or bank account details to verify tax information. The ATO will also give these customers extra time to get the financial records that they require to lodge tax returns, lodge activity statements and determine if they have any tax liabilities.

We also note that fees charged by the banks for replacing bank records and providing any other service in regards to reconstructing records or providing information are tax deductible in the year that those fees are charged.

LOSS OF PROFITS CALCULATION FOR INSURANCE CLAIMS

If you hold business interruption insurance (or similar), you may be eligible to claim for lost profits due to lost trading. We can assist you to calculate a reasonable estimate of your loss to submit to your insurance providers to support your claim.

TAX IMPLICATIONS OF DESTROYED OR LOST STOCK, EQUIPMENT OR CAPITAL ASSETS

Stock:

Insurance compensation for loss of trading stock and profits

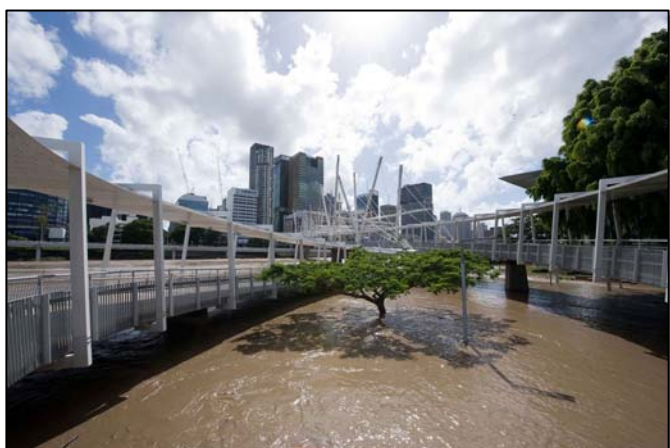
Any compensation received in respect of lost trading stock and loss of profits will be assessable.

Forced livestock disposal

Tax concessions are available to taxpayers who receive insurance payments in respect of lost or destroyed livestock that are held as assets of an Australian primary production business.

The concession enables the taxpayer to elect to spread or defer tax on profit from forced disposal or death of livestock.

There are two methods in which you can spread the insurance recovery:



- You can spread the profit on the disposal or death over the income year of the disposal or death and the next 4 income years (election to spread); or
- You can defer including the profit in your assessable income, if you will use the proceeds of the disposal or death mainly to replace the live stock (election to defer).

The elections must be made on or before the date for lodging the first return where the effect of the election will be relevant.

Depreciable assets:

Balancing adjustments required for depreciable assets destroyed

If the taxpayer ceases to 'hold' a depreciating asset due to the asset being lost or destroyed a 'balancing' adjustment will be required.

The balancing adjustment must be included in your assessable income if the depreciable asset's termination value is more than its adjustable value just before the asset was destroyed or lost.

The balancing adjustment can be deductible if the depreciable asset's termination value is less than its adjustable value just before the asset was destroyed or lost.

When a depreciable asset is lost or destroyed the amount or value received or receivable under an insurance policy or otherwise for the loss or destruction is taken to be the termination value (excluding any GST component).

For example, if the asset's written down value (adjustable value) at the time of the destruction was \$10,000 and \$12,000 was received in compensation for the loss, \$2,000 is included as assessable income. Alternatively, if at the time of the destruction the asset's written down value (adjustable value) was \$10,000 and \$8,000 was received in compensation, a \$2,000 deduction could be claimed.

If you receive compensation for 2 or more depreciable assets you include amounts that can be reasonably attributable to that asset as its termination value.

Capital assets:

Loss or destruction of a capital gains tax asset

If a CGT asset is lost or destroyed CGT event C1 occurs.

The taxpayer makes a capital gain if the capital proceeds (i.e. insurance payments received) are more than the asset's cost base.

The taxpayer makes a capital loss if the capital proceeds are less than the asset's cost base. If no compensation is received for the lost or destroyed asset then the taxpayer will also make a capital loss.

A capital gain or capital loss will be ignored if the asset was acquired before 20 September 1985.



MAKING TAX DEDUCTIBLE GIFTS OF MONEY OR GOODS

Whilst many have been direct victims of this natural disaster, many who have not may be able to assist by making donations of money or goods to various charities.

Unfortunately, donations of time are not able to be counted or valued as a tax deductible expense. To be deductible, a gift must be money or property such as:

- money – \$2 or more
- property
- trading stock - trading stock disposed of outside the ordinary course of business

You should also ensure that the charity receiving your gift is registered as a deductible gift recipient, to ensure you receive a tax deduction. The Premier's Flood Relief Appeal is accepting financial gifts and information on how to donate can be located at <http://www.qld.gov.au/floods/donate.html>

Spreading a deduction of certain gifts or donations over five years

While a gift cannot add to (or create) a tax loss, you can elect to spread the tax deduction over five income years if it was a gift of money or a donation of property valued at more than \$5,000 by the AVO. You will be required to make an election to do so in the year of the donation.

You must keep the election for five years after lodging the last tax return in which a deduction was claimed for the donation. Do not attach it to your tax return or send it to the Tax Office.

Assistance provided by employers to affected employees

Benefits that an employer may provide to affected employees could be considered emergency assistance and exempt from FBT if the benefits provided are emergency health care, meals, food supplies, clothing, accommodation, transport, temporary repairs or any similar benefit. This assistance is also tax free in the hands of the employee.

Benefits provided that may provide a long term benefit, such as replacing a motor vehicle, would not qualify under the exemption for emergency assistance.

Similarly, cash benefits provided to employees, may not qualify as emergency assistance, depending on the

quantum of the amount provided. Please check with your advisors in relation to the tax treatment of any benefits you intend to provide, for both the employer and the employee.

FEDERAL GOVERNMENT ASSISTANCE

Financial assistance is available from the Federal Government. This assistance will be co-ordinated via Centrelink for families and individuals affected by the flood disaster.

Australian Government Disaster Recovery Payment

A one-off payment is available for people who have been adversely affected by a disaster. If eligible you can receive:

- \$1,000 per adult
- \$400 for each child (under 16 years of age)

This payment is not means tested; however time limits do apply for application and payment.

Disaster Income Recovery Subsidy

Financial assistance is available for employees, small business persons and farmers who can demonstrate they have experienced a loss of income as a direct result of the flooding and severe weather.

If eligible, you will receive

- \$469.70 per fortnight for a single adult
- \$424.00 per fortnight per adult who is a member of a couple
- \$508.20 per fortnight for a single adult with a dependent child
- \$388.70 per fortnight for a person who is under 21 years of age (subject to other circumstances)

This payment is not means tested; however time limits do apply for application and payment.

To assess if you are eligible for Federal Government assistance, we recommend you contact Centrelink.

STATE GOVERNMENT ASSISTANCE

Queensland – for families and individuals

Financial assistance is available from the Department of Communities for families and individuals affected by the flood disaster. An Emergent Assistance Grant of \$170 per person up to a maximum of \$850 for a family of five or more is available, to provide assistance in meeting basic needs.

This grant is not means tested.

An Essential Household Contents Grant is available to families and individuals to help with the replacement or repair of uninsured, essential household contents which

have been lost, damaged or destroyed by the floods. This grant is means tested.

A Structural Assistance Grant is available to assist repairs to uninsured owner-occupied residences. Applicants for this grant will need to satisfy an income and assets test to be eligible.

We recommend you contact the Queensland Department of Communities on 1800 173 349 for more information on these grants.

Queensland – for primary producers

Financial assistance is available from the Department of Primary Industries for primary producers located within the disaster-declared area.

Freight subsidies of up to \$5,000 per disaster event are available for eligible applicants.

We recommend you contact the Queensland Department of Primary Industries on 132 523 for more information on this grant.

Queensland – for sporting and recreation

The Queensland Government is proposing to support sporting and recreational clubs that have been affected by the floods. Updated financial support information is yet to be released.

For more information please the Queensland Department of Communities on 1300 656 191.

Queensland – for small business owners and primary producers

Special Disaster Flood Assistance

The Queensland Rural Adjustment Authority (QRAA) is offering primary producers and small business owners who have suffered direct damage from recent flooding can apply for Special Disaster Flood Assistance Grants of up to \$25,000.

This grant is available to eligible primary producers and small business owners who are responsible for the costs of repairs and replacements (not covered by insurance) who are in a specified local government area.

Natural disaster Relief and Recovery Assistance

The QRAA is also offering primary producers and small business owners low interest loans of up to \$250,000 to assist in meeting the costs of repairs, replacements, outgoings and supporting business liquidity.

The QRAA is also able to consider the deferral of repayments on existing QRAA loans.

For more information please the QRAA on 1800 623 946.



About Johnston Rorke

Johnston Rorke has a long history of servicing the needs of our clients.

We encourage you to contact us if we can help you in any way during this difficult time.

For further information or for any queries that you may have, please contact your usual JR representative.

Our Contact Details:

Level 30, Central Plaza One
345 Queen Street Brisbane Qld 4000

GPO Box 1144 Brisbane Qld 4001

Phone (07) 3222 8444
Fax (07) 3221 7779

www.jr.com.au

