Recovery following natural disasters

Consider insurance payouts, repairs and rebuilding, fuel tax credits, donations and fundraising.

Insurance payouts after a natural disaster

When to report an insurance payout for a business or an asset that produces income.

Your home and land after a natural disaster

Repairing or rebuilding a home after a natural disaster and how CGT applies if you sell property.

Natural disaster support grants and deductions for business

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Business premises damaged or destroyed by a natural disaster

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What your tax obligations are when your trading stock has been damaged or destroyed by a natural disaster.

Fuel tax credits following a natural disaster

Check you are eligible to claim fuel tax credits for fuel used for businesses and emergency operations after a disaster.

Donations and fundraising to help people affected by natural disaster

Tax on disaster fundraising and how to check donations are going to legitimate charities for people affected by a disaster.

Donating to a natural disaster relief appeal or attending an event

What you need to know before donating to a fundraising appeal or attending an event for people affected by a disaster.

QC 67551

Insurance payouts after a natural disaster

When to report an insurance payout for a business or an asset that produces income.

Last updated 9 April 2026

If you receive an insurance payout

If you received an insurance payout for damaged or destroyed:

- personal items or assets, they are not taxed and don't need to be reported
- businesses or income-producing assets, they may be taxed and need to be reported.

The following examples show when insurance payments are taxable and need to be included in your tax return.

Your family home

Any insurance payout you receive for your family home (main residence) is not taxable. You don't need to include these payments as income in your tax return.

However, if you used part of your home to produce income and claimed related tax deductions, you will need to report it.

Example 1: damaged main residence

Sarah’s main residence is damaged by flooding. She receives an insurance payout to pay for repairs. Her insurance payout is not taxable as it relates exclusively to her main residence which is a private asset.

Example 2: destroyed main residence and home business

Adrian’s home is destroyed in a cyclone and he receives an insurance payout. He had been operating a small catering business from his home.

As part of his home was used to produce income and he had claimed deductions relating to that use, Adrian's insurance payout amount will be used to work out any capital gain or loss on the property. He includes the net capital gain in his tax return.

Your personal property

Insurance payouts for personal assets aren't taxable. For example, insurance payouts for damaged or destroyed household items, furniture, electrical goods, boats, and private cars are not taxed.

However, there are special rules for:

- personal assets that cost you more than $10,000
- collectables (such as paintings, jewellery, antiques, or coins) that cost more than $500.

These rules will only apply if the insurance payout is more than the original cost of the asset. See the CGT list of capital gains tax assets and exemptions.

Example 1: personal vehicle destroyed by fire

Nick's car is destroyed by fire. He receives an insurance payout of $6,500 for the destroyed vehicle. His car was a personal asset and was not used for work purposes. He doesn't have to include the payout amount in his tax return.

Cars are also exempt from CGT so there are no capital gains tax consequences.

Example 2: TV damaged in hailstorm

Hilary’s television is damaged in a hailstorm. The insurance payout she receives doesn't need to be included in her tax return. The TV was a personal asset that is not taxable.

Example 3: leisure boat destroyed in bushfire

Dean’s $3,000 boat is destroyed in a bushfire. Dean didn't use his boat for any income producing purpose. He doesn't need to include his insurance payout on his tax return

Example 4: collectable artwork destroyed in bushfire

Julian has a Sidney Nolan painting worth $750 which is destroyed in a bushfire. The painting is a collectable.

As the collectable asset is worth more than $500, Julian will include this insurance payout amount when he works out his capital gain or loss at the end of the income year.

Example 5: bicycle worth over $10,000 destroyed in cyclone

Tim’s bicycle is destroyed in a cyclone. He receives an insurance payout of $15,000.

As his bicycle was worth more than $10,000, the payout will have tax consequences. He needs:

- to subtract the cost base of the bicycle from his insurance payout

- include any net capital gain in his tax return.

Rental properties and home businesses

An insurance payout for a property used to produce income will have tax consequences. For example, if you used part of your home to run a home business or you rented out a room.

The insurance payout amount will be relevant when you work out if you have a capital gain or capital loss to include in your tax return. If you are a small business operator, you may be entitled to small business capital gains tax (CGT) concessions.

If your asset is destroyed, you can roll over the CGT liability, see involuntary disposal of a CGT asset.

Business operator insurance payouts

Trading stock

You must include the amount you receive from an insurance payout for damaged or destroyed trading stock in your tax return. For more information, see Trading stock lost or damaged or destroyed by a disaster.

Example: trading stock

Farm Supplies Co loses several tractors in a natural disaster. The business has insurance and has deducted the premiums as a business expense each year.

They include the insurance payout they receive in the business's assessable income.

If the trading stock balance at the end of year is lower than it was at the start of the year, the business has an allowable deduction for that difference.

GST

Provided that you correctly informed your insurer of your GST status when you took out your insurance, you don't have to pay GST on your insurance payout.

You may be entitled to claim GST credits for any purchase that you make with the insurance payout.

Premises

An insurance payout for damaged or destroyed business premises will have tax consequences.

You will need to work out if you have a capital gain or capital loss to include in your tax return. If you are a small business operator, you may be entitled to small business capital gains tax (CGT) concessions.

Depreciating assets

If you receive an insurance payout for damage or destruction of a depreciating asset that you used to produce income, such as a car or office equipment, it will have tax consequences.

You need to compare the amount of the insurance payout with its book value at the time it was destroyed (its 'adjustable value'). If the payout is:

- more than the book value, the excess is included in your assessable income
- less than the book value, you can claim a deduction for the difference.

For more information, see Disposing of a depreciating asset.

Example: cabinet used solely to produce assessable income

Bridget's work filing cabinet is destroyed by a fire. She receives an insurance payout of $1,300 for the destroyed cabinet. Its adjustable value at the time is $1,200.

As Bridget receives $100 more than the book value of the cabinet, she includes that $100 in her assessable income.

Apportioning assets used for both personal use and producing income

If you used the asset for both personal use and for producing income, the amounts need to be apportioned.

Work cars

If you used your car for income producing purposes, you must compare the insurance payout amount with the value of the car at the time it was destroyed. This is the balancing adjustment.

If you claimed your car expenses using the logbook method, your balancing adjustment amount needs to be reduced by the percentage that you used the car for personal use.

If you only used the cents per kilometre method since you began using the car, no balancing adjustment arises, as this method takes the decline in value into account in the calculation.

Example: work car

Louise buys a car and for the next 2 income years she uses the logbook method to work out her deductions for car expenses. The car is destroyed during the second income year and Louise receives an insurance payout of $24,000. At the time the car is destroyed, its adjustable value is $18,000.

As Louise receives $6,000 more than the book value of the car, she must include an amount in her assessable income. Her logbook shows that she uses the car 40% of the time for work, so she must include 40% of the difference between the insurance payout and the adjustable value of the car.

Louise includes $2,400 in her assessable income.

Concessions for businesses

In some circumstances you can buy a replacement asset and offset the balancing adjustment amount against it. For more information, see:

- involuntary disposal of a depreciating asset
- involuntary disposal of a CGT asset.

Low-value pool items

If a destroyed asset that was used **solely** to produce assessable income was in a low-value pool, you reduce the closing pool balance by the amount of the insurance payout you receive.

If an asset was used **partly** to produce assessable income and was in a low-value pool, you:

- multiply the insurance payout you receive for it by the percentage that it was used to produce assessable income
- subtract the result of this from the closing pool balance.

QC 67552

Your home and land after a natural disaster

Repairing or rebuilding a home after a natural disaster and how CGT applies if you sell property.

Last updated 9 April 2026

Protecting yourself when repairing or rebuilding your home

We know it's important to get your property back to normal as soon as possible after a disaster. You might be planning to repair or rebuild your home, which probably means engaging builders and contractors.

We monitor activity in disaster-affected areas to ensure the community is not taken advantage of by businesses undertaking repair and reconstruction work.

You can also take the following steps to protect yourself:

- Make sure the tradespeople you choose are genuine and licenced to do the work. You can Check a business is genuine by looking on the Australian Competition & Consumer Commission website. You can ask for references and check with the relevant state or territory authority to ensure the builder or contractor is appropriately licensed.

- Genuine businesses have an Australian business number (ABN) quoted on their invoices and documentation. If you're engaging builders or contractors to undertake repair and reconstruction work, check ABN Lookup on the ASIC website to make sure they're a genuine business. Businesses should not charge goods and services tax (GST) unless they are registered for GST. ABN Lookup will show the business's GST registration status.
- Request a written contract or tax invoice before work starts and get a receipt for your payment. This will help protect against issues with insurance, warranties, consumer rights and government regulations.
- Ensure any tax invoices you receive include the minimum requirements, particularly if you want to claim GST credits.
- If you have concerns about work performed or feel you have been overcharged, you can contact your state or territory consumer authority.
- If you suspect phoenix, tax evasion or shadow economy activity, you can report it to the Tax Integrity Centre by
  - completing the tip-off form on our website or in the Contact us section of the ATO app
  - phoning our Tip-off Hotline on **1800 060 062**.

Selling your home after rebuilding

If you rebuild your home after a disaster and then decide to sell it, it will still be classed as your main residence. Your home is exempt from CGT provided you have **both**:

- moved back into the repaired or rebuilt property as soon as practicable after the work was completed
- lived there for at least 3 months before selling.

Example: moving back in as soon as practicable

Louis and Yasmine's home is destroyed by a cyclone. They decide to use the insurance payment to rebuild their home.

They rent a house 20 kilometres away with a 6-month lease and a 6-month option to renew. They enrol their child, Marley, in a school close to their rented home. After 6 months their home is still being rebuilt, so they renew their rental lease.

After 9 months, their new home is complete. However, because Marley is halfway through the final school term and there would be a financial penalty for breaking the lease, the family decide to stay in the rental property until the end of the school term.

In these circumstances, Louis and Yasmine moved back into their home **as soon as practicable** after the work had been completed.

Selling your land without rebuilding

If your home is destroyed and you sell the vacant land it was built on, you are still eligible for the main residence exemption from CGT.

QC 67553

Natural disaster support grants and deductions for business

Find out about how to report business natural disaster support grants and payments and claim related deductions.

Last updated 9 April 2026

Government disaster support grants and payments

If your business has been affected by a natural disaster, the government may give you a government support grant or payment to help your business recover. These support grants or payments are assessable income unless they are declared non-taxable by parliament.

If a business disaster support grant or payment is:

- assessable income, you need to report the payment in your tax return in the income year you receive it
- non-taxable, you don't need to include the payment in your tax return and you don't pay tax on it.

GST

If you receive a government disaster support grant or payment to support your business and you are not required to provide anything to receive it, GST is not payable on it. See GST treatment of grants for more information.

Deductions

The ordinary rules about deductions apply to expenses you pay for using a business support grant or payment you receive. For example, you can claim a deduction for the cost of:

- purchasing replacement trading stock or new assets
- repairing your business premises and fit out.

Non-taxable government support grants

The following government disaster support grants or payments are Non-Assessable Non-Exempt (NANE), provided you satisfy all specified criteria. If you have received a government disaster support grant or payment that is not listed below, it is assessable and must be included in your tax return for the income year in which you receive it.

This information will be updated whenever additional natural disaster support grants or payments to business are made non-taxable. It doesn't include grants or support payments paid prior to the 2021 income year that were not assessable income.

Cyclone Seroja 11 April 2021 recovery grant

If you received a Category C grant in relation to Cyclone Seroja that occurred around 11 April 2021, it is NANE income for the 2021–22 and later income years.

2021 storms and floods recovery grant

If you received a Category D grant in relation to the storms and floods between 19 February 2021 and 31 March 2021, it is NANE income for the 2020–21 and later income years.

If you received a Category C or D grant, in relation to storms and flooding after 31 March 2021, it is assessable income and you will need to report the payment in your tax return for that year.

Other disaster relief

If you receive assistance payments from private funds, charitable groups or crowdfunding platforms to help you pay for your business expenses, you need to declare these as assessable income.

QC 72808

Rental properties after a natural disaster

Expenses to claim and income to declare on rental properties affected by a natural disaster.

Last updated 9 April 2026

Declaring income from an insurance payout

If you receive a payout for your rental property as a result of the disaster, you must include this amount as income on your tax return. This includes:

- insurance payouts for
  - loss of rental income
  - repairs

  - replacements
- money received from a relief fund.

Money provided for immediate or urgent repairs may be exempt. You can phone us on **1800 806 218** to check.

Claiming deductions for repairs

You can claim a tax deduction for the cost of repairs to a rental property if it fixes defects, damage or deterioration of the property.

The repairs can't involve substantial reconstruction or repair, or the replacement of an entire structure. This may be considered an improvement, the cost of which may be claimed over a number of years as a capital work deduction or a deduction for a decline in value (depreciation).

You may be able to claim a deduction for repairs to an unoccupied property.

Repair or improvement

You can claim a tax deduction for the cost of repairs to a rental property as long as the repairs don't involve either:

- substantial reconstruction or substantial repair
- the replacement of an entire structure, such as a fence.

A repair is work that fixes defects, damage, or deterioration of the property, for example:

- replacing part of the guttering or windows damaged in a cyclone
- replacing part of a fence damaged by a bushfire
- replacing the plasterboard in a wall damaged by flood inundation
- repairing electrical wiring damaged by a flood.

An improvement:

- provides something new
- generally extends the income-producing capability or expected life of the property
- generally changes the character of the item you have improved

- goes beyond just restoring the efficient functioning of the property.

Example: improvement to rental property

A fibro wall inside Tim's rental property was damaged by a flood. Tim replaces it with a brick feature wall.

The new wall is an improvement because Tim did more than just restore the efficient function of the wall. This means he can't claim the cost of the new wall as a repair but he can claim the cost as a capital works deduction.

If Tim had replaced the fibro with a modern equivalent, such as plasterboard, he could have claimed his costs as a repair. This is because it would have merely restored the efficient function of the wall without changing its character, even though a different material was used.

If you carry out work that includes both repairs and improvements to your property, you can claim a deduction for the cost of your repairs if you can separate their cost from the cost of the improvements.

If you hire a builder or other professional to carry out these works for you, ask for an itemised tax invoice to help work out your claim.

Example: repair to rental property

Ling's rental property is partially inundated with water due to flooding, causing damage to the bathroom vanity unit. A licensed tradesman advised her that the vanity unit can be fixed but needs to be dismantled first. Ling decides to re-tile the bathroom (as the colour is a bit dated) while the vanity unit is being repaired.

The new parts for the vanity unit are considered a repair as they just restore its function. The re-tiling is an improvement, not a repair. Ling would need to know the cost of each component of the work so she could claim her repair and her capital works deductions correctly.

Repairs or replacement of depreciable items

The cost of repairing a depreciable item is an allowable deduction, but the replacement of a depreciable item with a new depreciable item is not a repair.

Example: deduction for replacement depreciable items

Caitlin's rental property is partially inundated with water due to flooding. She needed to replace the carpet in the lounge room and one of the bedrooms. She decided to replace the carpet throughout the property.

If Caitlin had just repaired the damaged carpet, she would have been allowed a deduction for the repair. However, as the whole carpet was replaced, she may be able to claim 2 deductions, one for the adjustable value of the carpet that was disposed of and one for the decline in value of the new carpet.

Unoccupied properties

You can still make a deduction for repairs to an unoccupied property, provided:

- your property was rented out immediately before the repairs were needed
- the damage being repaired occurred during the rental period.

Example: deduction for unoccupied property repairs

Ben's rental property was tenanted when it was severely damaged by a cyclone. Due to the damage, the tenants had to move out.

Ben carried out repairs and then advertised the property for rent. Even though the property was not available for rent while being repaired, he is able to claim his repairs.

For more detail on repairs, refer to Taxation Ruling TR 97/23 *Income tax: deductions for repairs*.

Claiming deductions for replacements

You can claim the replacement of property or items in the following circumstances:

- Your rental property was destroyed – you may be able to claim the cost of rebuilding as a capital works deduction over 25 to 40 years.
- You have to replace an item of capital equipment (such as a complete fence or building, a stove, kitchen cupboards or a refrigerator) – you may be able to claim the cost as a capital works deduction over a number of years or a deduction for decline in value.
- You replace a depreciating asset that either cost $300 or less or that is not used as part of a set that costs more than $300 in total – you can generally claim an immediate deduction.

Example: replacement versus capital costs

Janet has owned and rented out a residential property since 12 January 1983. When the kitchen cupboards were damaged beyond repair during a flood, she replaced all of the kitchen fixtures with new items, including the cupboards and appliances.

The kitchen cupboards are capital items with their own function. This means the cost of completely replacing them is a capital cost. Because of this, Janet can only claim a:

- capital works deduction for the construction cost of this work
- deduction for the decline in value of the kitchen appliances.

This is the case whether or not:

- the new fittings are of a similar size, design, and quality as the originals
- the new cupboards are made from a modern equivalent of the material used in the originals
- the layout and design of the new kitchen may be substantially the same as the original.

Claiming deductions for vacant land

If your rental property or holiday rental is damaged or destroyed by a natural disaster, you may still be able to claim deductions for holding costs of the vacant land.

Where the premises were rented out or available for rent before the natural disaster, you can claim a deduction under the exceptional circumstances exemption.

If the exemption applies to your circumstance, you can continue to claim deductions for 3 years from when the disaster occurred. If required, this period may be extended by applying to the Commissioner of Taxation.

GST implications of rental properties

If you are registered for GST and GST was payable on your rental income (for example, rental income from commercial premises is subject to GST), don't include is as income in your tax return.

Where the cost of repairs includes GST, you may be entitled to GST credits if:

- you're registered for GST
- you incur the cost in the course of your enterprise
- the purchases are in relation to rental income that is subject to GST.

If you are entitled to claim GST credits for rental expenses, you don't include the GST credits in the amounts of expenses you claim.

If you are **not** registered for GST, or the rental income was from residential premises, you include any GST in the amounts of rental expenses you claim.

Main residence exemption for a rental

If you rent out a property that was your main residence, you can treat your former home as your main residence for up to 6 years.

If the dwelling you rent out was destroyed in a disaster, the 6-year period starts from the day you first rented out your main residence.

Effect on CGT of losing an asset

If you receive an insurance payout for the loss or destruction of a CGT asset, the capital gain or loss must be calculated and included in your tax return. You will have a:

- capital gain if your insurance payout is more than the asset's cost base
- capital loss if your insurance payout if less than the asset's reduced cost base.

The CGT event happens when either:

- you first receive compensation for the loss or destruction of your asset
- the loss is discovered or the destruction occurred if you don't receive any compensation.

As a capital loss can be offset against a future capital gain, you carry forward the loss.

Example 1: determining the date of your CGT event – Laurie

Laurie owned a rental property that was destroyed by cyclone in February 2011. He received a payment under an insurance policy in April 2011.

The CGT event happened in April 2011 when Laurie received the insurance payment.

Example 2: determining the date of your CGT event – Marie

Marie owned a rental property that was damaged by flood in January 2011. Her local council deemed the property uninhabitable. She received a payment under an insurance policy in September 2011.

The CGT event happened in September 2011 when Marie received the insurance payment.

Example 3: determining the date of your CGT event – Christine

Christine owned a rental property that was damaged by flood in January 2011. Her local council deemed the property uninhabitable in May 2011, and it was demolished in October 2011. She didn't receive any compensation.

The CGT event occurred in January 2011 when the damage occurred.

Effect on capital works deductions for a rental property

If you've been claiming a capital works deduction for a rental property that is destroyed or demolished, you can claim a deduction for the remaining amount of construction expenditure that has not yet been deducted, less any compensation you receive or are entitled to receive. This applies even if the destruction or demolition is voluntary.

You can claim the deduction in the income year in which the destruction occurs.

The capital works deduction is reduced in an income year if the rental property is only partly used for the purpose of producing assessable income.

QC 67554

Business premises damaged or destroyed by a natural disaster

What you need to know if your business premises have been damaged or destroyed by a disaster.

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Repairing or replacing your business premises

The tax consequences of the expenses you incur in repairing or replacing your business premises or fit out will depend on:

- the type of asset involved, for example, a depreciating asset or a capital works asset
- if you repair, improve or replace the asset
- whether you apply a rollover or use other concessions.

Remember to keep records to show how you calculated any deductions you claim in relation to your damaged or destroyed business premises.

Restoring your business premises

If your business premises are damaged or destroyed, the effects on your tax depend on whether you:

- carry out repairs
- make improvements
- replace it completely.

You can claim a deduction for certain expenses while you carry out this work, including:

- costs associated with the clean-up of your business premises
- rent while you repair and restore your business premises if you have not ceased your business

The cost of demolishing or removing your depreciating assets (such as plant and equipment) will form part of their cost base. The disposal of these assets may result in a balancing adjustment.

Repairing or improving your business premises

You can claim an immediate deduction if you carry out a repair to your business premises.

It is a **repair** if it, fixes defects, damage or deterioration of your business premises or fit out, for example:

- a like-for-like replacement of part of a wall damaged by a bushfire
- repairing electrical wiring damaged by a flood
- replacing part of the roof damaged in a cyclone.

It is an **improvement** if:

- the work you carry out involves a substantial reconstruction or the replacement of an entire structure
- you make a substantial improvement to the damaged part of your premises, for example, replacing carpet with ceramic tiles.

Improvements are a capital expense, and you may be eligible for a deduction under the depreciation or capital works rules.

If you carry out work that includes both repairs and improvements to your property, and you:

- can separate the cost of the repairs from the cost of the improvements, you can claim a deduction for the cost of your repairs
- can't separate the repair and improvement, it is treated as an improvement and you won't be entitled to claim an immediate deduction.

For more information, see Claiming a tax deduction for repairs, maintenance and replacement expenses and TR 97/23 *Income tax: deductions for repairs*.

Example 1: repairing business premises

Patrick owns a factory that was partly destroyed by a flood on 1 April 2022. He received $50,000 in compensation from his insurance company.

Patrick spent $55,000 (excluding GST) to replace part of the wiring and repair the external walls and flooring.

When Patrick lodges his business' tax return, he:

- includes the compensation of $50,000 in his assessable income
- claims a deduction of $55,000 for the expenses he incurred to repair his business premises – as they are not considered a replacement of an entirety.

Example 2: repair versus improvement

Tony owns the building that he uses to operate his retail clothing business. He has not insured the building for flood damage.

After a flood damaged his building, some of the electrical wiring had to be removed as it was unsafe. Tony's electrician advised that the replacement wiring should be placed in the ceiling of the premises so it is better protected from future floods.

The front windows and doors were also damaged, with some of the single pane glass needing to be replaced. To increase durability, security and energy efficiency, Tony decided to replace all the glass and doors with stronger, double-glazed, damage-resistant units.

Tony incurred the expenditure in the 2022 income year. He is eligible to claim an immediate deduction for the repair of the electrical wiring in his tax return, as it is a repair and not an improvement. However, the replacement windows and doors are considered an improvement, because the work goes beyond restoring the glass to its original state.

As the windows and doors are part of the building, Tony can claim a capital works deduction. Tony must apportion his deduction if he has not used the new windows and doors for the whole income year.

If your business premises has been destroyed

If your business is completely destroyed or you had to demolish it due to the extent of the damage, and you have been claiming a capital works deduction for your business premises, you can claim:

- capital works deductions for the cost of your replacement business premise
- a deduction for the remaining undeducted amount of the construction cost of your business premises, less any insurance payout you receive or are entitled to receive.

You will make a capital gain if your insurance payout is greater than the undeducted amount of the construction cost. If eligible, you may choose to rollover your CGT liability. You may choose to do this if you're incurring expenditure to acquire another CGT asset that is used in your business, such as rebuilding your business premises.

These principles apply to each capital works deduction if you have multiple capital works deductions for the same business premises.

When calculating your deduction, the amount you receive from your insurance payout is reduced if you incur demolition costs in the same income year that the capital works were destroyed.

If you decide to rebuild and incur demolition costs in a different income year in which the capital works was destroyed, the expenses you incur will be added to the cost base of the new building.

Example 3: destruction of an uninsured business premises

Sarah owns a building that she uses to operate a clothing business and has been claiming a capital works deduction.

The building was destroyed by a fire on 25 June 2022. Sarah was not insured and did not receive any compensation for the business premises.

She can claim a deduction for the remaining amount of her construction cost for the building that she has not yet deducted.

Sarah will also have a CGT event on the loss of her building. However, because she didn't receive compensation and has claimed a deduction for the undeducted amount of her construction costs, there is no capital gain or loss from this event.

Example 4: destruction of an insured business premises

Timothy owns 2 premises next to each other that he uses for his motorcycle repair business (a shopfront and a storage shed). The shopfront was destroyed by a fire on 5 January 2022. The fire also damaged the storage shed used to store parts.

The cost base of the shop front premises was $280,000.

On 1 June 2022, Timothy received an insurance payout of:

- $300,000 for the destroyed shopfront premises
- $45,000 for the damage to the storage shed.

On 10 June 2022, Timothy incurred expenses of $45,000 to repair the storage shed.

Timothy decided to use improved materials to construct the shopfront and incurred construction costs of $350,000. In summary, the amounts were:

- money received: $300,000
- cost base: $280,000
- difference (capital gain): $20,000.

Because Timothy incurred expenditure to replace the shopfront, he may choose to rollover this $20,000 gain. If Timothy chooses the rollover, the amount of expenditure he can include in the cost base of the replacement building is reduced by the amount of the capital gain.

In his tax return, Timothy:

- includes $45,000 in his assessable income from the insurance payout received for the damaged storage shed
- can claim a deduction of $45,000 for the repair of the storage shed
- reports that he has elected to rollover the capital gain of $20,000 relating to the shopfront premises.

Once the rebuilding of the shopfront is complete Timothy can claim capital works deductions for the construction costs. The deduction is reduced by the capital gain.

Replacing and repairing the fit out

You can claim an immediate tax deduction for the cost of repairs to the fit out of your business premises, but you can't claim for the cost of improvements.

If you carry out work that includes both repairs and improvements to your property, you can only claim an income tax deduction for the cost of your repairs if you can separate the cost of the repairs from the cost of the improvements.

Examples of repairs include:

- replacing doors of a storage cupboard
- repairing shelving damaged by a flood.

Repairs or improvements

If the work you carry out involves a substantial reconstruction or the replacement of an entire structure, this may be an improvement.

It is considered an improvement if it makes an aspect of the property better, or more valuable, or changes the character of an item.

Improvement means work that:

- provides something new or is a substantial reconstruction or a replacement of the entire structure
- generally, increases the income-producing ability or expected life of the property

- goes beyond restoring the efficient functioning of the property.

If what you do to your damaged fit out is an improvement, you can't claim a deduction for the total cost of improvements to your business premises in the year you incur them. Instead, its cost may be claimed as a deduction over time under either:

- capital works rules, when it is a structural improvement
- capital allowances rules, when the item is a depreciating asset.

If you hire a builder or other professionals to carry out these works for you, we recommend you ask for an itemised tax invoice to help work out your claim.

Repair or improvement scenarios

For more information on different repair and improvement scenarios, see:

- Fit out was destroyed and replaced
- Destroyed or lost fit out was a capital works asset
- Fit out is a depreciating asset
- Fit out forms part of your small business pool
- If you claimed an instant asset write-off.

Fit out was destroyed and replaced

If the fit out of your business premises has been destroyed in a disaster, the effects on your tax will depend on:

- the type of new fit out you have installed
- whether you have claimed deductions for it using the
  - capital works deductions
  - general depreciation rules
  - simplified depreciation rules.

Depending on your circumstances, you may also be entitled to a deduction for the loss of the fit out.

If you received an insurance payout to cover the loss, there are additional consequences you need consider.

If your replacement asset is an eligible depreciating asset, you may be able to take advantage of [temporary depreciation incentives].

Destroyed or lost fit out was a capital works asset

A fit out is generally a capital works asset if it was permanently fixed to, or otherwise part of, a building or a structural improvement.

If your fit out is a capital works asset and it is destroyed, you can claim a deduction for your undeducted construction cost if either:

- you receive no insurance payout
- your insurance payout for the destroyed fit out is less than the undeducted construction cost.

If your insurance payout for the destroyed fit out is greater than the undeducted amount of your construction costs, you will normally make a capital gain. If you make a capital gain and replace your destroyed fit out, you may be able to [rollover your capital gain].

Example 5: claiming deductions for a destroyed fit out that is a capital work

Tony operates a retail clothing business and uses the simplified depreciation rules. On 1 July 2017, Tony installed new counters and display cabinets that were fixed to the structure of the building. He is eligible to claim a capital works deduction for these assets at 2.5% in the 2017–18 income year and future years.

Tony's business premises was destroyed by a flood in March 2022. Tony didn't have insurance and didn't receive any compensation for the loss of his assets.

Tony can claim a deduction for any undeducted construction expenditure on his destroyed shop fit out in his 2021–22 business tax return.

Example 6: deduction for installing moveable fittings

After the flood, Tony decides to continue his retail clothing business and to install shop fittings that are more flexible and moveable.

On 1 June 2022, Tony purchases a new store counter and display tables on wheels. The new shop fit out is not fixed to the building structure and can be easily moved if there's another flood.

The store counter and display tables are depreciating assets. As Tony uses simplified deprecation, the assets are added to the small business pool. Tony can claim a deduction for 15% of the assets cost in the first year and 30% in future years.

Fit out is a depreciating asset

If your fit out is a depreciating asset subject to the general depreciation rules, a balancing adjustment event will occur when it is destroyed as a result of a disaster. You need to calculate a balancing adjustment amount to include in your assessable income or claim as a deduction.

If you:

- didn't receive an insurance payout for the fit out, you can claim a deduction for the remainder of its depreciation amount
- received an insurance payout that results in an amount being included in your assessable income and you replace the destroyed fit out, you can elect to rollover a balancing adjustment amount that would otherwise be included in your assessable income. This will reduce the amount of the deductions you can claim for the replacement fit out.

Fit out forms part of your small business pool

If you are eligible to use the simplified depreciation rules and the fit out formed part of the small business pool, you need to:

- apply the asset disposal rules on the disposal of the damaged or destroyed fit out
- include any insurance payout you receive that is attributable to the asset in its termination value.

If you claimed an instant asset write-off

If you are eligible to use the simplified depreciation rules for the fit out, and you claimed an instant asset write-off deduction (including temporary fully expensing), you need to include any insurance payout you receive that is attributable to the asset in your assessable income.

Claiming deductions for vacant land

If your business premises or structures on your land are destroyed by a disaster, you may temporarily stop using the land.

If you were eligible to claim deductions for the holding cost of that land prior to the natural disaster, you may be able to continue to claim deductions for the cost of holding that land under the exceptional circumstances exemption to the vacant land rules.

If you intend to rebuild and use that land in your business again, you can claim deductions for up to 3 years from the time the business premises on the land were destroyed. You may request an extension to the 3-year period if you are unable to rebuild your business premises in that time for reasons beyond your control.

This exemption also applies where a natural disaster impacts farmland, for example, where structures such as fences on land used in primary production, silos or woolsheds have been damaged or destroyed.

QC 72810

Trading stock damaged or destroyed by a natural disaster

What your tax obligations are when your trading stock has been damaged or destroyed by a natural disaster.

Last updated 9 April 2026

Accounting for lost or damaged trading stock

If the value of your trading stock varied by more than $5,000 during the income year, you must do an end-of-year stocktake and record the value of all trading stock you have on hand.

If you have trading stock that was lost or damaged due to a disaster, the loss or reduction in value will either:

- reduce the amount that would otherwise be included in your assessable income at the end of the income year
- increase the amount of the deduction you would otherwise be entitled to at the end of the income year.

You can also claim a deduction for the cost of:

- disposing of trading stock that was damaged or destroyed
- moving trading stock to ensure it's not damaged in a disaster.

For more information, see the general trading stock rules.

Receiving an insurance payout

If you receive an insurance payout for lost or damaged trading stock, you must include this amount in your tax return as assessable income. You can claim a deduction for expenses incurred relating to the insurance payout for your destroyed trading stock.

If you're registered for GST you don't have to pay GST on an insurance settlement if you tell your insurer about your entitlement to GST credits, before you make the claim. Otherwise you may have to pay GST.

You may be entitled to a deduction if the value of your trading stock at the end of the year is less than what it was at the beginning of the year.

You can also claim a deduction for stock you purchase to replace lost or damaged trading stock.

Example 1: trading stock is uninsured

Healthy Pets Co runs a business of selling pet food and is registered for GST.

On 1 March 2022, the business lost $100,000 of trading stock as a result of a natural disaster. Healthy Pets Co was not insured and purchased $100,000 of replacement stock (GST exclusive) on 1 June 2022. Healthy Pets Co sold $70,000 of the stock during June 2022 (excluding GST) and had a closing stock balance of $30,000.

At the end of the financial year, Healthy Pets Co accounts for its trading stock to work out whether it needs to include an amount in its assessable income or if it is entitled to a deduction. The values accounted for are:

- opening stock: $100,000
- value of stock sold: $70,000
- closing stock: $30,000.

In its tax return, Healthy Pets Co:

- is entitled to a deduction for $70,000, as the value of its trading stock at the end of the year is less than what it was at the beginning of the year
- can claim a deduction of $100,000 for the cost of the replacement trading stock
- doesn't need to include any amount in its assessable income as a result of the loss.

Example 2: trading stock is insured

Sally runs a small retail store. She is not registered or required to be registered for GST.

On 1 March 2022, her business lost $10,000 in trading stock because of a natural disaster. Sally was insured and received a $10,000 insurance payout on 1 June 2022 to cover the lost trading stock. On 15 June, she purchased $10,000 worth of stock to replace the lost trading stock. Sally is unable to claim a GST credit as she is not registered or required to be registered for GST.

At the end of the year, Sally accounts for her trading stock to work out whether she needs to include an amount in her assessable income or if she is entitled to a deduction. The values accounted for are:

- opening stock: $20,000
- stock lost as a result of the natural disaster: $10,000
- value of stock sold: $5,000
- stock purchased to replace stock lost in natural disaster: $10,000
- closing stock: $15,000.

In her tax return, Sally:

- is entitled to a deduction for $5,000 as the value of her trading stock at the end of the year is less than what it was at the beginning of the year
- can claim a deduction of $10,000 for the cost of the trading stock purchased to replace that lost in the natural disaster
- includes the $10,000 insurance payout she received in her assessable income.

Primary producers

If you are a primary producer and lose livestock or trees from a disaster, there are special rules that apply to your situation. For more information, see Abnormal primary production income.

QC 72809

Fuel tax credits following a natural disaster

Check you are eligible to claim fuel tax credits for fuel used for businesses and emergency operations after a disaster.

Last updated 9 April 2026

Using fuel after a disaster

Following a disaster, you may be able to claim credits for when you need to use taxable fuel (such as diesel or petrol) to:

- generate electricity for domestic or business purposes
- operate machinery, plant, equipment, and heavy vehicles for eligible business activities
- operate emergency vehicles or vessels (for not-for-profit organisations).

Claiming fuel tax credits

Fuel tax (excise or customs duty) is included in the price of certain eligible fuels, including diesel, petrol, heating oil, kerosene, and fuel oil. You may be eligible to claim fuel tax credits if you use these fuels for eligible activities.

You may be able to use the simplified fuel tax credits method to calculate your claims if you:

- are a farmer and your business or residential address is in one of the identified impacted postcodes
- have received a lodgment and payment deferral, regardless of how much you claim each year
- are not a farmer but live in the impacted postcodes.

This means you can use the fuel tax credit rate that applies at the end of the business activity statement (BAS) period to simplify calculating how much fuel you purchased for the period.

For more detail, see PCG 2019/2 *Fuel tax credits – practical compliance methods for farmers in disaster affected areas*.

Domestic electricity generation using fuel

You can claim fuel tax credits for any taxable fuel you acquire to generate electricity for domestic purposes. The fuel can be used to generate electricity using a motor or generator, for yourself or others who have been affected by the natural disaster.

'Domestic purposes' means for a home, house or household, which includes a:

- static home, such as a single house, duplex, town house, unit or cabin
- relocatable home, such as a demountable home
- marine home, such as a houseboat
- mobile home, such as a caravan or motorhome.

Example: domestic electricity generation

Donna's home is destroyed by fire. She no longer has access to an electricity supply.

Donna and her family live in a caravan on the land while their home is rebuilt. Donna uses a generator to supply the caravan with electricity.

As the caravan is now considered her home, Donna can claim fuel tax credits for the fuel used in generating electricity for domestic purposes.

Fuel used in a business

Businesses that are registered for GST at the time they acquire the fuel can claim credits for the fuel tax included in the price of fuel used in eligible business activities to operate machinery, plant, equipment and heavy vehicles.

Example: fuel used in a business

Peter is a sole trader and is registered for GST. During the floods, the basement of his business premises – where he keeps a lot of stock – fills with water. For safety, his electricity supply is disconnected.

Peter hires a generator to operate a pump to clear the water from his basement. He can claim fuel tax credits for the fuel acquired and used in the generator because it is used for business purposes.

Operating emergency vehicles or vessels with fuel

If you operate a non-profit organisation that has chosen not to register for GST because its GST turnover is less than $150,000, you can still claim fuel tax credits on a fuel tax credits claim form, providing you:

- only claim for fuel you use to operate emergency vehicles or vessels
- are a not-for-profit organisation at the time you acquire, manufacture, or import the fuel
- acquire, manufacture or import the fuel for use in a vehicle or vessel that
  - provides emergency services
  - is clearly identifiable as such.

QC 67555

Donations and fundraising to help people affected by natural disaster

Tax on disaster fundraising and how to check donations are going to legitimate charities for people affected by a disaster.

Last updated 9 April 2026

Organising a fundraising appeal or event

In response to a disaster, you may want to run a fundraising event or appeal by:

- collecting money
- donating a portion of your sales
- crowdfunding.

You may arrange for an established deductible gift recipient (DGR) to collect the donations. A DGR will already have the required infrastructure in place to collect gifts that are tax deductible and issue receipts to donors.

You need to be aware of the tax and reporting requirements, in particular goods and services tax (GST), for you, your business or organisation. See Collecting to help people affected by disaster for more information.

Setting up a tax-deductible appeal

If you, your business or organisation want to establish a tax-deductible appeal fund, you need to consider whether you, your business or organisation (or the fund) can be endorsed by us as a DGR business collecting donations.

If you are a not-for-profit but not a DGR, find out about collecting to help people affected by disaster.

You should also be aware of your tax situation and whether you need to:

- pay tax on the proceeds you receive from the event – see Income and deductions for business
- apply GST to your taxable sales – see GST and fundraising
- consider if there are fringe benefits or exempt fringe benefits for the emergency assistance.

Phone us on **1300 130 248** to ask about fundraising events and setting up an appeal fund.

Crowdfunding

You can use crowdfunding platforms to seek funds for businesses and individuals impacted by natural disasters.

If you're involved in crowdfunding, whether a promoter, intermediary or contributor, you need to be aware of your tax and reporting requirements. The promoter and intermediary may need to be registered for GST and pay GST on crowdfunding income.

Most crowdfunding donations are not tax deductible because they're not made to a DGR.

Example: gifts made to a crowdfunding platform – not deductible

Sam creates a crowdfunding page to raise money for animals injured by bushfires. People donate money directly to Sam. Sam is not a registered charity with the ACNC and he doesn't have DGR status from us.

People may give any amounts they want to Sam, but they will not be able to claim a tax deduction for those gifts.

QC 67556

Donating to a natural disaster relief appeal or attending an event

What you need to know before donating to a fundraising appeal or attending an event for people affected by a disaster.

Last updated 9 April 2026

Checking if the charity or DGR is legitimate

Before making a donation to a disaster relief appeal online, via social media, or over the phone, make sure the charity or deductible gift recipient (DGR) is legitimate. This includes instances where an individual is raising funds on behalf of a registered charity.

To check that the charity is registered and legitimate, you can search:

- Australian Charities and Not-for-profits Commission (ACNC) charity register to confirm the charity is registered
- ABN Lookup: Deductible gift recipients to confirm they have DGR status.

Donating money

You can usually claim a tax deduction for a donation to a DGR. Gifts of cash to the value of $2 or more are tax deductible if the organisation receiving the gift is endorsed as a DGR.

For most donations, you must keep a receipt to claim a deduction on your tax return. Most DGRs will give you a receipt as evidence of your donation. We also accept third-party receipts.

You may give a donation of money to a crowdfunding platform. However, you can't claim a deduction if the recipient is not registered as a DGR.

If you donate to a bucket appeal that has been approved by us for a specific natural disaster (such as bushfires, severe storms, or flooding), you can claim a tax deduction equal to your total donations up to $10 without keeping a receipt.

For more information, see Gifts and donations.

Examples of donations of money

Example 1: donation on social media

Fiona clicks on a link in her social media feed to donate to a natural disaster recovery fund. It takes her to the *PayPal Giving Fund Australia* donation page. She checks the details on the ABN Lookup and confirms it has DGR status. She donates $50 and the social media platform emails her a receipt which she files for tax time.

Fiona can claim a tax deduction for the donation.

Example 2: donation in a retail outlet (third-party receipt)

When buying groceries at the supermarket, Sebastian is asked if he'd like to donate to a rural assistance charity. He agrees to donate $30 on top of the groceries. He pays the total bill with a credit card and is given a receipt. The receipt shows the date and amount of the donation but doesn't show the name of the charity. The transaction description on the receipt is 'GIFTDGR' followed by some numbers.

When Sebastian lodges his tax return his tax agent uses ABN Lookup to confirm the DGR status of the charity. His tax agent advises that the numbers are the charity's ABN. As such, Sebastian can use the receipt from the supermarket as evidence of his claim for deduction of the donation.

The supermarket collects and remits GST on the taxable sales of groceries it makes. The $30 donated at the register isn't a taxable sale for GST purposes.

Example 3: donation via your bank

After a national disaster, Litsa's bank launches a campaign to raise money in partnership with a DGR charity. Litsa donates $50 from her account to the campaign through her phone banking app. The bank provides her with a transaction receipt.

The bank isn't a registered DGR but it has made arrangements to collect money as an agent for the charity it has partnered with for the campaign. The bank passes on the funds to the charity and receives tax receipts for each client who donates.

When the bank later provides the DGR receipt to Litsa, she can use that receipt as evidence to support her claim for a tax deduction.

Donations that the bank collects on behalf of the DGR aren't taxable sales made by the bank or the DGR.

Example 4: material benefit where a deduction can't be claimed

Kaira is an office worker. Each year her workplace gets involved in various appeals to raise money and awareness for good causes. Following the summer bushfires in Australia, her office has set up a stall in the foyer and is selling t-shirts showing support for the bushfires, at a cost of $35 each. The stall has been set up to raise money for an endorsed DGR. Kaira purchases a t-shirt.

However, Kaira can't claim a deduction for the cost of the t-shirt as she has received a material benefit in return for her contribution to the bushfire appeal.

Example 5: bucket donation

Alex is attending a festival where volunteers are walking around, shaking a bucket to encourage patrons to donate to a Salvation Army bushfire appeal. Alex gives a donation of $5 to the bucket. She doesn't get a receipt.

As this amount is under the 'no receipt limit' of $10 for bucket donations, Alex can claim a deduction for the $5 donation in her tax return.

Donating goods

If you donate goods such as groceries, clothes and other items to a DGR, you may be able to claim a tax deduction. See Donating recently purchased property to a DGR for the conditions that apply.

Attending fundraising events

Many DGR fundraising events encourage contributions that provide minor benefits to those who contribute. Where a contributor receives a minor benefit, they may be entitled to a tax deduction.

Contributions made by individuals to DGRs for eligible fundraising events, such as fetes, balls, gala shows, dinners and charity auctions, may be tax deductible if they meet certain conditions.

QC 67557

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.