


# ***IT 2038 - Bounties and subsidies : drought relief interest and fodder subsidy schemes : natural disaster relief arrangements***

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TAXATION RULING NO. IT 2038

BOUNTIES AND SUBSIDIES : DROUGHT RELIEF INTEREST AND  
FODDER SUBSIDY SCHEMES : NATURAL DISASTER RELIEF  
ARRANGEMENTS

F.O.I. EMBARGO: May be released

REF

H.O. REF: 4 J323/1 P2 F72

DATE OF EFFECT:

B.O. REF:

DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

REFERENCE NO:

SUBJECT REFS:

LEGISLAT. REFS:

I 1104276

BOUNTIES AND SUBSIDIES  
DROUGHT RELIEF INTEREST  
AND FODDER SUBSIDY  
SCHEMES

25(1)

26(g)

NATURAL DISASTER RELIEF  
ARRANGEMENTS

PREAMBLE

This office has recently considered the extent to which payments made to primary producers under the Drought Relief Interest and Fodder Subsidy Schemes and the Natural Disasters Relief Arrangements represent assessable income to the recipients of the payments.

2. Provision for the Drought Relief Interest and Fodder Subsidy Schemes is made in the Drought Assistance (Primary Producers) Act 1982. The Schemes are designed to assist primary producers to overcome the difficulties caused to their businesses as a result of drought.

3. The Interest Subsidy Scheme is administered by the Department of Primary Industry. The Scheme provides assistance to certain classes of primary producers on eligible drought declared properties by subsidising interest payments on loans relating to the primary production activities. Claims under the Scheme cannot be made until the relevant interest has been paid by the primary producer or charged to his or her account.

4. The Fodder Subsidy Scheme is administered by the various States on terms and conditions agreed by the Commonwealth. It provides a subsidy on fodder purchases on and after 1 September 1982 for the drought feeding of sheep and cattle.

5. Payments to primary producers under the Natural Disasters Relief Arrangements are made by the various State governments and local authorities from funds received from the Commonwealth Government. The payments are based on measures determined and approved by the Commonwealth Department of Finance.

RULING

6. Drought relief interest and fodder subsidies represent assessable income to the recipients.

7. The following payments made under the Natural Disasters Relief Arrangements represent assessable income of the recipients:-

Freight subsidies in respect of the transport of stock, fodder and water;

Stock slaughter subsidy in respect of the slaughter of livestock;

Contract droving subsidy in connection with the droving of sheep along roadways and stock routes;

Agistment subsidy in relation to the agistment out of livestock;

Scrub pushing subsidy in connection with the pushing over of scrub to enable livestock to eat leaves underneath;

Sugar subsidy on cost of sugar used to feed bees at their hives;

Fodder air drop concession.

All of the above payments, including the Drought Relief Interest and Fodder Subsidy Schemes, are made to the recipients to assist in meeting the revenue costs associated with carrying on a business of primary production. The payments represent income according to ordinary concepts, i.e. the proceeds of carrying on business, or are subsidies for or in relation to the carrying on of a business within the meaning of section 26(g) of the Income Tax Assessment Act.

8. Other payments made under the Natural Disasters Relief Arrangements should be dealt with for income tax purposes as follows:-

Freight subsidies in respect of the transport of machinery and equipment. As the cost of freight is taken into account in arriving at the cost of plant for depreciation purposes, the freight subsidies should be deducted from the total cost of the particular items of machinery and equipment.

Fencing subsidy in respect of materials for replacing boundary fencing. Where the cost of replacing boundary fencing is a repair in terms of section 53 of the Income Tax Assessment Act the fencing subsidy would represent assessable income. On the other hand if the replacement of the fencing is of such an extent that depreciation is allowable on the new fencing, the cost of the new fencing should be reduced, for depreciation purposes, by the amount of any subsidy.

COMMISSIONER OF TAXATION

10 May 1983