

NSW COVID SUPPORTS 2021

September Update

This summary looks at the tax-free treatment of state government grants and support payments (Source: The Tax Institute, Sep 2021.)

TAX-FREE TREATMENT OF STATE GOVERNMENT GRANTS & SUPPORT PAYMENTS:

Some government support payments received by businesses impacted by the COVID-19 restrictions and lockdowns are not subject to income tax. These payments are non-assessable non-exempt (NANE) payments for tax purposes.

A payment will be NANE income if it meets the following three criteria:

1. The payment is received under an eligible State or Territory grant or Commonwealth support program.
2. The business has an aggregated turnover of less than \$50 million in the income year in which the payment was received.
3. The payment was received in the 2020–21 or 2021–22 financial year for eligible State or Territory grants or the 2021–22 financial year for eligible Commonwealth programs.

The NANE income treatment of these payments under s 59-97 of the ITAA 1997 is effected only by a ministerial declaration by legislative instrument. Not all payments may be covered yet by a ministerial declaration.

DEDUCTIONS FOR EXPENSES INCURRED BY BUSINESSES RECEIVING GOVERNMENT SUPPORT PAYMENTS THAT ARE NON-TAXABLE:

The ATO has provided guidance for businesses that incur expenses that are related to getting a government grant or payment that is non-taxable. Such expenses may include costs associated with the application process, such as accounting fees charged to apply for a grant, and expenses incurred to satisfy an eligibility requirement of the grant. These expenses are non-deductible under s 8-1(2)(c) because they are incurred in gaining or producing NANE income.



Where an expense is incurred by a business:

- Solely to get a non-taxable government grant — a deduction cannot be claimed for this expense.
- Both to gain assessable income and to get a non-taxable government grant — a deduction can be claimed only for the part of this expense that relates to gaining the assessable income. A deduction cannot be claimed for the part that relates to getting the non-taxable government grant. There is no set way to work out the part of the expense that relates to each purpose, but it should be worked out on a fair and reasonable basis.

FOR MORE INFORMATION:

Further information is available from the [ATO website](#).

HOW CAN WE HELP?

If you have concerns over how the COVID-19 pandemic is affecting your business, please feel free to give me a call on (02) 9135 8450 or [book a meeting](#) to discuss your situation.
www.pretiumsolutions.com.au

