



Tax-free government money to combat COVID-19?

State, territory, and the Commonwealth governments are now in the process of providing tax-free grants to businesses to support them during lockdowns imposed to protect public health from the pandemic. Usually, government grants to support the ongoing operations of a business are assessable income.

With the COVID-19 pandemic, Victoria, NSW, the ACT, to a lesser extent, Queensland and the other locations have all been subject to community and business lockdowns that have decimated business revenues and caused significant losses.

Late last year, Victoria agreed with the Commonwealth to provide tax-free business grants during its extended lockdown. Parliament amended the 97 Tax Act to make eligible state and territory grants non-assessable, non-exempt income for tax purposes. With the long-running, current lockdown in NSW, the use of those rules has expanded to NSW and potentially, in the future, to the other states and territories. Also, legislation recently passed to make eligible Commonwealth pandemic business grants tax-free.

The conditions that apply for that tax-free status include:

- The Treasurer must declare that the grant program is eligible
- The business receives the state or territory grant during the 2021 or 2022 tax years
- For Commonwealth grants, the business must receive the funds in the 2022 tax year
- The business and its associated entities must have an aggregated turnover of less than \$50 million

The Treasurer can declare a grant program eligible if it responds to the pandemic's economic impact and supports business operations that a public health direction has disrupted and has made that declaration for these programs so far:

State/Territory Program

Victoria	Alpine Resorts Support Program (Streams 1, 2 and 3) Business Continuity Fund Business Costs Assistance Program Round Two – July Extension Business Support Fund 3 Licensed Hospitality Venue Fund Licenced Hospitality Venue Fund 2021 – July Extension Melbourne City Recovery Fund—Small business reactivation grants Outdoor Eating and Entertainment Package Small Business COVID Hardship Fund Sole Trader Support Fund
New South Wales	2021 COVID-19 business grant 2021 COVID-19 JobSaver payment 2021 COVID-19 micro-business grant NSW Performing Arts COVID Support Package

You can get more information about pandemic business grants at the following web locations:

Queensland	https://www.business.qld.gov.au/starting-business/advice-support/grants/covid19-support-grants
NSW	https://www.service.nsw.gov.au/transaction/2021-covid-19-business-grant
Victoria	https://www.coronavirus.vic.gov.au/business-grants-and-support
ACT	https://www.act.gov.au/business/business-support/covid-19-economic-support-for-business

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