

## ***Transitional Income Support***

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## **1. What is Transitional Income Support?**

Transitional Income Support provides short-term income support for primary producers in serious financial difficulty, while they recover from drought and adapt to changing circumstances, including climate change. Transitional Income Support also provides access to advice and training through the Climate Change Adjustment Program (CCAP).

## **2. Who is eligible for Transitional Income Support?**

To be eligible for the Transitional Income Support

- a person, for a continuous period of at least 2 years immediately before applying, must
  - have been a farmer in Australia
  - have derived a significant amount of his or her gross income from the farm enterprise
  - have contributed a significant amount of his or her capital to the farm enterprise
  - have contributed a significant amount of his or her labour to the farm enterprise
- the farmer must satisfy the Financial Assessment assets test
- the farmer must undertake a Farm Business Analysis and develop a CCAP Action Plan.

## **3. Are sharefarmers eligible for Transitional Income Support?**

Yes.

## **4. Is small business eligible for Transitional Income Support?**

The rationale for small business assistance is to support those small businesses who were in financial difficulty due to the impact of Exceptional Circumstances (EC) on farm enterprises. EC declarations are lifted when majority of producers (farm enterprises) have experienced climatic conditions which allow them to carry out farm management practices indicative of a sustained recovery. Farm management practices indicative of a sustained recovery will usually involve the purchase of products and services from agriculture dependent small businesses, which in turn increases the capacity of the small business to meet business operating and family living costs.

The target market for Transitional Income Support is the small number of producers who may still be in difficult financial circumstances and need welfare income support while they take action to improve their long term financial security.

## **5. Do I have to be in an Exceptional Circumstances (EC) declared area to apply for Transitional Income Support?**

No. You do not have to be located in an EC declared area to apply for Transitional Income Support. Transitional Income Support is available for farmers Australia-wide to apply for, including in EC declared areas. It should be noted that the eligibility criteria for Transitional

Income Support are different to the Exceptional Circumstances Relief Payment, and other forms of EC assistance.

#### **6. Are there any income and assets tests?**

Yes.

- 1) Income and assets tests are the same as for the Newstart Allowance (although farm assets are exempt for the purpose of calculating the amount); and
- 2) The total value of liquid assets (immediate funds) including the applicant's partner (if any) must be less than or equal to \$20,000; and
- 3) Applicants must pass the Financial Assessment test; and
- 4) Total Farm Business Net Assets (includes both farm and non farm assets and debt) must be less than \$1.5m.

#### **7. How much is available under Transitional Income Support?**

Income support at a rate equivalent to the Centrelink Newstart Allowance will be provided for up to 12 months. The program commences on 16 June 2008 and is due to cease on 30 June 2010. Any farmers applying for the program after 1 July 2009 will be paid only until 30 June 2010.

Transitional Income Support recipients, through mutual obligation requirements, will have to access the CCAP Advice and Training Grant of up to \$5,500. Funding through the Advice and Training Grant will be used to undertake a Farm Business Analysis, to obtain professional advice and/or undertake training activities.

#### **8. Is Transitional Income Support taxable?**

Transitional Income Support is taxable and recipients should seek the advice of a financial advisor regarding their tax liabilities.

#### **9. What is the Financial Assessment?**

The Financial Assessment is a model that was developed to assist in determining eligibility for assistance under TIS and the CCAP, through an assessment of the financial circumstances of the applicant and the farm business (see the Climate Change Adjustment Program FAQ). The Financial Assessment takes into account: non farm assets, liquidity, debt to equity ratio and total net assets and is part of the Farm Business Analysis (see Question 10).

#### **10. What is the Farm Business Analysis?**

The Farm Business Analysis examines the financial position of the farm enterprise. This assessment is important because it provides the farmer with an independent appraisal of their farm enterprise's position, which will assist them to decide what is best for the future of the farm business and their family.

The Farm Business Analysis includes a Financial Assessment test (see Question 9).

**11. Who is able to complete a Farm Business Analysis and Financial Assessment?**

Farm Business Analysis and Financial Assessment must be completed by a prescribed advisor. A person is a prescribed advisor if he or she has relevant financial qualifications and is a member of a professional association whose members normally provide financial advice.

**12. How does a farmer apply for Transitional Income Support?**

To apply for Transitional Income Support, a completed application form must be lodged at a Centrelink Customer Service Centre. Forms are available by calling the Centrelink farmer hotline number (1800 050 585) or visiting the Centrelink website ([www.centrelink.gov.au](http://www.centrelink.gov.au)).

**13. When must the application be made?**

Applications for Transitional Income Support must be made during the Payment Period of 16 June 2008 to 30 June 2010. Transitional Income Support is scheduled to cease as of 30 June 2010 and applications made after 1 July 2009 will not access the maximum 12 months assistance.

**14. What happens after the application is submitted?**

Applicants who satisfy the initial eligibility criteria [1) and 2) in Question 6 above] will be provided with a voucher to undertake a Farm Business Analysis and Financial Assessment. After successful completion of the Farm Business Analysis and Financial Assessment the applicant will be directed to a Rural Financial Counsellor to develop a CCAP Action Plan.

**15. What is a Climate Change Adjustment Program Action Plan?**

The CCAP Action Plan maps out the process that individual farm families will follow to adjust to the impacts of climate change and improve the family's long term financial security. An action plan will set out goals, actions, timelines and expected outcomes.

**16. When will the farmer receive the first Transitional Income Support payment?**

Upon completion and certification of the CCAP Action Plan by a Rural Financial Counsellor, Centrelink will commence Transitional Income Support payments (back dated to date of lodgement).

Centrelink will issue an additional voucher for the recipient to undertake advice and / or training as identified in their action plan.

**17. What if the farmer is suffering severe financial hardship?**

Farmers deemed to be in severe financial hardship (determined by Centrelink) will be issued a voucher to obtain a Farm Business Analysis and Financial Assessment, but will immediately receive Transitional Income Support payments. The farmer then has 3 months to obtain the Farm Business Analysis and Financial Assessment and complete a CCAP action plan with a Rural Financial Counsellor.

**18. Is access to the Transitional Income Support program dependant on any mutual obligation?**

Yes, farmers receiving Transitional Income Support will be obliged to take action to achieve financial self reliance and increase preparedness for changing economic and climatic conditions. Funds to access professional advice and training will be available through the CCAP; and case management (including development of the action plan) will be undertaken by the Rural Financial Counsellors.

**19. What other assistance is available under the Climate Change Adjustment Program?**

In addition to the CCAP Advice and Training Grant, the CCAP Re-establishment Grant offers re-establishment assistance of up to \$150,000 for eligible farmers who choose to sell their farm enterprise and leave farming.

It should be noted that until 30 June 2010, exit grants are also available under the Exceptional Circumstances Exit Assistance program. Under that program, assistance is also available for professional advice (up to \$10,000) and relocation to pursue employment opportunities (up to \$10,000).

**20. How to obtain further information about Transitional Income Support**

For further information on the CCAP, farmers can call the Centrelink farmer hotline number – 1800 050 585 or visit the Australia's Farming Future website at [www.daff.gov.au/farmingfuture](http://www.daff.gov.au/farmingfuture).