



Australian Government

# WATER for the FUTURE

## Small Block Irrigators Exit Grant Package

### What is the purpose of the Small Block Irrigators Exit Grant Package?

The package is intended to assist small block irrigators in the Murray-Darling Basin who are affected by drought and climate change and who wish to cease irrigated farming.

The package is particularly intended to assist small block irrigators, in particular horticultural producers, in the Murray-Darling Basin who own irrigation properties of 40 hectares or less and wish to exit irrigated farming but to continue living on their farm and participate in the life of their communities.

### What types of assistance is available?

The Australian Government has initially set aside \$57.1 million for this initiative, which provides assistance to eligible irrigators to leave irrigated farming and enable them to either change the type of farming they do or find alternative employment. The Australian Government will cover the extra costs associated with expansion of eligibility of the exit package. Assistance includes:

- a taxable exit grant of up to \$150,000;
- up to \$10,000 for advice and training, including skill development, direction setting, succession planning and business advice; and
- up to \$20,000 for removal of permanent plantings and other production related infrastructure.

### What are the key eligibility requirements?

The package will provide exit grants to eligible small block irrigators who are prepared to sell to the Australian Government all of their permanent entitlements to extract water from a watercourse that meet the criteria for the *Restoring the Balance in the Murray-Darling Basin* program. The Australian Government will retain these entitlements and use them to restore the health of rivers and wetlands.

Eligibility will be determined on the basis of the area of land and the quantity of water entitlements held by the applicant.

- Irrigators who hold up to and including 15 hectares of farm land, and at least 10 megalitres of permanent water entitlements on 20 September 2008.
- Irrigators who hold over 15 hectares and up to and including 40 hectares of farm land, and at least 10 megalitres of permanent water on 13 February 2009.

Applicants must own their farms and must both collectively and separately own no more than 40 hectares of farming land, including the farm residence and its surrounds. The package is also subject to an assets test (more details are provided in section four).

An applicant will not be able to own, or part-own an irrigation farm business for at least five years after the exit grant is paid to them (more details are provided in section five).

Applicants must be prepared to sell to the Australian Government all of their permanent water entitlements to extract water from a watercourse that meet the criteria for the *Restoring the Balance in the Murray-Darling Basin* program (more details are provided in section six).

Access to the package was dependant upon State Governments agreeing to certain water reforms (more details are provided in section seven). All State Governments have agreed to these reforms and the Small Block Irrigators Exit Grant Package is now available in all Basin states.

### What are the assets test arrangements?

The net asset limit for access to a full grant of \$150,000 is \$350,000. However, net assets exclude the value of up to 40 hectares of land and the principal home (if any) on the same land title.

If the value of other total net assets is above \$350,000, irrigators may still be eligible for a reduced grant. For every \$3 in assets above the threshold, the exit grant reduces by \$2. This means that a farmer cannot receive a grant of any amount if their net assets (excluding the land and house on the same title as outlined above) are worth more than \$575,000.

### Requirement to remain out of irrigation farming for five years

An irrigator can choose to stay on the farm providing he/she agrees to sell all of their permanent entitlements to extract water from a watercourse to the Australian Government. However, the irrigator must undertake that neither they nor any farm land they own, lease, or purchase will be involved in irrigated farming for at least five years after the date on which they received the exit grant.

### Selling your water to the Australian Government

To be eligible for the Small Block Irrigators Exit Grant Package, an irrigator must sell all of their permanent entitlements (and have held at least 10 megalitres of permanent entitlements) to extract water from a watercourse that meet the criteria for the *Restoring the Balance in the Murray-Darling Basin* program as of:

- 20 September 2008 if their land holding is up to and including 15 hectares including any that they might have purchased since 20 September 2008; and
- 13 February 2009 if their land holding is above 15 hectares and up to 40 hectares including any that they might have purchased since 13 February 2009.

These must be entitlements available for irrigation purposes. That is, the 10 megalitre threshold to be eligible for the package must be over and above any water entitlements irrigators may retain for stock and domestic purposes.

*Water for the Future* is a long-term plan to secure the water supply for all Australians. The Government is investing \$12.9 billion over 10 years to address four key priorities:

- Taking action on climate change
- Using water wisely
- Securing water supplies
- Supporting healthy rivers

Details of the tender processes through which the Australian Government is purchasing Murray-Darling Basin water entitlements can be found at [www.environment.gov.au/water/mdb/entitlement-purchasing/index.html](http://www.environment.gov.au/water/mdb/entitlement-purchasing/index.html)

Irrigators must also, where they are permitted to do so under state legislation, sell in the open market all other forms of water entitlements they hold that might be used for irrigation purposes, including groundwater and the right to intercept overland flows. However, they will be permitted to retain their entitlements for stock and domestic water.

### Australian Government water reforms requested from the States

The Australian Government asked that Basin State Governments agree to water reforms that will enable delivery of the package to irrigators and improve the functioning of the water market. These included:

- The removal of a number of state-specific barriers to trade;
- The rezoning of land so that irrigators can take advantage of the grants; and
- Agreement to develop a national water market system by 2010 (including a water register, faster and better transactions, and better market information).

All Basin State Governments have now agreed to these reforms. This has enabled the Australian Government to offer the Small Block Irrigators Exit Grant Package in all Basin states.

### How to apply

Irrigators are encouraged to seek professional advice from their accountant, lawyer or other professional adviser before deciding whether to exit the industry. Irrigators should carefully consider all factors in light of their personal circumstances (including financial and taxation issues).

Irrigators are also encouraged to have early discussions with their bank or other financial institution about any loans that may be secured against the property and/or business and the future arrangements for these, before lodging an application to exit the industry.

Small block irrigators will apply for the package and receive payment of the exit grant and any complementary grants offered under the package through Centrelink.

Interested irrigators are advised to consult Centrelink and submit an application form to assess their eligibility for the exit grant before selling their water entitlements to the Commonwealth.

Application forms are available from regional Centrelink offices in all Basin states.

Irrigators may also contact Centrelink on 1800 050 015 to request an application form for the package.

Assessment and approval for the exit grant will be based on a number of steps:

- Irrigators apply to Centrelink for the Small Block Irrigators Exit Grant Package.
- Centrelink undertakes an assessment of an irrigator's eligibility for the exit grant following the submission of an application form.

- In a separate process, irrigators must submit an offer to sell all of their permanent entitlements to extract water from a watercourse to the Australian Government via the Department of the Environment, Water, Heritage and the Arts (DEWHA) under the Australian Government's *Restoring the Balance in the Murray-Darling Basin* water tender processes.
- Applications for exit grants will be assessed by Centrelink and the grant will be payable to applicants who meet all eligibility criteria, including finalising the sale of all of their water entitlements to the Australian Government.
- Before the exit grant can be paid, the applicant must remove all permanent plantings, including the root system, and irrigation production related infrastructure eg. drip or spray irrigation from their farm land. The cost of this removal can be reimbursed by Centrelink subject to certain conditions.

The key dates for all the processes in applying for an exit grant are set out in the table below:

Cut off date	Sale of water entitlements (Department of the Environment, Water, Heritage and the Arts)	Applying for the Small Block Irrigators Exit Grant Package (Centrelink)
30 June 2009	Submit an offer to sell all tradeable permanent water entitlements to extract water from a watercourse to the Australia Government via DEWHA.	Submit completed application form to Centrelink for the exit grant. Apply for advice and training grant. Apply for removal grant.
30 September 2009	DEWHA accepts offer to sell all water entitlements to the Australian Government.	
31 March 2010		Provide all invoices and receipts to Centrelink to show that all requirements for payment of the grants have been met.
Before 30 June 2010	Payments received for water entitlements sold to the Australian Government.	All payments under Small Block Irrigators Exit Grant Package made by Centrelink.

### More Information

The Centrelink Hotline number for those irrigators wishing to obtain further information on the package is 1800 050 015.

For more information on the *Restoring the Balance in the Murray-Darling Basin* program can be obtained by calling 1800 218 478, or visit [www.environment.gov.au/waterpurchasing](http://www.environment.gov.au/waterpurchasing).

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