



Australian Government

Your guide to **NEIS Allowance**



**New Enterprise
Incentive Scheme**

AN AUSTRALIAN GOVERNMENT INITIATIVE

Your guide to NEIS Allowance

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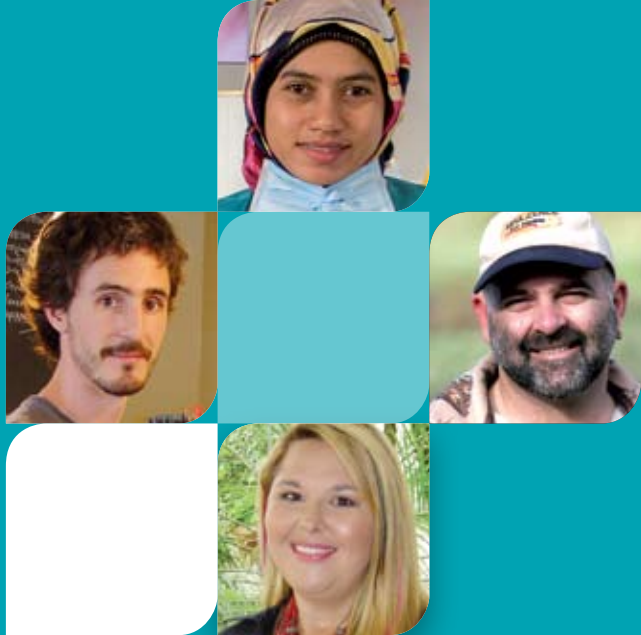
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Introduction

The New Enterprise Incentive Scheme (NEIS) is an Australian Government initiative to help eligible unemployed people to establish and run viable new small businesses.

This participant's guide is a summary of your obligations under the NEIS program, but is not intended to substitute the requirements set out in your NEIS Participant Agreement. Your NEIS Participant Agreement will always take precedence over this guide.





What is NEIS Allowance?

NEIS Allowance is an Australian Government education or training payment, provided by the Department of Education, Employment and Workplace Relations (DEEWR) and paid to you for the 52 week establishment period of your NEIS business.

NEIS Allowance is assessable income that must be declared by you in your annual income tax return.

NEIS Allowance is not paid to non-allowee mature age NEIS participants.

Your obligations when receiving NEIS Allowance

You are required to operate your NEIS business full-time, in accordance with your business plan, and meet all the terms of your NEIS Participant Agreement.

If for any reason you want to change the way your business operates (such as your location or hours of operation), you must discuss these changes with your NEIS provider before you take any action. If you make changes to your business operating arrangements without approval, your NEIS Allowance payments may be stopped.

Payment of your NEIS Allowance

Your NEIS Allowance is paid by DEEWR into your personal account each fortnight in arrears during your period of NEIS Assistance. A schedule of pay dates is included in your participant pack as a useful reference tool to assist you in your business planning.

If there are any changes to your circumstances relating to the payment of your NEIS Allowance, you will need to discuss these changes with your NEIS provider who will contact DEEWR. NEIS Allowance is paid by DEEWR. It is not an income support payment made under the *Social Security Act 1991*. The current rate of NEIS Allowance is equivalent to the basic adult single rate of Newstart Allowance. This rate is reviewed on a six monthly basis and may change during your participation in the program.

What is the NEIS Allowance external income test?

If you are eligible to receive NEIS Allowance, the amount you receive will not be affected by income from your NEIS business, no matter how much your business earns.

However, your provider will collect information from you about any external income—that is, any income you receive from outside your business. Receiving income from sources other than your business may affect the amount of your NEIS Allowance.

After the first financial quarter of business operation your entitlement to NEIS Allowance will be subject to the first test of external income. This test is not required for non-allowee mature age NEIS participants.

For the purpose of the NEIS external income test, external income includes all income (except NEIS Allowance,

appropriate pensions and your partner's income support or Centrelink entitlements) received by you from outside your NEIS business.

External income is assessed from your quarterly financial income statements. If your total external income for a quarter exceeds twice the weekly equivalent rate of NEIS Allowance for that quarter, then NEIS Allowance is stopped for the financial quarter following the one in which your external income exceeded the limit. You remain a NEIS participant during this period.

You must continue to submit quarterly financial income statements. The future payment of your NEIS Allowance will depend on the assessment of your next quarter's external income.



Tony Vickers of the NEIS business *Vickers Moto-Cycles*.



NEIS Rental Assistance

If you were eligible for NEIS Rental Assistance, the details will have been entered in the schedule to the NEIS Participant Agreement. Rental Assistance is a fixed rate payment made to you for a period of 26 weeks from the date you first receive NEIS Allowance. NEIS Rental Assistance is non-taxable income.

Payment summaries

At the end of the financial year a payment summary will be issued to you containing details of the allowance you received and any tax you paid on that allowance.

NEIS Allowance is assessable income that must be declared by you in your annual income tax return.

Taxation arrangements for you and your business

As a NEIS participant, you must make your own taxation arrangements.

NEIS Allowance is recognised by the Commissioner of Taxation as being an Australian Government education or training payment made under section 12-115 of Schedule 1 to the *Tax Administration Act 1953*.

The Commissioner of Taxation has used the powers given under section 15-15 of Schedule 1 to the *Taxation Administration Act 1953* to make the rate of withholding for NEIS Allowance equal to nil, subject to NEIS participants having:

- quoted their tax file number to DEEWR
- claimed the tax free threshold
- payments not expected to exceed \$50 000 in a financial year.

You should note that NEIS Allowance is assessable income that you must declare in your annual income tax return.

For further information:

- phone the Tax Office business information line on **13 28 66**
- visit the Tax Office website at **ato.gov.au**
- write to the Tax Office at PO Box 9990 in your capital city.

Change of circumstances

It is important to keep your NEIS provider informed of any changes in your circumstances. You have agreed in your NEIS Participant Agreement to notify your NEIS provider immediately in writing of any changes in circumstances.

Failure to provide sufficient notice of a change of circumstance may result in a delay in payments made to you or an overpayment of your NEIS Allowance which may lead to a debt recovery initiated by DEEWR.

Early termination of your NEIS Participant Agreement

If you believe your business venture is experiencing financial difficulties you should first discuss your situation with your NEIS provider.

At the conclusion of these discussions you may decide to close your business. If this is the case, you must notify your NEIS provider immediately in writing stating the date on which you will cease trading.

If you leave your NEIS business without having arranged a suitable NEIS Allowance termination date, you may create a NEIS Allowance overpayment, which may be recovered from you by DEEWR. Remember that your NEIS Allowance is paid by DEEWR, not Centrelink.

Suspension of your NEIS Allowance

Most NEIS business owner-operators keep their part of the agreement. However, for those NEIS participants who have problems in their business, be aware of the following issues that may stop your allowance.

Your NEIS Allowance (and Rental Assistance if applicable) will be suspended, stopped, or terminated if:

- you fail to comply with your NEIS Participant Agreement
- you refuse to participate in mentor support
- you do not lodge with your NEIS provider a NEIS Income Statement and other financial information within 10 working days of the end of the financial quarter
- you do not take out appropriate business insurance for the period of business operations
- you do not notify your NEIS provider immediately in writing of a relevant change in your circumstances
- you fail the external income test
- your business is assessed as not being viable
- your business is not, or ceases to be established, located and operated solely within Australia
- you start employment or study external to your business, which prevents you from working full-time in your business
- you are absent from your business unless the time away has been described in your approved business plan
- you cease to meet the eligibility criteria for NEIS
- additional information comes to hand that was not known at the time of signing your NEIS Participant Agreement that would make you or your business ineligible to participate in NEIS.