

Covid-19 Federal Economic Stimulus Package

Current Status as at 23 March 2020

The government announced its long-awaited first coronavirus stimulus package pledging to bolster the economy as the illness continues to spread.

The package is focused on keeping small businesses afloat, and their employees in work, and will be targeted to support the most affected sectors and communities, the government's statement said.

Legislation to give effect to these measures will be introduced into Parliament, which resumes on 23 March 2020. It is expected that it will be passed urgently. As certain incentives in the economic package will only be available for a short period of time, businesses should consider taking action as soon as practicable.

Support for Business:

ATO relief

On 12 March 2020, the Australian Taxation Office (ATO) announced a series of administrative concessions to assist businesses impacted by COVID-19, which include:

- deferring by up to 4 months the payment of tax amounts due through the BAS (including PAYG instalments), income tax assessments, FBT assessments and excise by affected businesses;
- allowing affected businesses on a quarterly reporting cycle to opt into monthly GST reporting to get quicker access to any GST refunds;
- allowing affected businesses to vary PAYG instalment amounts to zero for the March 2020 quarter. Businesses that vary their PAYG instalment to zero can also claim a refund for any instalments made for the September 2019 and December 2019 quarters;
- remitting any interest and penalties, incurred by affected businesses on or after 23 January 2020, that have been applied to tax liabilities; and
- allowing affected businesses to enter into low-interest payment plans for their existing and ongoing tax liabilities.



Keeping apprentices employed

Eligible small business employers will be able to apply for a wage subsidy of 50% of the apprentice's or trainee's (in training as at 1 March 2020) wage for up to 9 months from 1 January to 30 September 2020, up to \$21,000 per apprentice (\$7,000 per quarter).

Employers can register for the subsidy from early April 2020 with final claims for payment due by 31 December 2020.

Where a small business is not able to retain an apprentice, the subsidy will be available to a new employer that employs that apprentice.

Instant asset write-off extension

The government has pledged to significantly extend the instant asset write-off for small and medium businesses, in a bid to encourage investment.

Currently, the tax write-off is available for businesses with a turnover of up to \$50 million, for purchases of up to \$30,000; this will be extended to include companies with turnover of up to \$500 million, and purchases of up to \$150,000 (this does not apply to luxury cars).

The extension will apply until 30 June 2020.

Note: whilst increasing the instant asset write off will bring forward tax deductions for the cost of depreciating assets and encourage spending by profitable businesses on additional equipment, it will provide no immediate support to loss making businesses.

Accelerated Depreciation of new assets beyond 30th June 2020

The Government is introducing a time limited 15-month investment incentive (through to 30 June 2021) to support business investment and economic growth over the short term, by accelerating depreciation deductions.

Businesses with aggregated annual turnover of less than \$500 million per annum will be able to deduct 50 per cent of the cost of an eligible asset upon installation, provided it was acquired after 12 March 2020 and first used or installed by 30 June 2021.

There is no asset value threshold for this 50% investment incentive. The existing depreciation rules will continue to apply to the remaining balance of the asset's cost over its effective life. Therefore, an eligible asset will generate the immediate deduction of 50%, plus in the same year will generate a Division 40 depreciation deduction calculated in accordance with the normal depreciation rules.



The measure results in businesses bringing forward depreciation deductions from future years to the current period resulting in a reduced tax liability in the current period. A rise in tax liability due to reduced depreciation in subsequent years will offset this reduction.

Boosting cash flow for employers

The Government is now providing up to \$100,000 to eligible small and medium-sized businesses, and not for-profits (NFPs) that employ people, with a minimum payment of \$20,000. These payments will help businesses and NFPs with their cash flow so they can keep operating, pay their rent, electricity and other bills and retain staff.

To qualify for this payment small and medium-sized business entities must have an aggregated annual turnover under \$50 million and employ workers that are eligible.

Not For Profit entities including charities, with aggregated annual turnover under \$50 million and that employ workers will now also be eligible for this payment.

Under the incentive scheme, employers will receive a payment equal to 100 per cent of the tax withheld on salaries and wages paid to employees, with the maximum payment being \$50,000 under this particular incentive.

The payment amount received will be determined by the amounts disclosed in your BAS for the March 2020 and June 2020 lodgements, it will also be calculated on your IAS for the period's March 2020 through to June 2020.

We attach an example of how the calculation is determined based on your monthly IAS:

Sarah's Construction Business

Sarah owns and runs a building business in South Australia and employs 8 construction workers on average full-time weekly earnings, who each earn \$89,730 per year. Sarah reports withholding of \$15,008 for her employees on each of her monthly Business Activity Statements (BAS).

Under the Government's changes, Sarah will be eligible to receive the payment on lodgment of her BAS. Sarah's business receives:

- A credit of \$45,024 for the March period, equal to 300 per cent of her total withholding.
- A credit of \$4,976 for the April period, before she reaches the \$50,000 cap.
- No payment for the May period, as she has now reached the \$50,000 cap.

The ATO will automatically credit these incentive payments to your Running Account Balance Account from 28 April 2020, once the relevant activity statement(s) have been lodged.

The payments will only be available to active eligible employers established prior to 12 March 2020. However, charities which are registered with the Australian Charities and Not-for-profits Commission will be eligible regardless of when they were registered, subject to meeting other



eligibility requirements. This recognises that new charities may be established in response to the Coronavirus pandemic.

Further incentive July to October 2020

An additional payment is also being introduced in the July to October 2020 period.

Eligible entities will receive an additional payment equal to the amount they received under the **“Boosting cash flow for employers”** section noted above, presuming that the BAS and IAS are similar to that which was lodged during the March 2020 to June 2020 period. This means that eligible entities will receive a minimum of at least \$20,000 up to a maximum of \$100,000 under both payments.

These payments will be paid automatically by the Australian Taxation Office based on the business’s monthly or quarterly business activity statements.

Eligibility - Additional payment

To qualify for the additional payment, the entity must continue to be active.

For monthly activity statement lodgers, the additional payments will be delivered as an automatic credit in the activity statement system. This will be equal to a quarter of their total initial Boosting Cash Flow for Employers payment following the lodgement of their June 2020, July 2020, August 2020 and September 2020 activity statements (up to a total of \$50,000). Ie:

- An additional payment of \$12,500 for the June period, equal to 25 per cent of her total *Boosting Cash Flow for Employers* payments.
- An additional payment of \$12,500 for the July period, equal to 25 per cent of her total *Boosting Cash Flow for Employers* payments.
- An additional payment of \$12,500 for the August period, equal to 25 per cent of her total *Boosting Cash Flow for Employers* payments.
- An additional payment of \$12,500 for the September period, equal to 25 per cent of her total *Boosting Cash Flow for Employers* payments.

For quarterly activity statement lodgers, the additional payments will be delivered as an automatic credit in the activity statement system. This will be equal to half of their total initial Boosting Cash Flow for Employers payment following the lodgement of their June 2020 and September 2020 activity statements (up to a total of \$50,000).

Temporary relief for financially distressed businesses

The economic impacts of the Coronavirus and health measures to prevent its spread could see many otherwise profitable and viable businesses temporarily face financial distress. It is important that these businesses have a safety net to make sure that when the crisis has passed, they can resume normal business operations. One element of that safety net is to lessen the



threat of actions that could unnecessarily push them into insolvency and force the winding up of the business.

The Government is temporarily increasing the threshold at which creditors can issue a statutory demand on a company and the time companies have to respond to statutory demands they receive. The package also includes temporary relief for directors from any personal liability for trading while insolvent, and providing temporary flexibility in the Corporations Act 2001 to provide temporary and targeted relief from provisions of the Act to deal with unforeseen events that arise as a result of the Coronavirus health crisis.

The ATO will tailor solutions for owners or directors of business that are currently struggling due to the Coronavirus, including temporary reduction of payments or deferrals, or withholding enforcement actions including Director Penalty Notices and wind-ups.



Supporting Individuals and Households:

Payments to support households

The Government is providing two separate \$750 payments to social security, veteran and other income support recipients and eligible concession card holders.

- The first payment (announced on 12 March 2020) will be available to people who are eligible payment recipients and concession card holders at any time from 12 March 2020 to 13 April 2020 inclusive.
- The second payment will be available to people who are eligible payment recipients and concession card holders on 10 July 2020.

A person can be eligible to receive both a first and second support payment. However, they can only receive one \$750 payment in each round of payments, even if they qualify in each round of the payments in multiple ways.

The payment will be exempt from taxation and will not count as income for the purposes of Social Security, Farm Household Allowance and Veteran payments.

TIMING

Timing	
First Payment	Paid automatically from 31 March 2020
Second Payment	Paid automatically from 13 July 2020

Income support for individuals

Over the next six months, the Government is temporarily expanding eligibility to income support payments and establishing a new, time-limited Coronavirus supplement to be paid at a rate of \$550 per fortnight. This will be paid to both existing and new recipients of Jobseeker Payment, Youth Allowance Jobseeker, Parenting Payment, Farm Household Allowance and Special Benefit.

These benefits can be applied for through Centrelink and we suggest that you peruse the website www.servicesaustralia.gov.au

Temporary early release of superannuation

Eligible individuals will be able to apply online through myGov to access up to \$10,000 of their superannuation before 1 July 2020. They will also be able to access up to a further \$10,000



from 1 July 2020 for approximately three months (exact timing will depend on the passage of the relevant legislation).

Eligibility

To apply for early release, you must satisfy any one or more of the following requirements:

- you are unemployed; or
- you are eligible to receive a job seeker payment, youth allowance for jobseekers, parenting payment (which includes the single and partnered payments), special benefit or farm household allowance; or
- on or after 1 January 2020:
 - you were made redundant; or
 - your working hours were reduced by 20 per cent or more; or
 - if you are a sole trader — your business was suspended or there was a reduction in your turnover of 20 per cent or more.

Individuals will not need to pay tax on amounts released and the money they withdraw will not affect Centrelink or Veterans' Affairs payments.

Temporarily reduction in minimum superannuation drawdown from Pension Funds (Not Accumulated Benefit Funds)

The Government is temporarily reducing superannuation minimum drawdown requirements for account-based pensions and similar products by 50 per cent (down to 2%) for Financial Years 2020 and 2021. This measure will benefit retirees holding these products by reducing the need to sell investment assets to fund minimum drawdown requirements.

Reducing social security deeming rates for those on Centrelink Age Pension

On 12 March, the Government announced a 0.5 percentage point reduction in both the upper and lower social security deeming rates. The Government will now reduce these rates by another 0.25 percentage points.

As of 1 May 2020, the upper deeming rate will be 2.25 per cent and the lower deeming rate will be 0.25 per cent. The reductions reflect the low interest rate environment and its impact on the income from savings. The change will benefit around 900,000 income support recipients, including around 565,000 Age Pensioners who will, on average receive around \$105 more of the Age Pension in the first full year the reduced rates apply.



Supporting the Flow of Credit:

Support for immediate cash flow needs for SMEs

Under the Coronavirus SME Guarantee Scheme, the Government will provide a guarantee of 50 per cent to SME lenders to support new short-term unsecured loans to SMEs. The Scheme will guarantee up to \$40 billion of new lending. This will provide businesses with funding to meet cash flow needs, by further enhancing lenders' willingness and ability to provide credit. This will assist otherwise viable businesses across the economy who are facing significant challenges due to disrupted cash flow to meet existing obligations.

The Government, the Reserve Bank of Australia and the Australian Prudential Regulation Authority have taken coordinated action to ensure the flow of credit in the Australian economy. Timely access to credit is vital for businesses to manage the impacts of the Coronavirus.

Quick and efficient access to credit for small business

The Government is cutting red tape by providing a temporary exemption from responsible lending obligations for lenders providing credit to existing small business customers. This reform will help small businesses get access to credit quickly and efficiently.

Victoria State Government Stimulus Package

Premier Daniel Andrews has announced a three-stage assistance package worth about \$1.7 billion to assist Victorian businesses struggling amid the coronavirus pandemic.

\$550 million in payroll tax will be refunded to 24,000 small- and medium-sized businesses with a payroll of less than \$3 million. This begins next week.

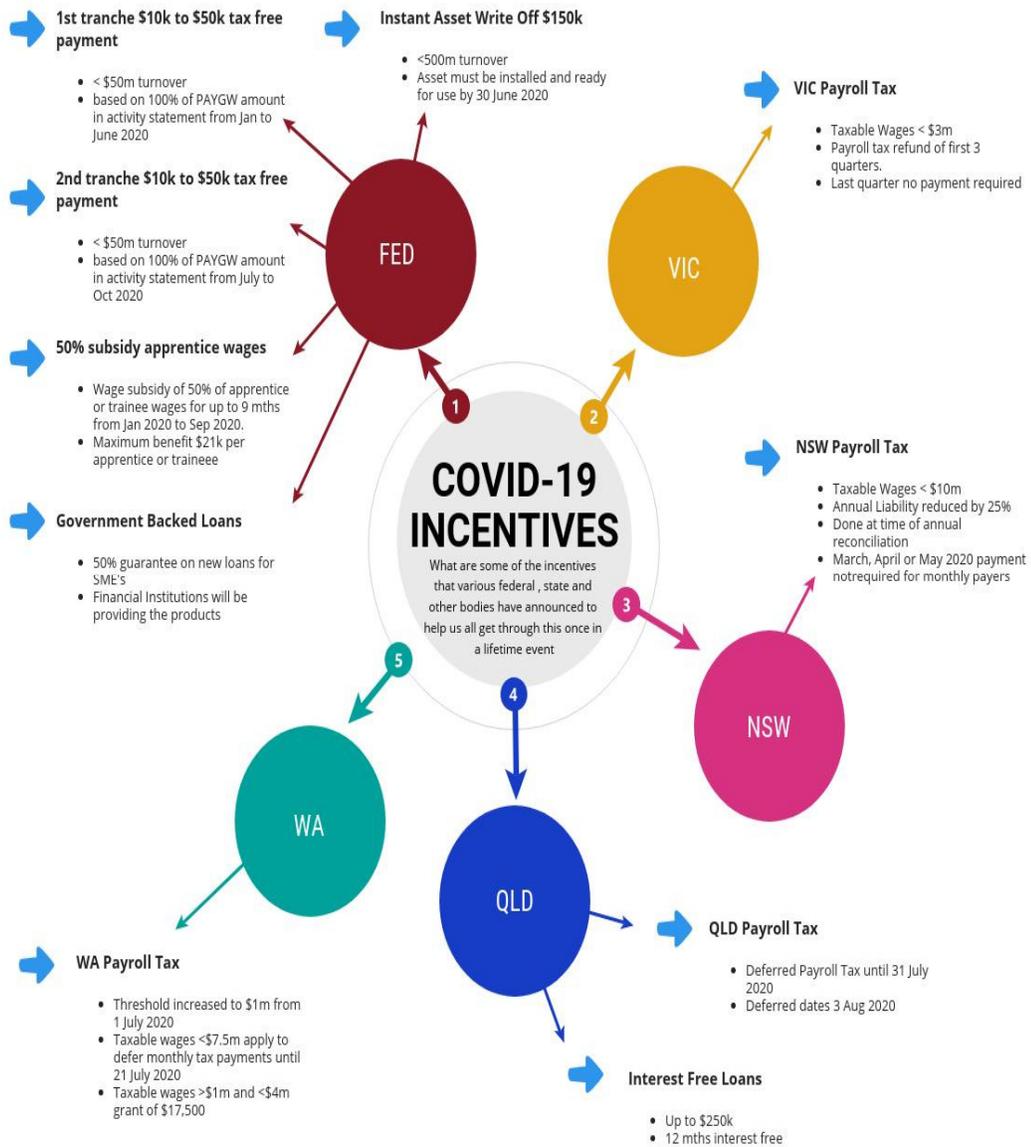
This is not a tax cut it is a refund.

The State Revenue Office will refund State payroll tax paid by small and medium businesses in the current financial year – and waive upcoming payments until the end of June.

Those businesses will also be eligible to defer any payroll tax for the first three months of the 2021 financial year, being 1 July 2020 to 30th September 2020 until 1 January 2021.

Another \$500 million is allocated to grants and hardship payments to be distributed with help from industry bodies such as The Victorian Chamber of Commerce, the Australian Hotels Association and the Australian Industry Group. The Business Support Fund will support businesses (that, due to their size, may not pay payroll tax) in hardest hit sectors, including hospitality, retail, tourism, accommodation, arts and entertainment. The government has also said commercial tenants in government buildings can apply for rent relief, and they're encouraging private landlords to do the same.

SUMMARY OF AVAILABLE PACKAGES





*The information supplied in this memorandum has been sourced from numerous publications available to
The Mischel & Co Group of Companies
including the Australian Taxation Office website and other superannuation specialist.*

*The content of this information memorandum is general information only and hasn't taken your circumstances into account.
It is important to consider your particular circumstance before deciding what is right for you as it does not reflect all the superannuation
legislation and announcements but simply highlights those points which we believe are most likely to affects our clients.*

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