

16 March 2020

Federal Government Tax Stimulus Package

On 12 March 2020, the Government announced a stimulus package totalling \$17.6 billion to address the economic impacts of the Coronavirus outbreak. Included in the package are tax incentives and cash flow assistance for businesses, in order to support investment and help small businesses manage short-term cash flow challenges.

The business investment measures are designed to assist economic growth in the short term and encourage a stronger economic recovery following the Coronavirus outbreak.

Tax incentives for businesses

The below tax incentives will support over 3.5 million businesses employing more than 9.7 million employees.

Increasing the instant asset write-off

The instant asset write-off allows small businesses an immediate deduction for depreciating assets costing less than the threshold of \$30,000 (which will revert to \$1,000 from 1 July 2020), to the extent that the asset is to be used for tax-deductible purposes.

With effect from 12 March 2020, the instant asset write-off threshold is increased from \$30,000 to \$150,000, and access will be expanded to include businesses with an aggregated annual turnover of less than \$500 million (up from \$50 million) until 30 June 2020.

The rules apply from 12 March 2020 until 30 June 2020, for new or second-hand assets first used or installed ready for use in this timeframe. The threshold applies per asset; as such, multiple assets can be purchased with each one entitled to a full tax deduction (assuming it is below the threshold).

Accelerated depreciation deductions

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 a turnover of less than \$500 million will be able to deduct 50% of the cost of an eligible asset on installation, which was acquired after 12 March 2020 and first used or installed ready for use by 30 June 2020. Existing depreciation rules applying to the balance of the asset's cost.

Cash flow assistance for businesses

The Government's cash flow assistance will support businesses to manage cash flow challenges resulting from the economic impacts of the Coronavirus, and help businesses retain their employees.

Boosting cash flow for employers

The Government will provide a tax-free payment of up to \$25,000 to small and medium-sized businesses, with a minimum payment of \$2,000 for eligible businesses. The payment is intended to provide cash flow support to businesses with a turnover of less than \$50 million that employ staff.

Supporting apprentices and trainees

Under this measure, eligible employers can apply for a wage subsidy of 50% of their apprentice's or trainee's wage for up to 9 months from 1 January 2020 to 30 September 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.

ATO relief for businesses

On 12 March 2020, the Australian Taxation Office (**ATO**) announced that it will implement a series of administrative measures to assist businesses experiencing financial difficulty as a result of the Coronavirus outbreak.

Options available to assist businesses include:

- deferring by up to four months the payment date of amounts due through the business activity statement (including Pay As You Go (**PAYG**) instalments), income tax assessments, fringe benefits tax assessments and excise;
- allowing businesses on a quarterly reporting cycle to opt into monthly GST reporting in order to get quicker access to GST refunds;
- allowing 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 on or after 23 January 2020, that have been applied to tax liabilities; and
- working with affected businesses to help them pay their existing and ongoing tax liabilities by allowing them to enter into low-interest payment plans.

These concessions do not apply automatically – owners of affected businesses must first contact the ATO, after which the ATO will implement a plan to suit the particular circumstances of the specific business.

Employers will still need to meet their ongoing superannuation guarantee obligations for their employees.

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 tax and legal specialists.

The content of this information memorandum is general information only and hasn't taken your circumstances into account. It's 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 affect our clients.

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