

Economic response to COVID-19

In response to concerns over the economic impact of COVID-19, yesterday the Federal Government announced a \$17.6 billion economic stimulus package which compliments the earlier announced \$2.4 billion health package and this month's interest rate cut by the Reserve Bank of Australia.

The package provides support for business investment; assistance to severely affected regions; cash flow assistance for business; and payments to households. The Government will introduce the package of Bills to implement the measures in the final Autumn sitting week in March. Once the Bills are passed, the measures will be implemented immediately.

Below is an overview of relevant components of the stimulus package:

KEY POINTS

- Greenlife Industry businesses wanting to take advantage of the instant asset writes *will need to move quickly* and act by 30 June 2020.
- There is no cap on the purchase costs of the individual eligible asset making 50% business investment an attractive incentive.
- The measure for Boosting Cash Flow for Employers will provide a tax-free payment up to \$25,000 to small and medium businesses.

Support for business investment

Increasing the Instant Asset Write-off

- Increasing the instant asset write-off for investments up to \$150,000 (a 5-fold increase up from \$30,000) for businesses with a turnover of less than \$500 million (a ten-fold increase) until 30 June. Examples of assets that can be written off include machinery/equipment.

Accelerated depreciation deductions

- Enabling businesses with a turnover of less than \$500 million to deduct an additional 50% of the asset cost in the year of purchase for eligible assets, with existing depreciation rules applying to the balance of the asset's cost. This measure will be in place through to 30 June 2021. Eligible assets are defined by Division 40:30 of the Income Tax Assessment Act 1997 [HERE](#)

The instant asset write-off changes the timing of the tax deduction, putting more money in a farming business's pocket today. However, it will reduce the deductible amount for depreciation on these assets over the remainder of the asset's operational life.

This represents a discount at the time of purchase of up to 27.5% (the tax rate for SMEs with a turnover of up to \$50 million) or 30% (the tax rate for businesses with a turnover above \$50 million) on the purchase of major plant and equipment by a farm business in the current year.

A fact sheet providing examples of support for business investment is available [HERE](#)

Assistance to severely affected regions

Support for affected regions and communities

- \$1 billion to support regions worst affected by the economic impacts of COVID-19, including those reliant on agriculture, tourism and education.

A fact sheet providing examples of support for severely affected regions is available [HERE](#)

Cash flow assistance for business

Boosting cashflow for employers

- Grants of between \$2,000 and \$25,000 to SMEs with turnover up to \$50 million, to maintain operations and to continue to employ staff.

Supporting apprentices and trainees

- Wage subsidies of up to 50% of an apprentice's and trainee's wage for up to 9 months from 1 Jan to 30 Sept 2020. Where an employer is not able to retain an apprentice, the subsidy will be available to the new employer of the apprentice.

A fact sheet providing examples of support cash flow assistance to businesses and support for apprentices and trainees is available [HERE](#)

Payments to Households

Stimulus payments

- One-off direct payment of \$750 to social security (i.e. pensioners and NewStart recipients), veterans and other income support recipients (i.e. farm household allowance).

This is targeted at those on the lowest disposable income that are the most likely to spend any increase in income immediately. It will give them the confidence to spend now rather than save, providing a direct stimulus — particularly to small business and the retail sector, where the bulk of this money will be spent.

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