

Economic response to COVID-19

In response to concerns over the economic impact of COVID-19, the Federal Government has announced rolling stimuli packages to compliment the earlier announced \$2.4 billion health package and the March 2020 interest rate cut by the Reserve Bank of Australia. The Australian Banking Association has also announced a 'small business relief package' which effects \$100b in small business loans. Further, States will be implementing a moratorium on commercial (and residential) evictions for a period of six (6) months.

The packages provide support for business investment; assistance to severely affected regions; cash flow assistance for business; relief on small business loans; Jobkeeper support; and payments to households.

This overview relates to the Federal stimulus packages. State stimulus initiatives may also be available. Members are encouraged to speak to their financial adviser and banking institution for specific advice regarding their circumstances.

KEY POINTS

- Jobkeeper initiative of a fortnightly payment of \$1,500 per employee. The payment is taxable and is required to be reported as income. Your employees should be aware that this may affect other payments they receive for services.
- The measure for Boosting Cash Flow for Employers will provide a tax-free payment of at least \$20,000 and up to \$100,000 to small and medium businesses.
- The SME Guarantee Scheme is available for loans from participating lenders up to \$250,000 for businesses with a turnover up to \$50million.
- 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.
- Australian Banks will defer small business loan repayments affected by COVID-19 for six months.
- ATO relief is available.
- Most payments will not require any administrative paperwork and will be paid automatically upon submission of relevant business statements.

Jobkeeper Payment

If your business has been significantly impacted by the Coronavirus you will be able to access a wages subsidy to continue paying your employees. Under the JobKeeper program, you will be able to claim a fortnightly payment of \$1,500 per eligible employee from 30 March 2020, for a maximum of six months. This assistance will help you keep staff and will help you restart when the crisis is over.

Employers will be eligible for the subsidy if:

- their business has a turnover of less than \$1 billion and their turnover will be reduced by more than 30 per cent relative to a comparable period a year ago (of at least a month); or
- their business has a turnover of \$1 billion or more and their turnover will be reduced by more than 50 per cent relative to a comparable period a year ago (of at least a month); and
- the business is not subject to the Major Bank Levy.

The employer must have been in an employment relationship with eligible employees as at 1 March 2020 and confirm that each eligible employee is currently engaged in order to receive JobKeeper Payments.

Eligible employees are employees who:

- are currently employed by the eligible employer (including those stood down or re-hired);
- were employed by the employer at 1 March 2020;
- are full-time, part-time, or long-term casuals (a casual employed on a regular basis for longer than 12 months as at 1 March 2020);
- are at least 16 years of age;
- are an Australian citizen, the holder of a permanent visa, a Protected Special Category Visa Holder, a non-protected Special Category Visa Holder who has been residing continually in Australia for 10 years or more, or a Special Category (Subclass 444) Visa Holder; and
- are not in receipt of a JobKeeper Payment from another employer.

If your employees receive the JobKeeper Payment, this may affect their eligibility for payments from Services Australia as they must report their JobKeeper Payment as income.

A factsheet with more information on eligibility including case study examples is available [HERE](#).

Cash flow assistance for business

Boosting cashflow for employers

- Grants of between \$20,000 and \$100,000 to SMEs with turnover up to \$50 million, to maintain operations and to continue to employ staff. This is also available to NFP's including charities, with an aggregated turnover under \$50 million. Eligibility is based on the prior year turnover and payment will be made automatically by the ATO from 28 April 2020.

A fact sheet detailing eligibility, timing and a case study for the payments is available [HERE](#).

Temporary relief for financially distressed businesses

- The Government has temporarily increased the threshold at which creditors can issue statutory demands and the time companies must respond to statutory demands. There is also temporary relief for directors from any personal liability for trading while insolvent. The ATO will tailor solutions for owners and directors of businesses currently struggling due to COVID-19.

A fact sheet detailing elements of the relief and the temporary measures introduced is available [HERE](#).

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](#)

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](#).

Supporting the flow of credit

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- The SME Guarantee Scheme is designed to provide working capital support to SME's with businesses with turnover of less than \$50 million. Under the Scheme, the Federal government will guarantee 50 per cent of new SME unsecured loans issued by eligible lenders up to the value of \$250,000. The Scheme will commence in April 2020 and loans will be made available by participating lenders until 30 September 2020. The loans will be made under a term of three (3) years with no repayments required in the first 6 months. The scheme relates only to new loan and no fees will be payable.
 - Other measures supporting the flow of credit include the Government providing exemptions from responsible lending obligations for lenders providing credit to existing small business customers.

A fact sheet on the measures related to supporting the flow of credit is available [HERE](#).

Small Business Relief Package

Small business loan repayment deferral

- In conjunction with APRA and ASIC, Australian banks have formulated a small business relief package where Australian banks will defer loan repayments for small businesses affected by COVID-19 for six months. It is expected that packages will commence rolling out from Monday 23 March. Businesses should contact their bank directly.

A list of relevant contact numbers is available at the Australian Banking Association website [HERE](#).

ATO Relief Package

Payment deferrals

- If you or your business has been affected by COVID-19, we can work with you to defer some payments and vary instalments you have due. These include your income tax, activity statement, pay as you go (PAYG) instalments, FBT and excise payments by up to six months.

Monthly GST credits

- For businesses with a turnover less than \$ 20 million reporting quarterly, it is worth considering a temporary change to monthly reporting. Moving to monthly reporting means you can get quicker access to any GST refund you are entitled to.
- You can only change at the start of a quarter meaning; a change now will take effect from 1 April 2020 and the change stays in effect for 12 months.
- Be mindful of fuel tax credits which will also need to be claimed monthly if you change to monthly reporting.
- You can change your GST reporting cycle through your tax or BAS agent, in the business portal, or by phoning the ATO on 13 72 26.

PAYG Instalments and refunds

13 March 2020
Updated 23 March 2020
Updated 31 March 2020

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- If you make quarterly pay as you go (PAYG) instalments, you can vary your PAYG instalments on your activity statement for the March 2020 quarter. You can do this by lodging a revised activity statement before your instalment is due and before you lodge your tax return for the year.
 - Taxpayers that vary their PAYG instalment rate or amount can also claim a refund for any instalments made for the September 2019 and December 2019 quarters.
 - These payments are intended to cover employee wages and applies to businesses and Not for Profit entities with a turnover of less than \$50 million that employ staff, between 1 January 2020 and 31 October 2020.
 - Upon lodgement of the March 2020 quarter Business Activity Statements, the ATO will automatically apply a credit to the entities Running Balance Account in the amount of the PAYG tax withheld reduction from 28 April 2020.
 - The ATO has advised that where these credits result in an entity having a net refundable amount, refunds will be paid within 14 days to the entity's nominated bank account.

For more information and details on the relief available from the ATO for COVID-19 please visit their website [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](#)

Payments to Households

Stimulus payments

- Two payments of \$750 will be made to support to social security (i.e. pensioners and NewStart recipients), veterans and other income support recipients (i.e. farm household allowance). The first payment will be made from 31 March and the second from 13 July.

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.

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