



## Government's Coronavirus Stimulus Package

### Support for Business (updated 30 March, 2020)

Various measures have been introduced to support businesses who are financially impacted by the Coronavirus.

The following is a broad summary of the key aspects of the Federal Government's stimulus package in response to the Coronavirus, as recently announced and enacted as well as information from the Queensland Government.

#### 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.

#### **Fact sheet**

[https://treasury.gov.au/sites/default/files/2020-03/Fact\\_sheet\\_Info\\_for\\_Employers\\_0.pdf](https://treasury.gov.au/sites/default/files/2020-03/Fact_sheet_Info_for_Employers_0.pdf)

#### Cash flow assistance for businesses

The Government is also providing cash flow assistance for eligible businesses in the form of two separate measures.

#### Boosting cash flow for employers

Small and medium-sized businesses and not-for-profit entities, with an aggregated annual turnover of less than **\$50 million** (usually based on their prior year's turnover) that employ people, may be eligible to receive a total payment (in the form of a refundable credit) of up to **\$100,000** (with a minimum total payment of **\$20,000**), based on their PAYG withholding obligations in two stages:

#### **Stage 1 payment (credit)**

Commencing with the lodgment of activity statements from 28 April 2020, eligible employers that withhold PAYG tax on their employees' salary and wages will receive a tax-free payment equal to 100% of the amount withheld, up to a maximum of \$50,000.

Eligible employers that pay salary and wages will receive a minimum (tax-free) payment of \$10,000, even if they are not required to withhold PAYG tax.

The tax-free payment will broadly be calculated and paid by the ATO as an **automatic credit** to an employer, upon the lodgment of activity statements from 28 April 2020, with any resulting refund being paid to the employer. This means that:

1. **Quarterly lodgers** will be eligible to receive the payment for the quarters ending March 2020 and June 2020; and
2. **Monthly lodgers** will be eligible to receive the payment for the March 2020, April 2020, May 2020 and June 2020 lodgments.

Note that, the minimum payment of \$10,000 will be applied to an entity's first activity statement lodgement (whether for the month of March or the March quarter) from 28 April 2020.

### **Stage 2 payment (credit)**

For employers that continue to be active, an additional (tax-free) payment will be available in respect of the June to October 2020 period, basically as follows:

1. **Quarterly lodgers** will be eligible to receive the additional payment for the quarters ending June 2020 and September 2020, with each payment being equal to 50% of their total initial (or Stage 1) payment (up to a maximum of \$50,000).
2. **Monthly lodgers** will be eligible to receive the additional payment for the June 2020, July 2020, August 2020 and September 2020 activity statement lodgments, with each additional payment being equal to a quarter of their total initial (or Stage 1) payment (up to a maximum of \$50,000).

Again, the ATO will automatically calculate and pay the additional (tax-free) payment as a **credit** to an employer upon the lodgment of their activity statements from July 2020, with any resulting refund being paid to the employer.

**Editor: It should be noted that eligibility for the above payments is subject to a specific integrity rule that is designed to stamp out artificial or contrived arrangements that are implemented to obtain access to this measure. In particular, if an employer or an associate enters into a scheme with the sole or dominant purpose of obtaining or increasing any of the above payments for a particular employer, for a period, the employer will not be eligible for any such payments for the relevant period.**

## **Wages subsidies for apprentices and trainees**

Employers with less than 20 full-time employees, who retain an apprentice or trainee (who was in training with the employer as at 1 March 2020) may be entitled to Government funded wage subsidies.

These will be equal to **50% of the apprentice's or trainee's wage** paid during the nine months from 1 January 2020 to 30 September 2020.

The maximum wage subsidy over the nine-month period will be **\$21,000** per eligible apprentice or trainee.

Employers can register for the subsidy from early-April 2020. Final claims for payment must be lodged by 31 December 2020.

Further information is available at:

- The Department of Education, Skills and Employment website at: [www.dese.gov.au](http://www.dese.gov.au).
- Australian Apprenticeships website at: [www.australianapprenticeships.gov.au](http://www.australianapprenticeships.gov.au) For further information on how to apply for the subsidy, including information on eligibility, contact an Australian Apprenticeship Support Network (AASN) provider.

## **Increasing the instant write-off threshold for business assets**

The Government is increasing the instant asset write-off (IAWO) threshold from \$30,000 to \$150,000 and expanding access to include all businesses with aggregated annual turnover of less than \$500 million (up from \$50 million) until **30 June 2020**.

The higher IAWO threshold provides cash flow benefits for businesses that will be able to immediately deduct purchases of eligible assets each costing less than \$150,000.

The threshold applies on a per asset basis, so eligible businesses can immediately write-off multiple assets.

The IAWO is due to revert to \$1,000 for small businesses (turnover less than \$10 million) **from 1 July 2020**.

## Accelerating depreciation deductions for new assets

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

The key features of the incentive are:

**Benefit:** deduction of 50 per cent of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset's cost;

**eligible businesses:** businesses with aggregated turnover below \$500 million; and

**eligible assets:** new assets that can be depreciated under Division 40 of the Income Tax Assessment Act 1997 (i.e. plant, equipment and specified intangible assets, such as patents) acquired after announcement and first used or installed by **30 June 2021**.

Does not apply to second-hand Division 40 assets, or buildings and other capital works depreciable under Division 43.

## Temporary relief for distressed businesses

The economic impacts of COVID-19 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 Australian Government is implementing temporary measures (to apply for 6 months) to ease the ongoing payment deadlines for businesses to suppliers. These measures include:

- Statutory demand limits increased to \$20,000 (previously \$2,000 for Corporate and \$5,000 for Personal)
- Statutory demand response periods increased to 6 months (previously 21 days). This will stave off creditors from taking action for unpaid liabilities.
- Relieve directors of personal liability that would otherwise be associated with insolvent trading provided the debts are incurred in the ordinary course of the Company's business.

The above measures provide businesses time to consider what options are best for them and give companies confidence to continue to trade through the crisis with the aim of returning to viability when the crisis has passed.

## Federal Government support for SME loans

The Commonwealth Government will provide a guarantee of 50% for loans made to SMEs with turnover of up to \$50 million. The maximum amount of the loans will be \$250,000 per borrower with an initial 6 month repayment holiday and a term of up to 3 years.

These loans will be unsecured, meaning that eligible borrowers (i.e. those with turnovers not exceeding \$50 million) will not have to provide security for the loan.

Loans will be provided through banks. Discussions regarding these Government-backed loans can take place with your lenders.

## Small business banking relief

The Australian Banking Association (“ABA”) has announced Australian banks will defer loan repayments for small businesses affected by COVID-19 for six (6) months on application. Other forms of assistance differ between each bank with options including:

- deferring loan payments;
- waiving fees and charges;
- debt consolidation;
- waiving penalties for early withdrawal of a term deposit; or
- deferring upcoming credit card payments and increasing emergency limits.

Businesses must be careful in choosing which option is correct for them. Options of deferrals generally cease mandatory repayments with interest continuing to accrue.

Contact details for the majority of banks can be found at:

<https://www.ausbanking.org.au/campaigns/financial-hardship/>

The key is to communicate early and often with your financial institution, it is never too early.

## ATO’s administrative concessions

The ATO intends to provide relief to businesses impacted by COVID-19 through the following measures:

- Deferring payments relating to Activity Statements, Income Tax assessments and Fringe Benefits Tax assessments by up to four (4) months;
- Allowing businesses who report GST quarterly to swap to monthly reporting to access GST refunds faster than they would usually be able to;
- Allowing businesses to vary down their Pay As You Go (PAYG) instalments to zero for the March 2020 quarter (monthly payers will need to contact the ATO to discuss further);
- Allowing businesses to claim refunds for PAYG instalments paid during the September 2019 and December 2019 quarters;
- Remitting interest and penalties incurred after 23 January 2020 which had been applied to tax liabilities; and
- Allowing businesses to enter into low-interest payment plans for their existing and ongoing tax liabilities.

The ATO have also made a point of mentioning that employers will still need to meet their ongoing Superannuation Guarantee obligations.

A case-by-case assessment of individual circumstances and how your business is affected will be made by direct contact with the ATO. However, the ATO appears willing to cooperate in this space due to the wide-ranging impacts of COVID-19.

The proposed concessions will not be automatically applied to assist taxpayers. The ATO will need to be contacted (either directly or by the registered tax agent) in order to request assistance which will be tailored to individual circumstances.

The deferrals relate to certain tax payments, not lodgements. Considering that Directors have personal obligations relating to GST and PAYG withholding in addition to superannuation, we strongly recommend that all statements are lodged on time.

## From the Queensland Government

### Payroll Tax deferrals

The Queensland Government has recently announced a number of payroll tax concessions for Queensland employers. The concessions depend on whether the business pays more or less than \$6.5 million in Australian taxable wages, and will apply as follows:

#### **Australian taxable wages of \$6.5 million or less**

- i. Refund of 2 months of payroll tax paid;
- ii. A waiver of payroll tax for the next 3 months; and
- iii. A further deferral of payroll tax for the 2020 calendar year.

#### **Australian taxable wages of more than \$6.5 million and the business has been impacted by COVID-19**

- i. Deferral of payroll tax for the 2020 calendar year; and
- ii. A refund of 2 months of payroll tax paid.

Eligibility for the concessions depends on the Australian taxable wages paid in a year and Employers can apply for these concessions through the Office of State Revenue's website.

Note that refunds and waivers must be applied for prior to 31 May 2020.

### \$250,000 loans from the Queensland Government

The Queensland Government has recently announced an intention to create a new \$500 million loan facility to be offered to Queensland businesses. Loans can be taken out up to a maximum amount of \$250,000 and will have a 12 month interest-free period.

At this stage, the eligibility criteria and how to gain access for these loans have not been released by the State Government.

However, businesses can register their interest in accessing these loans by emailing [contact\\_us@qrida.qld.gov.au](mailto:contact_us@qrida.qld.gov.au).

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should independently verify their interpretation and the information's applicability to their particular circumstances.