

Government Stimulus Measures: What You Need To Know

As of 22 March 2020, the Government has released two stimulus packages that provide income support payments, introduces targeted changes to the superannuation rules, provides cash flow support of up to \$100,000 for small business employers, and relaxes corporate insolvency laws.

The stimulus measures were legislated by Parliament on Monday 23 March 2020.

The Prime Minister has warned that there are no “quick solutions” and that business should prepare for 6 months of disruption.

In Summary

Business

- **Tax-free payments up to \$100,000 for small business and not-for-profit employers.** An increase in the previously announced initial tax-free payments for employers to a maximum of \$50,000. In addition to this, a second round of payments will be made up to a maximum of \$50,000, accessible from July 2020.
- **Solvency safety net** – temporary 6 month increase to the threshold at which creditors can issue a statutory demand on a company from \$2,000 to \$20,000, and an increase in the time companies have to respond from 21 days to 6 months. Directors also are provided with temporary relief from personal liability for trading while insolvent for 6 months.
- **Access to working capital** – Introduction of a Coronavirus SME guarantee scheme protecting financial institutions by guaranteeing 50% of new loans to SMEs.
- **Instant asset write-off increase** – the instant asset write-off threshold will be increased from \$30,000 to \$150,000 for businesses with aggregated annual turnover of less than \$500 million.
- **50% investment incentive** – Businesses with a turnover of less than \$500 million will be able to deduct 50% of the cost of the asset in the year of purchase.
- **50% subsidy on apprentice wages, up to \$21,000** – Eligible employers can apply for a wage subsidy of 50% of apprentice or trainee wages for up to 9 months.
- **Payroll tax concessions** – Payroll tax to be waived for businesses with payrolls of up to \$10 million for three months.
- **ATO administrative relief from tax and payment obligations** – the ATO has announced a series of payment deferral concessions for businesses directly impacted by COVID-19.
- **Sole traders and self-employed eligible for Jobseeker payment** – the eligibility criteria to access income support relaxed for the self-employed and sole traders.
- **Temporary relief from some *Corporations Act* requirements**

Individuals

- **Early release of superannuation** – individuals in financial distress able to access up to \$10,000 of their superannuation in 2019-20, and a further \$10,000 in 2020-21. The withdrawals will be tax-free and will not affect Centrelink or Veterans' Affairs payments.
- **Temporary reduction in minimum superannuation draw down rates** – superannuation minimum drawdown requirements for account-based pensions and similar products reduced by 50% in 2019-20 and 2020-21.
- **Deeming rates reduced** – from 1 May, superannuation deeming rates reduced further to a lower rate of 0.25% and upper rate of 2.25%.
- **Supplements increased, access extended and eased** – for 6 months from 27 April 2020:
 - A temporary coronavirus supplement of \$550 will be paid to existing income support recipients (people will receive their normal payment plus \$550 each fortnight for 6 months).
 - A second one-off stimulus payment of \$750 will be paid automatically from 13 June 2020 to certain income support recipients (in addition to the payment made from 31 March 2020).
 - Eligibility for access to income support eased to include sole traders and the self-employed, and to those caring for someone infected or in isolation.
 - Waiting periods and assets tests temporarily waived.
- **Bankruptcy safety net** – temporary 6 month increase to the threshold for the minimum amount of debt required for a creditor to initiate bankruptcy proceedings against a debtor from \$5,000 to \$20,000.

A detailed summary of each of the above measures has been provided below.

Many of the above measures are not applied automatically, contact your **Maher Group** client manager who will guide you through the detail and assist you with applying for the measures available.

The Government has flagged that additional stimulus packages will be required. We will continue to keep you up to date with any new information as it becomes available.

In detail

Support for Business

Tax-free payments up to \$100,000 for employers

- From: 28 April 2020
- Eligibility: Small and medium business entity employers and not-for-profit entities, with an aggregated annual turnover under \$50 million.

The Government has increased the previously announced measures to provide cash flow support to business.

Now, eligible businesses with a turnover of less than \$50 million will initially be able to access tax-free cash flow support, with the minimum amount being increased to \$10,000 and the maximum amount increased to \$50,000 (previously \$2,000 to \$25,000). However, additional support will be provided in the July – October 2020 period so that eligible entities will receive total minimum support of \$20,000 and up to \$100,000.

In order for a business to qualify for this support it must have been established prior to 12 March 2020. The rules are more flexible for charities because the Government recognises that new charities might be established in response to the pandemic.

The cash flow support measures will be provided in the form of a credit in the activity statement system. The support will be provided in two phases.

- The first phase ensures that eligible employers receive a credit equal to 100% of the PAYG amounts withheld from salary and wages paid to employees during the relevant period, up to the maximum amount of \$50,000.
- The second phase ensures that eligible employers receive another series of credits, equal to the credits that were received under the first phase. For example, if a business received \$40,000 of credits in the first phase it will receive a further \$40,000 of credits in the second phase. These additional credits will be spread over two or four activity statement periods, depending on whether the employer lodges on a quarterly or monthly basis.

If a business pays salary and wages to employees but is not required to withhold any tax then a minimum payment of \$10,000 will be made in the first phase and a further payment of \$10,000 will be made in the second phase.

The credits are automatically calculated by the ATO and employers will need to lodge an activity statement to trigger the entitlement. If the credit puts the business in a refund position the excess amount will be refunded by the ATO within 14 days.



Businesses that lodge activity statements on a quarterly basis will be eligible to receive credits in the first phase for the quarters ending March 2020 and June 2020. Credits in the second phase will be available for the quarters ending June 2020 and September 2020. The minimum \$10,000 payment will be applied to the first lodgement.

Business that lodge on a monthly basis will be eligible for the credits in the first phase for the March 2020, April 2020, May 2020 and June 2020 lodgements. Credits in the second phase will be available for the June 2020, July 2020, August 2020 and September lodgements. The minimum \$10,000 payment will be applied to the first lodgement.

Eligibility for the measure will be based on prior year turnover. We will have to wait for the legislation for the finer details.

Not-for-profit employers, including charities, with an aggregated turnover under \$50 million will also be able to access the cash flow support.

HOW WE CAN HELP YOU:

- Preparation and lodgement of your quarterly or monthly activity statements
- Tax planning for your business to ensure your maximum entitlement is claimed

Solvency safety net

A safety net has been put in place to protect businesses in temporary financial distress as a result of the pandemic by lessening the threat of actions that could unnecessarily push them into insolvency and force the winding up of the business. These include:

- A temporary 6 month increase to the threshold at which creditors can issue a statutory demand on a company from \$2,000 to \$20,000.
- The time a company has to respond to statutory demands will increase from 21 days to 6 months.
- For 6 months, directors will be provided with temporary relief from personal liability for trading while insolvent.

It will be more important than ever for business to stay on top of their debtors.

Debts incurred will still be payable by the business. Only those debts incurred in the ordinary course of the business will be subject to the safety net measures.

HOW WE CAN HELP YOU:

- Advice on business solvency and cashflow management

Access to working capital for SMEs – supporting lenders

The Government has announced a Coronavirus SME guarantee scheme that will guarantee 50% of new loans to SMEs up to \$20 billion. These loans are new short-term unsecured loans to SMEs.

SMEs with a turnover of up to \$50 million will be eligible to receive these loans.

The Government will provide eligible lenders with a guarantee for loans with the following terms:

- Maximum total size of loans of \$250,000 per borrower.
- The loans will be up to three years, with an initial six-month repayment holiday.
- The loans will be in the form of unsecured finance, meaning that borrowers will not have to provide an asset as security for the loan.

Loans will be subject to lenders' credit assessment processes with the expectation that lenders will look through the cycle to sensibly take into account the uncertainty of the current economic conditions.

Other initiatives to ensure small business can access capital include:

- **Deferral of loan repayments for 6 months** for small businesses by Australian Banking Association members (affected small businesses will need to apply for relief).
- **An exemption to the responsible lending obligations** to enable financial institutions to provide new credit, credit limit increases, and credit variations and restructures.
- **Government investment in wholesale funding markets** used by small banks and non-banks to enable these lenders to support SMEs.

Other specific COVID-19 concessions have been announced by each of the major banks. The concessions vary between lender.

HOW WE CAN HELP YOU:

- Contact **Scott Andrews** from **Maher Group Finance** who can talk you through all of the various lending requirements and concessions available

Instant asset write-off increase

From 12 March 2020, the instant asset write-off threshold will increase from \$30,000 to \$150,000, and access to the write-off will be expanded to include businesses with aggregated annual turnover of less than \$500 million until 30 June 2020.

The instant asset write-off is a tax deduction that reduces the tax liability of your business. It enables your business to claim an upfront deduction for depreciating assets in the year the asset was purchased and used (or installed ready to use).



Assets will need to be used or installed ready for use from when the changes were announced on 12 March 2020 until by 30 June 2020 to qualify for the higher threshold. Anything previously purchased does not qualify for the higher rate but may qualify for one of the other thresholds. Similarly, anything purchased but not installed ready for use by 30 June 2020 will not qualify.

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

We advise our clients to be mindful of their cashflow position to ensure adequate cash reserves in the face of uncertain economic times and to be prudent around the extent of spending on asset purchases at this time. If your business is likely to make a tax loss for the year, then the instant asset write-off is unlikely to provide a short-term benefit to you.

HOW WE CAN HELP YOU:

- Advice on asset purchases and cashflow considerations
- Preparation and lodgement of your 2020 income tax return

50% investment incentive

In addition to the increased instant asset write-off rules, accelerated depreciation deductions will apply from 12 March 2020 until 30 June 2021. This will bring forward deductions that would otherwise be claimed in later years.

Businesses with a turnover of less than \$500 million will be able to deduct 50% of the cost of the asset in the year of purchase. There is no asset value threshold for this 50% investment incentive and 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.

HOW WE CAN HELP YOU:

- Advice on asset purchases and cashflow considerations
- Preparation and lodgement of your 2020 income tax return

50% subsidy on apprentice wages, up to \$21,000

Eligible employers can apply for a wage subsidy of 50% of the apprentice's or trainee's wage for up to 9 months from 1 January 2020 to 30 September 2020. The payments are accessible to businesses with less than 20 employees. Employers will receive up to \$21,000 per apprentice (\$7,000 per quarter).



In order to qualify for this payment the apprentice or trainee must have been in training with the business as at 1 March 2020. It is expected that employers will be able to register for the subsidy from early April 2020. Final claims for payment must be lodged by 31 December 2020.

HOW WE CAN HELP YOU:

- Preparation and lodgement of the subsidy application

Payroll tax concessions

For businesses whose total grouped Australian wages for the 2019/20 financial year is less than \$10M:

- will have their annual tax liability reduced by 25% when they lodge their annual reconciliation, which is due on 28 July.
- For those taxpayers who lodge and pay monthly, no payment is required for the months of March, April or May 2020; i.e. the payroll tax is completely waived.
- When lodging your annual reconciliation, you will still need to provide wage details paid in these months and will receive the benefit of a 25% reduction in the amount of tax you would have had to pay for 2019-20.

The NSW Government has also announced that the next round of payroll tax cuts will be brought forward by raising the threshold limit to \$1 million in 2020-21.

Also, fees and charges for small businesses including bars, cafes, restaurants and tradies will be waived by the NSW Government.

HOW WE CAN HELP YOU:

- Preparation and lodgement of your payroll tax annual reconciliation

ATO administrative relief from tax and payment obligations

The ATO has announced a series of payment deferral concessions for businesses directly impacted by COVID-19. These concessions are:

- Deferral of amounts due through the business activity statement (including PAYG instalments), income tax assessments, fringe benefits tax assessments and excise by up to four months from the payment date.
- Businesses on a quarterly reporting cycle are allowed to opt into monthly GST reporting in order to get quicker access to GST refunds they may be entitled to.
- Businesses allowed to vary Pay As You Go (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.

- Remission of any interest and penalties, incurred on or after 23 January 2020, that have been applied to tax liabilities.
- Low interest payment plans for affected businesses to help them pay their existing and ongoing tax liabilities.

The current assistance measures offered by the ATO are not like the bushfire relief measures which applied automatically to certain geographical locations. Assistance measures for those facing difficulties as a result of COVID-19 will be implemented on a case-to-case basis. Impacted businesses are encouraged to contact the ATO to discuss the relief options available.

HOW WE CAN HELP YOU:

- Preparation and lodgement of your quarterly or monthly activity statements
- Application to ATO for payment deferrals and remission of interest and penalties
- Arrangement of payment plans with the ATO

Sole traders and self-employed eligible for Jobseeker payment

The eligibility criteria to access income support payments will be relaxed to enable the self-employed and sole traders whose income has been reduced, to access support.

Temporary relief from *Corporations Act* requirements

The Treasurer has been given a temporary instrument-making power to amend the *Corporations Act* to provide relief or modifications to specific compliance obligations.

ASIC has announced measures for those companies with a 31 December financial year that need to hold their AGMs by 31 May 2020, providing a two month no action period and enabling hybrid virtual AGMs.

Support for Individuals

Early release of superannuation

From mid-April, individuals in financial distress will be able to access up to \$10,000 of their superannuation in 2019-20, and a further \$10,000 in 2020-21. The withdrawals will be tax free and will not affect Centrelink or Veterans' Affairs payments.

To be eligible to access your superannuation you need to meet 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% or more; or
 - if you are a sole trader — your business was suspended or there was a reduction in your turnover of 20% or more.

HOW WE CAN HELP YOU:

- Contact **Carl Tennant** from **Mast Wealth** who can advise you on early release of superannuation eligibility and applying for access

Temporary reduction in minimum superannuation draw down rates

Superannuation minimum drawdown requirements for account-based pensions and similar products will be reduced by 50% in 2019-20 and 2020-21.

The upper and lower social security deeming rates will be reduced further. As of 1 May 2020, the upper deeming rate will be 2.25% and the lower deeming rate 0.25%.

HOW WE CAN HELP YOU:

- Contact **Carl Tennant** from **Mast Wealth** who can assist you with all superannuation and financial planning advice

Time limited fortnightly \$550 'coronavirus supplement'

For the next 6 months, the Government is introducing a new Coronavirus supplement to be paid at a rate of \$550 per fortnight. This supplement will be paid to both existing and new recipients in the eligible payment categories.

The payment will be made to those receiving:

- Jobseeker payment (and those transitioning to the jobseeker payment)
- Youth allowance jobseeker

- Parenting payment
- Farm household allowance
- Special benefits recipients

In addition, eligibility to income support payments will be expanded to:

- Permanent employees who are stood down or lose their job
- Casual workers
- Sole traders
- The self-employed
- Contract workers who meet the income test

The Government notes that these criteria could include those required to care for someone affected by the Coronavirus.

Asset testing has also been reduced and will be waived for 6 months. Income testing will still apply.

The payment is not available if you have access to any employer entitlements such as annual or sick leave or income protection insurance.

Second \$750 payment to households

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

- **Payment 1 from 31 March 2020** (previously announced on 12 March): Available to people who are eligible payment recipients and concession card holders at any time between 12 March 2020 to 13 April 2020;
- **Payment 2 from 13 July 2020**: Available to people who are eligible payment recipients and concession card holders on 10 July 2020.

The payments will be made automatically to those that meet the criteria.

Bankruptcy safety net

A temporary 6 month increase to the threshold for the minimum amount of debt required for a creditor to initiate bankruptcy proceedings against a debtor will increase from \$5,000 to \$20,000. In addition, the time a debtor has to respond to a bankruptcy notice will be temporarily increased from 21 days to six months.

Where someone declares their intention to enter voluntary bankruptcy, the period of protection from unsecured creditors will be extended from 21 days to 6 months.