

FEDERAL GOVERNMENT'S STIMULUS PACKAGE - MARK II



Another 24 hours, and again the landscape has changed. The Government continues to monitor and adapt to the economic conditions we are all facing. Today (22 March 2020), the Government announced an update to their economic response to COVID-19 and stimulus package announced only a week ago on 12 March 2020.

The update to the economic response is aimed at supporting households and businesses and is focussed on keeping people employed in the workforce, supporting pensioners and maintaining a level of trading conditions in an environment of self-isolation and social distancing.

Whilst these measures continue to evolve and are more than likely to evolve further as the next few weeks unfold, we have reviewed the most recent release from the Government and highlight the following key areas that your business may be able to access.

Boosting cash flow for employers

The Government has enhanced the *Boosting Cash Flow for Employers* measure that was announced on 12 March 2020. The measures include:

- ▶ The Government will provide up to \$100,000 (previously \$25,000) to eligible small and medium businesses and not-for-profits that employ people with a minimum payment of \$20,000 (previously \$2,000)
- ▶ Small and medium sized business entities with aggregated annual turnover under \$50 million that employ workers will be eligible
- ▶ Under this enhanced measure, employers will receive a payment equal to 100% of their PAYG withheld (previously was 50%) with the maximum increased from \$25,000 to \$50,000, the minimum payment being \$10,000
- ▶ An **additional payment (up to \$50,000)** will be introduced for the period July to October 2020
- ▶ Eligible employers will be entitled to the **additional payment** which will equal the total amounts the employer has received to 30 June 2020
- ▶ The payment will be delivered by the ATO as a credit in the activity statement system from 28 April 2020 when they lodge their BAS or IAS
- ▶ Quarterly lodgers will be eligible in both the March 2020 and June 2020 BAS's
- ▶ Monthly lodgers will be eligible to receive the payment for the lodgment months of March 2020, April 2020, May 2020 and June 2020
- ▶ This payment will be tax free and will be automatically calculated by the ATO
- ▶ Legislation will be introduced into Parliament on 23 March 2020 to put these measures into effect

EXAMPLE:

Mike owns and runs a manufacturing business and employs 30 staff. Mike reports PAYG withholding of \$26,000 for his employees on his March BAS and \$26,000 on his June BAS.

Under the Government's changes, Mike will be eligible to receive the payment on his BAS and will receive:

- ▶ A credit of \$26,000 for the March period
- ▶ A credit of \$24,000 for the June period before he reaches the cap of \$50,000
- ▶ An **additional payment** of \$25,000 for the June quarter, equal to 50% of his total *Boosting Cash Flow for Employers* payments
- ▶ An **additional payment** of \$25,000 for the September quarter, equal to 50% of his total *Boosting Cash Flow for Employers* payments

Apprentice Subsidy

The measures announced on 12 March 2020 have remained the same, aimed at continuing the development of a skilled workforce and retaining apprentices and trainees. The measures include:

- ▶ Employers of apprentices or trainees, will be eligible for a 50% subsidy on all apprentice/trainee wages paid from 1 January 2020 to 30 September 2020
- ▶ Employers will be reimbursed up to a maximum of \$21,000 per eligible apprentice or trainee (\$7,000 per quarter)
- ▶ The subsidy will be available to small businesses employing fewer than 20 full-time employees who retain an apprentice or trainee
- ▶ Where a business is unable to retain an apprentice, this subsidy is available to a new employer

BDO COMMENT:

Employers can register for the subsidy from early April 2020, we recommend considering this subsidy as early as possible. Further information is available at:

- ▶ www.dese.gov.au
- ▶ www.australianapprenticeships.gov.au

Temporary Relief for Financially Distressed Businesses

Temporary measures have been introduced to support otherwise profitable and viable businesses that may face financial distress from the impacts of COVID-19. These measures include:

- ▶ A temporary increase on the threshold at which creditors can issue a statutory demand on a company from \$2,000 to \$20,000
- ▶ The statutory timeframe for which a company is required to respond to a statutory demand will also increase from 21 days to **six months**
- ▶ Temporary relief from Directors' personal liability for insolvent trading will apply with respect to debts incurred in the ordinary course of the company's business to allow companies to have the confidence to trade through COVID-19
- ▶ These measures outlined above will apply for **a period of six months only**

BDO COMMENT:

Whilst these measures provide some flexibility with respect to trading operations, it is important to seek advice to ensure you limit personal exposure and have a clear outline of your business cashflows and obligations.

Depreciation Concessions

The measures announced on 12 March 2020 have remained the same. The measures include:

- ▶ The instant asset write off threshold will increase from \$30,000 to \$150,000, along with the turnover threshold rising from \$50 million to \$500 million
- ▶ The revised threshold will be in place to 30 June 2020, providing businesses several months to access this concession
- ▶ This measure will not provide immediate cash flow relief to businesses, but will provide opportunity to write off asset purchases for the 2020 financial year and reduce income tax liabilities
- ▶ The Government also announced a 15 month investment incentive (to June 2021), which will allow businesses with a turnover up to \$500 million, to deduct an additional 50% of the cost of an asset in the year of purchase

BDO COMMENT:

It is important to note that whilst these measures will provide for tax savings and the real benefit being pulling forward the tax deduction rather than spreading it out over a longer period under the normal rules, cashflows of the business should also be considered in the decision making of new assets.

Supporting the Flow of Credit

The Government has introduced the Coronavirus SME Guarantee Scheme to support small to medium businesses with disrupted cashflow. The measures include:

- ▶ Businesses with a turnover of up to \$50 million will be eligible
- ▶ Government will provide eligible lenders with a guarantee of 50% for new loans to be used for working capital to a maximum size of \$250,000
- ▶ Loans will be for a term up to three years including an initial six month repayment holiday
- ▶ Loans will be unsecured, no asset security required from the borrower
- ▶ The loans will be **subject to the lenders' normal credit assessment process**
- ▶ The scheme will begin by early April 2020 and be available for new loans with eligible lenders until 30 September 2020
- ▶ The Government is providing an exemption from the responsible lending obligations for lenders providing credit to existing small businesses for a period of six months

BDO COMMENT:

Whilst the measures are welcomed as an avenue to access credit, it is important to note that businesses will still be required to go through the normal credit application process and subject to the lenders' guidelines. As the lenders' guidelines are constantly changing we recommend contacting our BDO Finance Broking team.

Supporting Superannuation

Temporary superannuation measures have also been introduced to provide support to those significantly impacted by COVID-19 and also helping retirees manage their retirement savings. The measures include:

- ▶ Eligible individuals experiencing hardship will be able to access up to \$10,000 of their superannuation benefits prior to 1 July 2020
- ▶ An additional \$10,000 will be able to be accessed after 1 July 2020 for approximately three months (subject to relevant legislation)
- ▶ The Government will temporarily reduce the superannuation minimum drawdown requirements for account-based pensions by 50% for the 2019-20 and 2020-21 financial years

BDO COMMENT:

To understand the requirements to satisfy the hardship conditions and the impacts of the changes to the minimum drawdown requirements, reach out to our BDO superannuation experts to get advice on implementation.

Tax Obligations

As per the announcement on 12 March 2020, the measures outlined by the ATO in respect to a number of administrative concessions to assist businesses impacted by COVID-19. These measures include:

- ▶ Deferring by up to 4 months the payment of tax amounts due through the BAS (including PAYG instalments), income tax assessments, FBT assessments and excise by affected businesses
- ▶ Allowing affected 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 by affected businesses on or after 23 January 2020, that have been applied to tax liabilities; and
- ▶ Allowing affected businesses to enter into low-interest payment plans for their existing and ongoing tax liabilities.

BDO COMMENT:

It is important to note that the ATO assistance is not automatic and therefore businesses must first contact the ATO to request assistance, and if eligible, the ATO will tailor the assistance package for the relevant business. Ensure you contact BDO to understand how to access these concessions to support your business cashflow.

It continues to be a moving environment, these points are relevant today, but this can change pretty quickly as we have seen. We encourage you to speak to us to see how the measures will impact your business specifically.