

# GOVERNMENT RESPONSES TO COVID-19

## FEDERAL GOVERNMENT ECONOMIC STIMULUS PACKAGES

Legislation has been introduced to implement the Government economic stimulus packages to assist with the impacts of the coronavirus.

### Instant asset write-off

Businesses with an annual turnover of up to \$500m will now have access to the **instant-asset write-off**. The asset threshold has also been **increased from \$30,000 to \$150,000** for assets acquired and ready for use between **12 March 2020 and 30 June 2020**. The **instant asset write-off** will **decrease** back to the **\$1,000 threshold on 1 July 2020**.

### Backing business investment—Accelerated depreciation

These provisions will also apply to businesses with an annual turnover of up to \$500m, for assets where the instant asset write-off does not apply.

- Assets acquired between 12 March 2020 and 30 June 2021, and that are first used (or installed ready for use) for a taxable purpose in the same income year that acquired, will be eligible for a deduction of:
  - 50% of the cost of the asset as at the end of the income year; and
  - Deduction of depreciation of remaining cost at the rate that would normally apply.
- Assets acquired between 12 March 2020 and 30 June 2021, but only used for a taxable purpose in a year after acquisition, will be eligible for deduction of:
  - 50% of the opening written down value; and
  - Deduction of depreciation that would normally apply after adjusting either the cost or written down value (as relevant) by the accelerated deduction
- If utilising a small business pool the rate will increase from 15% to 57.5%

If this provision has been applied for an income year it will not apply for the subsequent income year. **The provision will not apply to;**

- **Second hand assets**, being assets held by another entity other than as trading stock or for testing or trialling purposes. This does not apply to intangible assets unless they were being used for producing ordinary income.
- **Capital works expenditure.**
- **Work related items provided to employees** (e.g mobile phones).
- **Assets used in non-Australian businesses** or located outside Australia .

The legislation **does not cover assets if a contract had already been entered into prior to 12 March 2020** and includes anti-avoidance provisions where steps are taken to defer the acquisition date of assets.

### Economic support payments

Payments of \$750 will be made to Social Security and Veterans' income support and compensation recipients, Farm Household Allowance recipients, Family Tax Benefit recipients and holders of a Pensioner Concession Card, Commonwealth Seniors Health Card or Commonwealth Gold Card.

To be eligible a person must be residing in Australia and be receiving a qualifying payment or hold a qualifying concession card on any day in the period from 12 March 2020 to 13 April 2020.

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## Cash flow boost

Cash flow boost payments will be made to businesses which meet the following requirements:

- They pay amounts subject to withholding in the relevant period which have been notified to the ATO. Eligible payments include salary and wages, but can also include director's fees and payments to contractors that are subject to voluntary withholding arrangements.
- They are a small or medium business entity (turnover less than \$50m) based on their most recent income tax assessment or the ATO is satisfied they are likely to be for the current income year.

***In order to be eligible a business must generally have had an ABN on 12 March 2020 and;***

- *Derived assessable income from carrying on a business in the 2019 income year; or*
- *Have made a taxable supply in the period from 1 July 2018 to 12 March 2020 which it had reported to the ATO prior to 12 March 2020.*

### First cash flow boost payment

Businesses will receive a **minimum cash flow boost payment of \$10,000 in the first period** for which they are eligible. Further payments will be paid, based on the amount withheld, up to a maximum total of \$50,000.

- The relevant period for the first cash flow boost payment is the March and June 2020 quarters for quarterly withholders, or the months of March to June 2020 for monthly withholders.
- If the minimum amount and maximum cap do not apply, the amount of the first cash flow boost payment is equal to 100% of the amount that has been withheld.
- If the payment is for the month of March 2020 (for monthly withholders) the entity is entitled to a payment of an amount equal to 300% of the amount that has been withheld.

### Second cash flow boost payment

**Businesses will also receive second cash flow boost payments for a total amount equal to the amount of the first cash flow boost payments to which they are entitled.**

- These will be payable in equal instalments for either the months of June, July, August and September 2020 or the June and September 2020 quarters on lodgement of the activity statement containing the GST return for the period.
- *These are available to all entities that received any amount of the first cash flow boost, even if their circumstances have subsequently changed, provided they lodge a GST return and notify the ATO.*
- *The second cash flow boost payments are not subject to the minimum payment amount or total payment cap that applies to the first cash flow boost.*
- Payments will be made in four equal amounts for the months of June 2020, July 2020, August 2020 and September 2020 for large or medium withholders and in two equal amounts for the quarters ending June 2020 and September 2020 for all other entities.

**The payments will be delivered as an automatic credit in the activity statement system from 28 April 2020 upon businesses lodging eligible statements.**

Note: Businesses can therefore potentially access cash up to \$100,000 in total under this package. Not-for-profits and charities may also be eligible.

### Anti-Avoidance Provision

An anti-avoidance provision will apply if a scheme is entered into for the sole or dominant purpose of accessing, or increasing the amount of, the cash flow boost. We consider that this may apply if, for example, changes are made to the timing of wage payments to increase the amount of the cash flow boost, or payments are made to family members who haven't previously received salaries.

# FEDERAL GOVERNMENT ECONOMIC STIMULUS PACKAGES

## Incentives for apprentices

Wages subsidies will be paid to eligible employers equal to 50% of their apprentices/trainees wages from 1 January 2020 to 30 September 2020 where the business:

- has employed the apprentice/trainee at 1 March 2020 and provides evidence of wages paid (wage subsidy); or
- has re-employed a displaced apprentice/trainee, who was employed by a small business at 1 March 2020 but who has since been released from their apprenticeship/traineeship by their employer (re-employment subsidy).

Employers will be reimbursed up to a maximum of \$21,000 per apprentice/trainee (\$7,000 per quarter).

## Temporary insolvency relief

A number of measures are also to be introduced, which are intended to operate temporarily for six months, to assist companies struggling with debt obligations:

- Directors will be relieved of their duty to prevent insolvent trading with respect to any debts incurred in the ordinary course of the company's business. Debts will still be payable and cases of dishonesty and fraud will continue to be subject to criminal penalties.
- The minimum threshold for creditors issuing a statutory demand on a company under the corporations law will increase from \$2,000 to \$20,000 and the statutory time frame to respond to a statutory demand will be extended from 21 days to six months.
- 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. The time a debtor has to respond to a bankruptcy notice will increase from 21 days to six months.

## Loan guarantees to SMEs

The Government will be able to grant guarantees to financial institutions in connection with loans made, or to be made, to SMEs if granting the guarantee is likely to assist in dealing with the economic impacts of the Coronavirus. Guarantees will only be available for new loans made after the Government's announcement.

## Support for Sole Traders and Income Support Recipients

A \$550 fortnightly coronavirus supplement, to commence from 27 April for an initial six month period, will be paid to:

- Permanent employees who are stood down or lose their employment, sole traders, the self-employed, casual workers and contract workers. This payment is in addition to the JobSeeker Payment under expanded accessibility.
- Existing and new recipients of the JobSeeker Payment, Youth Allowance jobseeker, Parenting Payment, Farm Household Allowance and Special Benefit.

## Access to superannuation and pension payments

Employees who have been made redundant, or those who have their working hours reduced by 20% or more, or sole traders whose businesses have been suspended or see a reduction in turnover by 20% or more, will be allowed to access up to \$20,000 of their superannuation.

- **Pre-1 July 2020:** Eligible individuals will be able to apply to **access up to \$10,000**.
- **Post-1 July 2020:** A further **\$10,000** can be accessed for approximately three months.

The **minimum drawdown** requirements for account-based pensions will be **reduced by 50% for the 2020 and 2021 income years** to reduce the need for retirees to realise investment asset losses to fund pension payments.

Deeming rates for pensioners will also be reduced by another 0.25 of a percentage point.



## ATO SUPPORT MEASURES- contact the ATO

The ATO is encouraging businesses affected by COVID-19 to contact them to request assistance on its

Emergency Support Infoline to discuss their situation. The support options available include:

- Deferring by up to four months the payment date of amounts due through the BAS (including PAYG instalments), income tax assessments, fringe benefits tax assessments and excise.
- Allow businesses on a quarterly reporting cycle to opt into monthly GST reporting in order to get quicker access to GST refunds they may be entitled to.
- Allowing businesses to vary PAYG instalment amounts to zero for the April 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 on or after 23 January 2020, that have been applied to tax liabilities.
- Working with affected businesses to help them pay their existing and ongoing tax liabilities by allowing them to enter into low interest payment plans.

Employers will still need to meet their ongoing superannuation guarantee obligations.

## VICTORIAN GOVERNMENT SUPPORT MEASURES

### Payroll Tax Relief

The Victorian government is refunding payroll tax payments made by small and medium businesses in the 2020 income year. To be eligible for the refunds, businesses must have a payroll of less than \$3 million.

Small and medium businesses will also be able to defer any payroll tax payments for the first three months of the 2021 income year up until January 2021.

### Other measures

The Victorian Government has also announced that:

- It will allow commercial tenants in Government buildings to apply for rent relief.
- Eligible businesses will have their 2020 land tax payments deferred.
- The Government will pay all outstanding supplier invoices within five business days.
- Liquor licensing fees will be waived for 2020 for affected businesses.
- Businesses in the hospitality, tourism, accommodation, arts, entertainment and retail sectors may also receive additional assistance through a business support fund. Businesses can register their interest in the fund by filling out an online form.

*The information contained in this bulletin is intended to provide general information only and is not intended to serve as tax advice. Specific advice should always be sought regarding a taxpayers' particular circumstances. Please contact F Trotta & Co if you would like assistance with the issues identified in this bulletin.*