



Government COVID-19 measures What they mean for your business

Live webinar across Australia

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Introduction

- Government and ATO have both announced series of measures to combat economic fallout from the coronavirus
- State/Territory measures as well
- Nexia Australia's dedicated [COVID-19 webpage](#)
 - Not just tax, includes HR, corporate/commercial, banking, risk management, response plan, recovery plan

Overview

Today's session will include:

- Government's stimulus packages Marks I, II & III
- ATO's administrative measures
- Other measures
- Putting all of the above into practice, how we can help you
- Q&A

What we do

- Put money in your pocket
- Prevent money leaving your pocket
- Help you sleep well at night

Economic stimulus packages I, II & III

- combat economic fallout from coronavirus

- \$320 billion in total (16.4% of GDP)
- Takes effect from 12 March 2020
- Several parts, including:
 - Cash flow boosts for SME businesses
 - Support business investment
 - Earlier access to superannuation
 - Corporate responsibility relief
 - Supporting flow of credit
 - Targeted support to certain sectors, regions
 - Household stimulus
 - JobKeeper Payment program

Economic stimulus packages I, II & III

- combat economic fallout from coronavirus

- Temporary, sunset
- 8 Bills, passed last week, more to come
- Main focus is to help SME businesses keep staff employed
- Haste at expense of precision
 - Winners and losers

Government's economic stimulus packages Marks I & II

Cash flow boosts for SME businesses

Summary

- Two stages of payments (First boosts, Second boosts)
- Payment/credit:
 - 100% of PAYG withholding over certain w/h periods
- Timing based on when notify w/h (not when notify GST)
- Where qualify, min \$20,000, max \$100,000 in total
- Per employer entity, not per group

Cash flow boosts for SME businesses

Small/medium/large withholders

- Small:
 - Withhold \$25,000 or less per year
 - **Quarterly** payer, report on BAS
- Medium:
 - Withhold \$25,001 to \$1 million per year
 - **Monthly** payer, report on IAS/BAS
- Large:
 - Withhold >\$1 million per year (group basis)
 - Pay 6-8 days after w/h
 - Report only W1 on qtrly/mthly BAS
- Companies, trusts, partnerships, sole traders

Cash flow boost for SME businesses

Two stages – quarterly or monthly w/h periods

- First cash flow boosts
 - March & June 2020 quarters
 - OR
 - March/April/May/June 2020 months
- Second cash flow boosts:
 - June & Sept 2020 quarters
 - OR
 - June/July/Aug/Sept 2020 months
- June 2020 qtr/month can have both 1st and 2nd cash boosts

Cash flow boost for SME businesses

When notify	Relevant BAS/IAS period 2020	First boost	Second boost	Lodgement due
Quarterly	March	✓		28 April
	June	✓	✓	28 July
	Sept		✓	28 Oct
Monthly	March (PAYGW x 3)	✓		21 April
	April	✓		21 May
	May	✓		21 June
	June	✓	✓	21 July
	July		✓	21 Aug
	Aug		✓	21 Sept
	Sept		✓	21 Oct

Cash flow boost for SME businesses

First boost – **entitlement**

- Carrying on a business
- Small Business Entity (SBE) or Medium BE for most recent year lodged returns
 - Group-wide business turnover <\$50 million
 - Ex-GST. Excludes retail fuel sales
 - * * *
 - Alternative:
 - Commissioner satisfied current year year's t/o <\$50m
 - Likely require direct provision of information
- Group includes foreign entities and their business t/o
- Entity had ABN as at 12 March 2020

Cash flow boost for SME businesses

First boost – **entitlement**, cont

- Not inactive:
 1. Entity had assessable income for 2018/19 from cob; *and*
 2. Tax return lodged by 12/3/20 (Instalment income on BAS?)

OR

 1. Made supplies btw 1/7/18 and end of applicable tax period ending before 12/3/20
 - If reg for GST quarterly – by 31 Dec 2019
 - If monthly – by 29 Feb 2020; *and*
 2. BAS lodged by 12/3/20
- Commissioner can allow further time in both cases

Cash flow boost for SME businesses

First boost – **entitlement**, cont

- Entity makes a payment during First cash flow boost w/h periods:
 - Mar/Jun qtrs, Mar/Apr/May/Jun months
- Obligated to make certain types of withholding. Includes:
 - Salary/wages
 - Directors' fees
 - Contractors under voluntary w/h arrangement
 - Unused leave
- Notified Commissioner – lodge BAS/IAS
- Not engaged in a scheme with sole/dominant purpose to create or increase entitlement

Cash flow boost for SME businesses

First boost – **entitlement**, cont

- Per employer entity, not per group
- Eg:
 - 10 companies and trusts in a group
 - Group-wide business turnover <\$50 million
 - 4 of the above entities are employers
 - All 4 can get their own Boost payments, if satisfy other requirements

Cash flow boost for SME businesses

ACNC-registered charities

- Do not need to have ABN on 12 March 2020
- Do not need to satisfy assessable income/taxable supply (inactive) requirement
 - Caters for new charities formed as a result of Coronavirus
- NFPs deemed to be cob for <\$50 million turnover

Cash flow boost for SME businesses

When not available

- Not cob (except NFPs)
- Withholding obligation not from nominated types. eg
 - PSI
 - TFN/ABN
 - Div/int/royalties to non-resident
- Entities created after 12 March
- Sole trader with no employees

Cash flow boost for SME businesses

When not available – integrity rule

- Schemes with sole/dominant purpose to create/increase cash boost
- Commissioner comment. Might include:
 - Restructure business, way usually pay workers, increasing wages paid, to create/increase entitlement
 - Sudden change in characterisation of payments
- Eg:
 - Shifting employees from entity with surplus withholding to another entity
 - Switching PSI attribution to salary (not cob anyway?)
 - Retrospectively back-pay wages from 1 January for principals – sham/fraud
- Consider:
 - If not for the cash boost, would you have changed anything?
- Promoter penalties

Cash flow boost for SME businesses

Amount of First boost

- For Mar/Jun qtrs, or Mar/Apr/May/Jun months
- First w/h period entitled, greater of:
 - \$10,000
 - Relevant PAYG withholding amount
- If monthly, March PAYGW x 3
 - Actual w/h for Jan/Feb irrelevant
 - If March w/h declined, unfortunately can't redress
- Subsequent w/h period(s):
 - Equal to period's PAYG w/h
 - But limited to cumulative actual PAYGW amount
 - And capped to cumulative \$50,000

Cash flow boost for SME businesses

Payment of First boost

- After lodging BAS/IAS that notifies w/h
- Might not simply be the W2 figure:
 - Includes ineligible types of w/h (eg, PSI)
 - Many businesses' W2 w/h will exceed \$50k
 - BAS/IAS will have new field inserted?
- Credit in activity statement system, from 28 April
- ***Normal BAS/IAS liability – minus boost amount: Pay reduced amount***
 - Immediate cash flow benefit
 - Shortfall wiped when boost payment credited

Cash flow boost for SME businesses

Payment of First boost, cont

- Remainder BAS/IAS liability on balance sheet:
 - Represents boost payment “received”
 - Transfer to revenue item
- If credit puts you in refund, paid within 14 days (from 28 April)
- Credit can be used to offset other outstanding tax liabilities
 - But 2nd Commissioner has said they won’t
 - Reduce only what owing on that BAS/IAS

Cash flow boost for SME businesses

Second boost – **entitlement**

- Entitled to any First boost amounts
 - If not entitled to any First boost, no Second boost
- Either ACNC-reg charity or satisfy that same “Not inactive” test
- Notify Commissioner – activity statements
 - Jun/Sept qtrs, Jun/Jul/Aug/Sept months
 - Implies need to have continuing obligation to lodge GST returns (BAS)
 - ie, continue carrying on an enterprise
- Not fall foul of integrity rule

Cash flow boost for SME businesses

Second boost – **entitlement** – what if...?

- What if med/lge w/hdr for March, but w/h level significantly falls in April?
 - W/hdr status generally based on last financial year
 - Therefore, would still be a med/lge w/hdr for April/May/June (unless Commissioner varies status)
 - Provided 2019/20 w/hdg stays above \$25k, will be at least med for 2020/21
 - Monthly basis continues

Cash flow boost for SME businesses

Second boost – **entitlement** – what if...?

- What if business ceases?
 - Facts sheet/ATO page say must “continue to be active.”
 - But law says 2nd boost still applicable even if not a w/hdr of any status in April
 - Better to say not ceased, reduced activity?
 - Therefore, still carrying on enterprise
 - Still entitled to ABN, lodge GST returns, even if nil
 - Therefore, second boosts apply

Cash flow boost for SME businesses

Amount of Second boost

- Quarterly notifier (small w/hdr):
 - June: 50% of total First boosts
 - Sept: 50% again
- Monthly notifier (med/lge w/hdr)
 - 25% of total First boosts in each of June, July, Aug & Sept
- Total of second will equal total of first
 - Max \$100,000 in total
- Rules account for changing btw quarterly/monthly during above periods
 - No double-counting or under-counting

Cash flow boost for SME businesses

Payment of Second boost

- Essentially same process as First boost

Cash flow boost for SME businesses

Summary of when cash flow boosts paid

	GST period	
	Quarterly	Monthly
Type of w/h		
Small (qtrly)	Qtrly BAS	BAS for 3 rd month in qtr (with 3 months of PAYGW)
Medium (monthly)	Monthly IAS for PAYGW	Monthly BAS (Month's GST & PAYGW)
Large (twice-wkly)	Qtrly BAS (Qtr's GST. W1 only, no payment)	Monthly BAS (Month's GST. W1 only, no payment)

Cash flow boost for SME businesses

Example 1 – small withholder

- Jenny is a sole trader solicitor
- Operates her business through a trust
- She is the only employee
- \$500,000 annual turnover, reflective of last return lodged
- Quarterly PAYGW and GST

Cash flow boost for SME businesses

Example 1 – small withholder

- Business's income is Jenny's personal exertion income (not PSI):
 - Pays herself a token salary of \$93,000
 - \$24,000 of PAYGW per year
 - \$250,000 profit, after above salary, appointed to Jenny as a trust distribution
- Small withholder
- PAYG withholding of \$6,000/qtr
 - \$6,000 PAYGW for each of March and June qtrs

Cash flow boost for SME businesses

Example 1 – First boost

- Satisfies requirements for First boost
- First w/h period entitled – March 2020 qtr
- Boost payment is greater of:
 - \$10,000, or
 - \$6,000 (actual PAYGW)
- Boost for March qtr is \$10,000
- Boost for June qtr:
 - \$6,000 actual PAYGW
 - But limited to accumulated actual PAYGW for 1/1/20-30/6/20: \$12k (\$6k + \$6k)
 - Already got \$10k for March
 - Therefore, June qtr boost limited to balance of \$2,000
- Total First boost: \$12,000

Cash flow boost for SME businesses

Example 1 – Second boost

- June qtr: $\$12,000 \times 50\% = \$6,000$
- Sept qtr: $\$12,000 \times 50\% = \$6,000$
- Total Second boost: $\$12,000$

Cash flow boost for SME businesses

Example 1 – Total cash flow boost

Accumulated actual PAYG (relevant only for 1 st boost) \$	BAS Quarter	First boost \$	Second boost \$	Total \$
6,000 (\$10k min)	March	10,000	N/A	10,000
12,000 (First boost limit)	June	2,000	6,000	8,000
	September	N/A	6,000	6,000
	Total	12,000	16,000	24,000

Cash flow boost for SME businesses

Example 1 – Increase salary & withholding?

- Jenny retrospectively increases her salary and PAYGW disclosed on the March qtr BAS
 - Offend the integrity rule?
 - Yes
- Jenny decides to increase her salary from 1 April, increasing the PAYGW
 - Offend the integrity rule?
 - At this point, likely
 - We'll seek ATO view in principal-underpaid situation specifically

Cash flow boost for SME businesses

Example 2 – medium withholder

- Lexis Engineering Pty Ltd carries on a consulting engineering business
- Aggregated turnover is \$3 million, reflected in last tax return
- 5 employees:
 - Annual PAYGW of \$180,000
- Monthly PAYGW, quarterly GST (turnover <\$20m), ie:
 - PAYGW-only on IAS for first two months of each quarter
 - Quarterly BAS has quarter's GST, third month's PAYGW
- PAYGW for months of:
 - March: \$15,000
 - April: \$13,000
 - May: \$14,000
 - June: \$14,000

Cash flow boost for SME businesses

Example 2 – First boost

- Satisfies requirements for First boost
- First w/h period entitled – March 2020 month
- Boost payment is greater of:
 - \$10,000, or
 - \$15,000 (actual PAYGW) x 3 = \$45,000.
- Boost for March month is \$45,000
- Boost for April is only \$5,000
 - Because now reached \$50k cap
 - Accumulated boost does not exceed accumulated PAYGW
- Boost for May/June months is nil (have reached \$50k cap)
- Total First boost: \$50,000

Cash flow boost for SME businesses

Example 2 – Second boost

- June month: $\$50,000 \times 25\% = \$12,500$
- Jul month: $\$50,000 \times 25\% = \$12,500$
- Aug month: $\$50,000 \times 25\% = \$12,500$
- Sept month: $\$50,000 \times 25\% = \$12,500$
- Total Second boost: $\$50,000$

Cash flow boost for SME businesses

Example 2 – Total cash flow boost

W/h period	First boost \$	Second boost \$	Total \$
March <small>(BAS)</small>	45,000	N/A	45,000
April <small>(IAS)</small>	5,000	N/A	5,000
May <small>(IAS)</small>	Nil	N/A	Nil
June <small>(BAS)</small>	Nil	12,500	12,500
July <small>(IAS)</small>	N/A	12,500	12,500
Aug <small>(IAS)</small>	N/A	12,500	12,500
Sept <small>(BAS)</small>	N/A	12,500	12,500
Total	50,000	50,000	100,000

Cash flow boost for SME businesses

Example 3 – large withholder

- Caversham Towers Pty Ltd owns and operates a large hotel as part of the Caversham group of companies
- Aggregated turnover below \$50 million, reflected in last tax returns for it and related parties
- 100 employees
 - Annual PAYGW of \$3 million
- Monthly GST (say, turnover >\$20m)
 - Twice-wkly PAYGW payments
 - Monthly BAS – month's GST; W1 only, no payment
- Total PAYGW payments during months of:
 - March: \$250,000
 - April: \$80,000 (reflecting decline in business activity)
 - May: \$80,000
 - June: \$80,000

Cash flow boost for SME businesses

Example 3 – First boost

- Satisfies requirements for First boost
- First w/h period entitled – March 2020 month
- Boost payment is greater of:
 - \$10,000, or
 - $\$250,000$ (actual PAYGW) \times 3 = $\$750,000$. But capped to $\$50,000$
- Boost for March month is $\$50,000$
- Boost for Apr/May/June months is nil (already reached $\$50k$ cap)
- Total First boost: $\$50,000$

Cash flow boost for SME businesses

Example 3 – Second boost

- June month: $\$50,000 \times 25\% = \$12,500$
- Jul month: $\$50,000 \times 25\% = \$12,500$
- Aug month: $\$50,000 \times 25\% = \$12,500$
- Sept month: $\$50,000 \times 25\% = \$12,500$
- Total Second boost: $\$50,000$

Cash flow boost for SME businesses

Example 3 – Total cash flow boost

W/h period	First boost \$	Second boost \$	Total \$
March (BAS)	50,000	N/A	50,000
April (BAS)	Nil	N/A	Nil
May (BAS)	Nil	N/A	Nil
June (BAS)	Nil	12,500	12,500
July (BAS)	N/A	12,500	12,500
Aug (BAS)	N/A	12,500	12,500
Sept (BAS)	N/A	12,500	12,500
Total	50,000	50,000	100,000

Cash flow boost for SME businesses

Example 4 – March BAS refund

- Monthly GST
- Medium withholder
- Cash boost is:
 - \$8k x 3 = \$24,000

March BAS	\$
Net GST	12,000
PAYGW (W2)	8,000
Total payable	20,000

- \$4,000 refund due
- Action:
 - Lodge BAS asap after 31 March
 - Pay nothing
 - ATO promised to pay \$4,000 to you within 14 days of 28 April

Cash flow boost for SME businesses

Example 5 – March BAS: Underpay

- Monthly GST
- Medium withholder
- Cash boost is:
 - \$70k x 3 = \$210,000
 - Capped to \$50k
- Action:
 - Lodge BAS on 21 April (Disclosures as per normal)
 - Pay \$40k
 - Outstanding \$50k liability will be wiped when cash boost credited to instalment system

March BAS	\$
Net GST	20,000
PAYGW (W2)	70,000
Total payable	90,000

Cash flow boost for SME businesses

What if...?

- Agreement with employee to withhold extra
- ATO-approved reduced level of w/h
- Extra w/h for HECS/HELP
- Reduced w/h due to salary-sacrifice arrangement
- Employee does not claim general exemption (eg, second job)
- Note: won't matter if reach boost limits from overall w/h

Cash flow boost for SME businesses

Example 6 – Recently started/acquired business

- Company incorporated in 2019/20 year
- Purchased a business, settled 1 January 2020
 - First made supplies on that date
 - Paying wages, withholding, from that date
- Registered as quarterly GST
- Eligible for First boost?
 - Remember: no First boost, no Second boost either

Cash flow boost for SME businesses

Example 6 – Recently started/acquired business

- Key eligibility issues here is the “not inactive” test. Repeated:
 1. Entity had assessable income for 2018/19 from cob; *and*
 2. Tax return lodged by 12/3/20 (Instalment income on BAS?)

OR

 1. Made supplies btw 1/7/18 and end of applicable tax period ending before 12/3/20
 - If reg for GST quarterly – by 31 Dec 2019
 - If monthly – by 29 Feb 2020; *and*
 2. BAS lodged by 12/3/20
- Commissioner can allow further time in both cases

Cash flow boost for SME businesses

Example 6 – Recently started/acquired business

- No 2018/19 tax return. Set up in 2019/20
- Only way could satisfy “not inactive” requirement is if made supplies btw 1/7/18 and a tax period applying to it that ended before 12/3/20:
 - Quarterly for GST
 - Therefore, had to make supplies by 31 December 2019. Didn’t
 - Not satisfied
- No First boost. And therefore no Second boost either
- Unfortunate for a new business, could not have anticipated events

Cash flow boost for SME businesses

Example 6 – Recently started/acquired business

- What if had been registered for GST monthly?
- Deadline applicable tax period ending before 12/3/20 would have been February. ie:
 - 29 February deadline to make supplies. Satisfied
 - 12/3/20 deadline to notify ATO:
 - Need to have lodged Jan or Feb BAS by 12/3/20
 - February BAS probably wasn't
 - But as long as Jan was - satisfied
 - Eligible for First boost
- Harsh that turns purely on whether reg as qtrly or mthly GST

Cash flow boost for SME businesses

Overpayments

- Liable to repay
- GIC
- Expect ATO review activity in coming months
- No culpability penalties (25%, 50%, etc)

Cash flow boost for SME businesses

Time limits

- If BAS lodged 2 years late, lose entitlement to boost payment
- No boost payments after 30 June 2026
- Can object to denial of boost payment

Cash flow assistance for SME businesses

Cash boosts – How we can help you

- Confirm which of your companies/trusts etc are *entitled*
- March qtr/month BAS:
 - Determine *how much* Boost entitled
 - Provide instructions on what to do
- Same for April to September
- Confidence

Cash flow assistance for SME businesses

Under-paid principals

- Only an issue where PAYGW <\$50k for Jan-Mar:
- Recommend maintaining existing practices to the end of March
- Cash boost outcomes will be whatever will naturally be
- We'll seek ATO view re this situation ahead of April mth/Jun qtr

Cash flow assistance for SME businesses

Tax free? Not exactly

- Cash flow boost payments are exempt from income tax
- Companies
 - Untaxed retained profit
 - Unfranked dividend to shareholders
 - Use up surplus franking credits
- Unit Trust
 - Accounting profit > taxable income?
 - CGT consequences

Cash flow assistance for SME businesses

Tax free? Not exactly

- Discretionary trust
 - Accounting profit > taxable income?
 - Proportionate approach
 - Corporate beneficiaries – see Companies
- No nexus between wages and exempt cash boost income
 - No impact on deductibility of wages expense

Cash flow assistance for SME businesses

Apprentices and trainees

- 19 or fewer full-time employees
- At least one apprentice/trainee as at 1 March 2020
- Apply for 50% wage subsidy
 - Appears to be on wages only, not incl super
 - Available to new employer of eligible apprentice/trainee not retained by previous employer
- Wages paid 1 Jan to 30 September 2020
- Max \$7,000 per quarter, max \$21,000 in total
 - Not stated as tax free. Probably assessable, or reduces deduction
- Register from early April. Claims must be lodged by 31 December
- Employer of any size who employs eligible out-of-work apprentice is eligible for

Support business investment

- Two measures:
 - Instant asset write-off
 - Accelerated depreciation

Instant asset write-off threshold – businesses

- Increased from \$30k to \$150k, until 30 June 2020
- Cost, net of GST credit, must be *less than* \$150,000
- Group-wide turnover <\$500 million (up from \$50m)
- New or second-hand, internally constructed
- Installed, ready for use by 30 June
- From 1 July 2020, reverts to:
 - SBEs only: <\$10m aggregated turnover
 - Using pooling
 - \$1,000 threshold

Instant asset write-off threshold – businesses

Car limit

- Cars costing \$57,581+:
 - Deemed cost of \$57,581
 - Any car acquired up to 30/6/20 costing \$57,581+ gets instant \$57k deduction

Accelerated depreciation

- New depreciable assets only
- Group-wide turnover below \$500 million
- Between 12 March and 30 June 2021:
 - Start to hold; and
 - Used, or installed ready for use
- Not eligible if:
 - Re-do a pre-12/3/20 contract
 - Asset not in Australia
- Car limit applies

Accelerated depreciation

- 50% deduction for asset's cost
- Remainder depreciated in usual manner
- No limit on asset cost

Accelerated depreciation

Example 7: Non-SBE (aggregated turnover \$10m – <\$500m)

- New item of equipment acquired 1 April 2020
 - Ex-GST cost: \$200,000
- Effective life: $6^{2/3}$ years. 30% DV depreciation rate
- Deductions for y/e 30 June 2020:
 - \$200k x 50% = \$100k; and
 - \$200k-\$100k = \$100k x 30% x 3/12 months = \$7,500
- Tax WDV 1 July 2020: \$200k-\$100k-\$7.5k = \$92,500.
 - 30% x \$92.5k = \$27,750 for 2021, etc

Accelerated depreciation

Example 8: SBE (aggregated turnover <\$10m)

- New item of equipment acqu/inst anytime 12 March-30 June 2020
 - Ex-GST cost: \$100,000
- SBE pooling
- Deductions for y/e **30 June 2020**:
 - $\$100\text{k} \times 50\% = \50k ; and
 - $\$100\text{k} - \$50\text{k} = \$50\text{k}$ added to pool. $\$50\text{k} \times 15\% = \$7,500$
- Pool c/bal <\$150k. Write off as deduction?
 - No – doesn't work that way
- 1 July 2020: $\$50\text{k} - \$7.5\text{k} = \$42.5\text{k}$ bal in pool
 - $30\% \times \$42.5\text{k} = \$12,750$ for 2021, etc

Accelerated depreciation

Summary

- 12 March – 30 June 2020:
 - Group-wide turnover <\$500m
 - Depreciable assets costing \$150k+ (instant w/o if <\$150k)
- 1 July 2020 – 30 June 2021:
 - Agg t/o <\$500m
 - Costing \$1,000+
- Question: Are you motivated to invest in new assets because of tax write-off concessions?

Earlier access to superannuation

Up to \$20,000

- Financial distress due to coronavirus
- Access up to \$10,000 of superannuation
 - One time – before 1 July 2020
 - Apply from 20 April 2020
- Further \$10,000
 - Again, one time – from 1 July to 24 Sept 2020
- Eligible if satisfy any one of certain criteria, incl:
 - Unemployed
 - Receiving certain income supports
 - On/after 1/1/20:
 - Made redundant
 - 20%+ reduction in working hours

Earlier access to superannuation

Up to \$20,000

- Also available for **sole traders**:
 - Business suspended, or
 - 20%+ reduction in turnover
- Compare to average monthly turnover for Jul-Dec 2019
- Individual partner in a partnership
 - Not a sole trader
 - Would seem accessible only through other criteria on prev slide

Earlier access to superannuation

Example 9 – Sole trader

- \$300k turnover Jul-Dec 2019
 - Ave \$50k/mth
- \$195k turnover Jan-May
 - Ave \$39k/mth
 - Jun turnover certainly be <\$45k
- 20%+ reduction
- Qualify to claim pre-1/7/20
- Jul turnover <\$40k
 - Claim again in early August

Earlier access to superannuation

Up to \$20,000

- Tax free, not affect Centrelink or Veterans' Affairs payments
- Apply through myGov, from mid-April
 - Must certify meet eligibility criteria
- If approved, the ATO issue determination, will provide to super fund
- Separate arrangements for SMSFs
 - Only difference seems to be that member takes determination to SMSF
- Unused funds can be contributed back (within contribution caps)
- Best regarded as last resort

Financially distressed businesses

Temporary relief – 6 months

- 25/3/20 to 25/9/20
- Relief for directors from personal liability for trading while insolvent:
 - Only for debts incurred during above period
 - N/A where dishonesty or fraud
- Increased threshold for creditors to issue statutory demand
 - \$2,000, now \$20,000
 - Extended response deadline
- Increased threshold for creditor-initiated bankruptcy
- Treasurer can modify, provide relief from obligations under the Corps Act

Supporting the flow of credit

Loan guarantee

- SME business loan guarantee scheme:
 - Govt guarantee of 50% to eligible lenders of unsecured loans to be used for working capital
 - Maximum loan facility of \$250,000 per borrower
 - Term of up to three years, with initial six-month repayment holiday
 - For businesses with turnover up to \$50 million (interestingly, not specified as group-wide turnover)
 - Subject to lenders' credit assessment processes, with the expectation of looking through this short-term difficult period
 - Scheme to support \$40 billion of lending (ie, \$20 billion guaranteed)

Supporting the flow of credit

Financial sector assistance

- Cut red tape, with a six-month exemption from responsible lending obligations for lenders to SMEs
- \$15 billion for the Australian Office of Financial Management to invest in structured finance markets used by smaller lenders
- RBA's \$90 billion term funding facility for the banking industry, to put downward pressure on borrowing costs
- APRA temporarily easing expectations for banks' capital ratios

Foreign investment

Review thresholds reduced to nil temporarily

- FIRB approval now required for all foreign investments
- Various thresholds (eg, \$275m general business) reduced to nil
- <https://firb.gov.au/exemptions-thresholds/monetary-thresholds>

Support for retirees

- Temporary 50% reduction in minimum drawdown requirements for superannuation account-based pensions
 - eg, for the 65-74 age bracket, will reduce from 5% to 2.5%
- Further reduction in upper and lower social security deeming rates

Income support for individuals

- Temporary additional \$550 per fortnight supplement for recipients of certain payments (eg, Jobseeker Payment, Youth Allowance, Parenting Payment)
- Available for the next six months
- Expanded access to above income support payments, including **sole traders/self-employed**

Affected regions, sectors

Disproportionately affected

- Tourism, agriculture, education, etc
- Waive fees for Great Barrier Reef Marine Park, Commonwealth National Parks
- Assist identify alternative export markets, supply chains
 - Specifics to be forthcoming
 - Perhaps we can help when known
- Further promote domestic tourism

Affected regions, sectors

ATO administrative relief

- Defer payment until up to 12 September 2020 (Monday 14th?):
 - BAS debt
 - Income tax assessments
 - FBT assessment
 - Excise
- Quarterly BAS lodgers lodge monthly, quicker access to GST refunds
- Vary March qtr PAYG income tax instalment to nil
 - Can also obtain refund of instalments paid for the Sept and Dec 2019 quarters
 - Monthly PAYGI payers? Can vary under normal rules

Other ATO administrative relief

- Remit interest and penalties incurred from 23 January 2020 on tax liabilities
- Low-interest payment plans for existing/ongoing tax liabilities
- Open to easier payment terms
 - Example 5 – could seek deferral for payment of \$40k
- Lighter approach to withholding enforcement, Director Penalty Notices

Other ATO administrative relief

- Not automatic:
 - Must contact ATO and request
 - Case-by-case basis
 - Details to follow on application process
- Still need to meet **9.5% super guarantee** obligations for employees

Commercial leases

- ATO won't take action for 2019/20 and 2020/21 where SMSF temporarily reduces rent for related party tenant
- Unrelated landlord/tenant. Temporary measures:
 - Intended moratorium on evictions (state/territory matter)
 - Reduce/waive rent, as agree
 - Tenant seek end to lease, "financial distress" mediation
 - Landlords and tenants not badly impacted, honour agreements

Household stimulus

- First \$750 payment over March/April
- Pensioners, social security, veteran and other income support recipients
- Tax free
- Not count as income for certain means-tested benefits
- Second \$750 payment in July

Other recent issues

- Super guarantee amnesty – ends 7 September 2020
- Tax-free family home:
 - Exemption removed for non-residents
 - Transitional period ends 30 June 2020
- Any measures to redress will require change in law

Government measure Mark III: JobKeeper Payments

JobKeeper Payment

Government measure Mark III

- Announced 30 March 2020
- 3-page fact sheet (updated several times)
- Per individual **eligible employer** entity, not group
- \$1,500 per fortnight, per **eligible employee**, for six months
- Payments start early May, backdated to 30 March
- Co/Trust/Pshp/sole trader employers
- You apply for it
- Legislation to follow

JobKeeper Payment

Eligible employer

- Turnover <\$1 billion (not specified as group-wide)
- **T/o decline by >30%** to comparable period a year ago (at least a month)
 - Whole business, not a division within
 - Expect will mean business t/o only. Eg, ignore changes in other types of income (eg, rent, interest)
 - >15% for ACNC-reg charities
- Not subject to Major Bank Levy
- Has at least one eligible employee at 1/3/20
 - Can be principal employed by own entity
- Confirms each eligible employee currently engaged
-

JobKeeper Payment

>30% decline in turnover

- Comparison based on applicable BAS period:
 - Qtrly or mthly
- Eg: Qtrly BAS lodger
 - March qtr 2019 BAS. G1: \$3 million
 - March qtr 2020 BAS. G1: <\$2.1 million
- Eg: Mthly BAS lodger:
 - March 2019 BAS. G1: \$1 million
 - March 2020 BAS. G1: <\$700k

JobKeeper Payment

>30% decline in turnover

- What if...?
 - Business recently established/purchased
 - T/o a year ago not representative of usual t/o. eg:
 - Acquisition in interim
 - Highly variable t/o
 - 30% t/o decline evident only after March 2020 qtr
 - Invoicing maintained, but cash collections fall
- Commissioner has discretion to:
 - Consider additional information
 - Set out alternative tests. Eg curtailing operations
- Standardised online information process with application?

JobKeeper Payment

Other issues

- What if single entity runs more than one business? T/o decline:
 - Entity overall?
 - Per stand-alone business?
- “Some tolerance” of good faith estimate of >30% decline, but actually slightly smaller
- If eligible employer, seems no limit on no. eligible employees
- Sole trader with no employees, NFPs, can also qualify
- Individual partner in a partnership; receive only dividends or trust distribution:
 - Nominate one person to qualify, according to [business.gov.au page](https://www.business.gov.au)
- Where t/o \$1b+, >50% decline

JobKeeper Payment

Eligible employee

- Employer employed person at 1/3/20
 - Not contractors
- Currently employed. Includes:
 - Stood down (eg, put on leave without pay)
 - Re-hired
- F/T, P/T, long term casual
- At least 16 y/o
- Australian citizen, holder of permanent or other visas
- Not in receipt of JobKeeper payment from another employer
 - Where multiple employers, only primary employer can claim JobKeeper
 - Notify primary employer – claiming tax-free threshold usu sufficient notice

JobKeeper Payment

Eligible employee - issues

- Other visas - Protected Special Category Visa, 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
- Not eligible
 - Principal of entity, not on books as an employee (no STP reporting) at 1/3/20, no wages, all trust distributions or dividends
 - Family members per above
- AL/LSL continue to accrue as normal
- Service entities. Legitimately decrease service fee?

JobKeeper Payment

Employer's obligations

- Notify eligible employees you're receiving JobKeeper payments
- Already paying \$1,500+ pre-tax per fortnight to eligible employee?
 - Continue
 - JobKeeper subsidises wage cost
 - Can choose to pay more to employee
- Paying <\$1,500 pre-tax per fortnight?
 - Must top up employee to at least \$1,500 pre-tax

JobKeeper Payment

Employer's obligations, cont

- Where stood down, must pay full \$1,500 pre-tax to employee
 - Wage payments funded from JobKeeper subject to normal PAYGW
 - But they're not OTE. Not subject to 9.5% super
 - Employer can voluntarily pay super
 - Monthly updates to ATO
- * * * *
- Employee should advise Services Australia
 - Must advise their income
 - Affects means-tested benefits

JobKeeper payment

Application process

- Employer elects to participate
- Register [here](#)
 - Basic info for now
 - Entity name, ABN, contact details
 - Even if not certain will qualify, can register
- Separate registration for each employer entity
- Online application will follow:
 - Include providing support for t/o decline
 - Details of eligible employees
 - ATO use STP to pre-populate

JobKeeper payment

Payments to employers

- Start first week of May, backdated to 30 March
- Paid monthly, in arrears
- Not mentioned, but expect will be assessable for employer
- Stand-alone from cash boost
 - Seems nothing preventing getting JobKeeper payment and cash boost for w/h on same wages
- Consequences of receiving payment not entitled to – don't know.

Conclusion

- Cash flow boost available
 - We can help determine, review, confirm entitlement
 - Confidence
- JobKeeper Payments
 - We can help determine if qualify, eligible employees, application process, monthly ATO updates
- IAWO \$150k
- Accelerated depreciation
- Assist with sector/region assistance, when details known
- Anything else we can assist with

Your feedback

You will soon receive an e-mail with a link to a short online feedback form

Please let us know what you think of this session

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Thank you

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