



## Boosting cash flow for employers

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- [https://www.ato.gov.au/Business/Business-activity-statements-\(BAS\)/In-detail/Boosting-cash-flow-for-employers/](https://www.ato.gov.au/Business/Business-activity-statements-(BAS)/In-detail/Boosting-cash-flow-for-employers/)
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## Boosting cash flow for employers

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Legislation has been enacted to provide temporary cash flow support to small and medium businesses and not-for-profit organisations that employ staff during the economic downturn associated with COVID-19 (novel coronavirus). This will be done through two sets of cash flow boosts delivered from 28 April 2020 to support employers to retain employees.

We will provide tax-free cash flow boosts of between \$20,000 and \$100,000 to eligible businesses, delivered through credits in the activity statement system, when eligible businesses lodge their activity statements.

You must lodge your activity statement to receive the cash flow boost.

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### Overview

For the most up to date information, regularly check back to our [COVID-19](#) page. We continue to work through the best way to administer this cash flow boost and our website is the best place to get information relevant to you.

We are working on getting the cash flow boost to you as soon as we can and understand your business may be under significant pressure at this time.

If you are eligible, you do not need to separately apply and upon lodgment of your activity statement, your first amount will automatically be credited to your account but no earlier than 28 April 2020.

The cash flow boosts will be made from the Government's announced date of 28 April 2020. If you lodge early, you will not receive the cash flow boost before this date.

Eligible businesses, including not-for-profit organisations, must have held an ABN on 12 March 2020 and lodge your activity statement to receive the credit. Charities registered with the Australian Charities and Not-for-profits Commission are eligible, regardless of when they were registered, if they meet the other eligibility requirements.

## Eligibility

You will be eligible to receive the cash flow boost if you are a small or medium business entity, including not-for-profit organisations, sole traders, partnership, company or trust that:

- held an ABN on 12 March 2020 and continues to be active
- has an aggregated annual turnover under \$50 million (generally based on prior year turnover)
- made eligible payments you are required to withhold from (even if the amount you need to withhold is zero).

Eligible payments include:

- salary and wages
- director fees
- eligible retirement or termination payments
- compensation payments
- voluntary withholding from payments to contractors.

In addition, you must also have either:

- derived business income in the 2018–19 income year and lodged your 2019 tax return on or before 12 March 2020
- made GST taxable, GST-free or input-taxed sales in a previous tax period (since 1 July 2018) and lodged the relevant activity statement on or before 12 March 2020.

We will generally determine whether you are a small or medium business entity based on your most recent income tax assessment for a prior year. However, where you do not have any income tax assessments for prior years, you may still be eligible if we are satisfied, based on other information we hold, that you are in business and would have an aggregated annual turnover under \$50 million.

We may also give you further time to provide us notice that business income or supplies were made. This will generally be the case where you have a lodgment deferral in place. If you did not have a lodgment deferral in place, you will not become eligible if you lodge or amend returns for those periods now.

## Eligibility for additional cash flow boosts

All eligible entities that received initial cash flow boosts may be entitled to additional cash flow boosts.

### Not for profit organisations including charities

To be eligible, not-for-profit organisations (excluding charities) must have all of the following:

- held an active ABN on 12 March 2020
- have an aggregate annual turnover of less than \$50 million
- made payments to employees.

Charities registered with the Australian Charities and Not-for-profits Commission are eligible, regardless of when they were registered, if they meet the other eligibility requirements.

We will use the aggregated annual turnover in the most recent previous year's tax return to determine eligibility.

If a not-for-profit organisation or charity is not required to lodge a tax return, they may still be eligible if we are satisfied, based on information available, that their aggregated annual turnover is under \$50 million.

## Timing

### Initial cash flow boost

The initial cash flow boosts will be delivered as credits in the activity statement system from the Government's announced date of 28 April 2020. If you lodge early, you will not receive the cash flow boost before this date.

If you lodge:

- quarterly, you will be eligible to receive the credit for
  - quarter 3, March 2020 (lodgment due date 28 April 2020)
  - quarter 4, June 2020 (lodgment due date 28 July 2020).
- monthly, you will be eligible to receive the credit for the lodgment periods of
  - March 2020 (lodgment due date 21 April 2020)
  - April 2020 (lodgment due date 21 May 2020)
  - May 2020 (lodgment due date 21 June 2020)
  - June 2020 (lodgment due date 21 July 2020).

### Lodgment deferrals

As the cash flow boost is generated on lodgment of an eligible activity statement, if a lodgment deferral has been granted by us, the cash flow boost will generally be made at the time of the deferred lodgment. This ensures that eligible entities that

have received deferrals, for example, due to recent natural disasters, do not miss out on the payment or have to forgo their extended time to lodge to qualify.

However, you may choose to lodge before the deferred due date (but only on or after 28 April 2020) in order to access the cash flow boost earlier, for example, if you are expecting GST refunds.

To be entitled to the cash flow boost, eligible entities need to lodge the relevant activity statements within two years of when the activity statements were due to be lodged. This ensures that the Boosting Cash Flow for Employers measure is targeted at helping employers during the period affected by COVID-19.

### Additional cash flow boost

Eligible entities who received initial cash flow boosts will receive additional cash flow boosts, for the periods June to September 2020, equal to the total amount of initial cash flow boosts received. This will be delivered in either two or four instalments depending on your reporting period.

See also:

- [Due dates for lodging and paying your BAS](#)

## Calculating the cash flow boost

### Initial cash flow boost

Your initial cash flow boost is based on the amount of your PAYG withholding.

Eligible businesses that withhold tax on their employees' salary and wages will receive a credit equal to 100% of the amount withheld, up to a maximum of \$50,000. The minimum credit will be \$10,000, even if the amount required to be withheld is zero. However you will not be eligible to receive any more cash flow boosts until your PAYG withholding exceeds \$10,000 over the relevant periods

Monthly lodgers will receive a credit that is calculated at three times the rate (300 per cent) in the March 2020 activity statement, to align with quarterly lodgers.

The total of all initial cash flow boosts across all of the relevant periods cannot exceed the maximum limit of \$50,000.

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#### Example – PAYG Withholding is less than \$10,000 in first period

Tim owns and runs a small paper delivery business in Melbourne, and employs two casual employees who each earn \$10,000 per year. In the March 2020 quarterly activity statement, Tim reports wages paid at W1 and \$0 at W2 for his employees as they are under the tax-free threshold.

The March 2020 quarter is the first period Tim is eligible for an initial cash flow boost. His withholding of \$0 is less than \$10,000 so Tim's initial cash

flow boost will be the minimum amount \$10,000.

Tim will not receive any further initial cash flow boosts unless his withholding in the June 2020 quarter is greater than \$10,000.

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Example – Total cash flow boosts reaches maximum limit of \$50,000

Sarah owns and runs a building business in South Australia and employs 8 construction workers on average full-time weekly earnings who each earn \$89,730 per year. In the months of March, April, May and June for the 2019–20 income year, Sarah reports wages paid at W1 and withholding of \$15,008 for her employees at W2 on each activity statement.

For March 2020, Sarah's initial cash flow boost is three times her withholding (W2). This equates to \$45,024 ( $\$15,008 \times 3$ ). As this amount is greater than \$10,000, Sarah will receive a cash flow boost of \$45,024.

For April 2020, Sarah's withholding is \$15,008, however there is only \$4,976 of initial cash flow boosts remaining before she reaches the \$50,000 limit. She will receive a further initial cash flow boost of \$4,976.

Sarah will not receive any further initial cash flow boosts after she has reached the \$50,000 limit.

### Additional cash flow boost

The amount of additional cash flow boosts you are entitled to is based on the value of initial cash flow boosts you received.

If you lodge quarterly business activity statements you will receive 50% of your total initial cash flow boosts for each activity statement.

If you lodge monthly business activity statements you will receive 25% of your total initial cash flow boosts for each activity statement.

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Example – quarterly activity statement

Tim received initial cash flow boosts of \$10,000. When Tim lodges his June and September 2020 quarterly business activity statements he will receive additional cash flow boosts as follows:

- \$5,000 for quarter ended June 2020,
- \$5,000 for quarter ended September 2020

#### Example – monthly activity statement

Sarah received the maximum initial cash flow boosts of \$50,000. When Sarah lodges her June to September 2020 business activity statements she will receive additional cash flow boosts as follows:

- June 2020, \$12,500
- July 2020, \$12,500
- August 2020, \$12,500
- September 2020, \$12,500

## Accessing the cash flow boost

You do not need to apply for the cash flow boosts. If you are eligible, the cash flow boosts will be automatically applied to your account when you lodge your activity statement for the relevant periods.

To access the cash flow boost, you must lodge your activity statement. If you do not need to lodge an activity statement in respect of your PAYG withholding we are working through a solution and will update our website with more information on what you need to do.

The cash flow boosts will be applied to reduce liabilities arising from the same activity statement. This will result in eligible entities being required to pay less to the ATO.

Generally where a credit exceeds your other tax liabilities, we will provide you with a refund of the excess amount. Where a credit exceeds your other tax liabilities, we will provide you with a refund of the excess amount.

You may also receive a refund if you overpay your activity statement because your system was unable to take the cash flow boost into consideration when working out how much was payable.

If you are placed in a refund position, we will generally deliver the refund within 14 days.

#### Example – overpaying activity statement

Your software calculates that your liability for the quarterly March 2020 activity statement is \$12,500 (without taking into account any initial cash flow boost you may be entitled to), which you pay immediately. The ATO

calculates that you are entitled to an initial cash flow boost of \$10,000 meaning you overpaid the March 2020 quarterly activity statement by \$10,000. Generally the overpayment of \$10,000 will be refunded to you.

## Tax consequences

All cash flow boosts are tax free (non-assessable non-exempt income) and are not required to be paid back when your cash flow improves. However, if you have been paid more cash flow boosts than you are entitled to, you will be required to repay the excess.

The boost is not subject to GST as you are not making or agreeing to make a supply for the payment.

You will still be entitled to a deduction for PAYG withholding paid.

There is no effect on tax paid by employees in respect of their salary and wages.

## Schemes

You will not be eligible for cash flow boosts if you (or a representative) have entered into or carried out a scheme for the purpose of:

- becoming entitled to cash flow boosts when you would otherwise not be entitled, or
- increasing the amount of the cash flow boosts.

This may include restructuring your business or the way you usually pay your workers to fall within the eligibility criteria, as well as increasing wages paid in a particular month to maximise the cash flow boost amount.

Any sudden changes to the characterisation of payments made may cause us to investigate whether the payments are in fact wages. If the payments are wages, we may consider the characterisation of past payments, including whether they should have been subject to PAYGW and whether super guarantee contributions should have been made. You may also have FBT obligations that have not yet been met.

See also:

- [COVID-19](#)
- [Instant asset write-off](#)
- [Building better business](#)

## Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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