

# Coronavirus Special Update

March 2020

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## Government's Stimulus Package in response to the Coronavirus

*Editor: What a changed world we are living in as we all try to navigate the challenges arising from the current Coronavirus Pandemic, including protecting the health and safety of our friends and family, and the viability of our businesses, employment and investments.*

*The purpose of this communication is to provide you with an update relating to the **Government's Economic Stimulus Package** in response to the Coronavirus. Our office will continue to apply its available resources to assist and support you where we can through this uncertain period as we attempt to survive the ever changing restrictions we are all dealing with.*

The following is a broad summary of the key aspects of the Federal Government's stimulus package in response to the Coronavirus, as recently announced and enacted.

These measures were implemented via various Bills introduced into Parliament, which very quickly received Royal Assent on 24 March 2020 (including the *Coronavirus Economic Response Package Omnibus Bill 2020*), so as to give effect to the Government's stimulus package.

### Cash flow assistance for businesses

The Government is providing cash flow assistance for eligible businesses in the form of two separate measures.

#### 1. Boosting cash flow for employers

Small and medium-sized businesses and not-for-profit entities, with an aggregated annual turnover of less than **\$50 million** (usually based on their prior year's turnover) that employ people, may be eligible to receive a total payment (in the form of a refundable credit) of up to **\$100,000** (with a minimum total payment of **\$20,000**), based on their PAYG withholding obligations in two stages:

##### **Stage 1 payment: A tax credit**

Commencing with the Jan-March 2020 Business Activity Statement (BAS), which is due to be lodged by 28 April 2020, eligible employers that withhold PAYG tax on their employees' salary and wages will receive a tax-free payment equal to 100% of the amount withheld, up to a maximum of \$50,000.

Eligible employers that pay salary and wages will receive a minimum (tax-free) payment of \$10,000, even if they are not required to withhold PAYG tax.

The tax-free payment will broadly be calculated and paid by the ATO as an **automatic credit** to an employer, upon the lodgement of activity statements from 28 April 2020, with any resulting refund being paid to the employer. This means that:

- **Quarterly lodgers** will be eligible to receive the payment for the quarters ending March 2020 and June 2020; and
- **Monthly lodgers** will be eligible to receive the payment for the March 2020, April 2020, May 2020 and June 2020 lodgements.

Note that, the minimum payment of \$10,000 will be applied to an entity's first activity statement lodgement (whether for the month of March or the March quarter) from 28 April 2020.

##### **Stage 2 payment: A tax credit**

For employers that continue to be active, an additional (tax-free) payment will be available in respect of the June to October 2020 period, basically as follows:

- **Quarterly lodgers** will be eligible to receive the additional payment for the quarters ending June 2020 and September 2020, with each payment being equal to 50% of their total initial (or Stage 1) payment (up to a maximum of \$50,000).

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- **Monthly lodgers** will be eligible to receive the additional payment for the June 2020, July 2020, August 2020 and September 2020 activity statement lodgements, with each additional payment being equal to a quarter of their total initial (or Stage 1) payment (up to a maximum of \$50,000).

Again, the ATO will automatically calculate and pay the additional (tax-free) payment as a **credit** to an employer upon the lodgement of their activity statements from July 2020, with any resulting refund being paid to the employer.

*Editor: It should be noted that eligibility for the above payments is subject to a **specific integrity rule** that is designed to stamp out artificial or contrived arrangements that are implemented to obtain access to this measure. In particular, if an employer or an associate enters into a scheme with the sole or dominant purpose of obtaining or increasing any of the above payments for a particular employer, for a period, the employer will **not** be eligible for any such payments for the relevant period.*

## Wages subsidies for apprentices and trainees

Employers with less than 20 full-time employees, who retain an apprentice or trainee (who was in training with the employer as at 1 March 2020) may be entitled to Government funded wage subsidies.

These will be equal to **50% of the apprentice's or trainee's wage** paid during the nine months from 1 January 2020 to 30 September 2020.

The maximum wage subsidy over the nine-month period will be **\$21,000** per eligible apprentice or trainee.

Employers can register for the subsidy from early April 2020.

## Increasing the instant write-off threshold for business assets

Broadly, the depreciating asset instant asset write-off threshold will be increased from **\$30,000** (for businesses with an aggregated turnover of less than \$50 million) to **\$150,000** (for businesses with an aggregated turnover of less than \$500 million) until 30 June 2020.

The measure applies to both new and second-hand assets first used or installed ready for use in the period beginning on **12 March 2020** (i.e., the date on which this measure was announced) and ending on **30 June 2020**.

## Income support for individuals

Various measures have been introduced so as to provide a 'safety net' for individuals who are financially impacted by the Coronavirus.

### The new Coronavirus supplement

A new six-month 'Coronavirus supplement' of **\$550 per fortnight** will be paid to individuals who are currently eligible for certain income support payments, including the:

- Jobseeker Payment;
- Youth Allowance; and
- Parenting Payment (Partnered and Single).

Furthermore, it appears that this new (additional) supplement will be paid to eligible individuals as part of their existing income support payments (e.g., Jobseeker Payment and Youth Allowance).

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## Expanding access (and eligibility) to certain income support payments

For the period that the Coronavirus supplement is paid, the Government will also expand access to certain income support payments (e.g., the Jobseeker Payment, the Youth Allowance Jobseeker and the Parenting Payment) for eligible individuals.

For example, a new category of Jobseeker Payment and Youth Allowance Jobseeker will become available for eligible individuals financially impacted by the Coronavirus.

According to the Government, this could include, for example, permanent employees who are stood down or lose their employment; sole traders; the self-employed; casual workers; and contract workers who meet the income tests, as a result of the economic downturn due to the Coronavirus.

Additionally, asset testing for the JobSeeker Payment, the Youth Allowance Jobseeker and the Parenting Payment will be waived for the period of the Coronavirus supplement. Income testing will still apply to the person's other payments, consistent with current arrangements.

## Tax-free payments of \$750 to eligible recipients

The Government will be providing two separate \$750 tax-free payments (referred to as 'economic support payments') to social security, veteran and other income support recipients and to eligible concession card holders.

The **first \$750 payment** will be available to individuals who are residing in Australia and are receiving an eligible Government payment, or are the holders of an eligible concession card, at any time from 12 March 2020 to 13 April 2020 (inclusive). This payment will be made automatically to eligible individuals from **31 March 2020**.

The **second \$750 payment** will be available to individuals who are residing in Australia and are receiving one of the eligible Government payments or are the holders of one of the eligible concession cards on **10 July 2020** (except for those receiving an income support payment that qualifies them to receive the \$550 fortnightly Coronavirus supplement). This payment will be made automatically to eligible individuals from **13 July 2020**.

Each of the \$750 payments will be **exempt from income tax** and will not count as income for the purposes of Social Security, the Farm Household Allowance and Veteran payments.

## Early access to superannuation benefits

The Government will introduce a new compassionate ground of release that will allow individuals to access their superannuation entitlements where those benefits are required to assist them to deal with the adverse economic effects of the Coronavirus, but only where **one or more of the following requirements** are satisfied:

- The individual is unemployed.
- The individual is eligible to receive the Jobseeker Payment, Youth Allowance for jobseekers, Parenting Payment (which includes the single and partnered payments), Special Benefit or Farm Household Allowance.
- On or after 1 January 2020 either:
  - the individual was made redundant; or
  - the individual's working hours were reduced by at least 20%; or
  - if the individual is a sole trader – their business was suspended or there was a reduction in the business's turnover of at least 20%.

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Under this new compassionate ground of release, eligible individuals will be able to access (as a lump sum) up to **\$10,000** of their superannuation entitlements before **1 July 2020**, and a further **\$10,000** from **1 July 2020** (subject to a six-month time frame).

Eligible individuals who are looking to access their superannuation entitlements under the above new ground of release will be able to apply directly to the ATO through the myGov website (at [www.my.gov.au](http://www.my.gov.au)) and certify that the relevant eligibility criteria are satisfied.

*Editor: Importantly, such lump sum superannuation withdrawals under this new compassionate ground of release will **not** be taxable to the recipient (i.e., they will be **tax-free**). Also, according to the Government, the amount withdrawn will not affect Centrelink or Veteran's Affairs payments.*

## Reducing the minimum drawdown amounts for superannuation pensions

The Government will be temporarily reducing the superannuation minimum drawdown amounts for account-based pensions and similar products by 50% for the 2020 and 2021 income years.

*Editor: This basically means that the total minimum annual pension amount that a superannuation fund is otherwise required to pay to a member receiving a pension from the fund (e.g., an account-based pension) will be reduced by half for these two income years.*

## Reducing social security deeming rates

From 1 May 2020, the Government will be reducing both the upper and lower social security deeming rates by a further 0.25 percentage points. This is in addition to the recent 0.5 percentage point reduction, resulting in an overall reduction to the social security deeming rates of 0.75 percentage points.

On this basis, as of 1 May 2020, the upper deeming rate will be reduced from 3% to 2.25%, and the lower deeming rate will be reduced from 1% to 0.25%.

*Editor: These reductions reflect the low interest rate environment and its impact on the income from savings. Broadly speaking, the social security deeming rates apply (for 'income test' purposes) to determine the amount of income that an individual is 'deemed' (or taken to) earn from financial investments (e.g., cash deposits and listed securities), irrespective of the actual amount of income (e.g., interest income and dividend income) earned by the individual. In most cases, the deeming rates apply for the purposes of applying the Age Pension 'income test'.*