

# Coronavirus Special Update

Current as at 2 April 2020

*DISCLAIMER: The information contained in this update is by way of general comment only and is not intended as a substitute for specific advice that addresses your particular circumstances.*

## Government's COVID-19 Stimulus Package

*[Trentons CA] The following is a broad summary of the key aspects of the Federal Government's stimulus package in response to COVID-19, as recently announced and enacted. For further details please read the various Government and ATO Fact Sheets available for download from our website.*

### **ATO tax support**

- The ATO is providing relief to businesses for some tax obligations on a case-by-case basis.
- Contact the ATO's Emergency Support Infoline For Businesses (1800 806 218) to request this tax assistance.

### **JobKeeper Payment**

- Government subsidy to help employers continue employing employees.
- Available to companies, partnerships, trusts, sole traders, non-profits, charities.<sup>1</sup>
- Fortnightly payment of \$1,500 (gross before tax) per eligible employee.
- Maximum period of six (6) months.
- Employer turnover must have fallen by more than 30% compared to last year.
- Must have an existing employment relationship as at 1 March 2020.
- Eligible employees are: currently employed on a full time, part time, casual basis (at least 12 months as at 1 March 2020); 16 years old or more; an Australian citizen or PR visa holder or NZ visa holder living in Australia for 10 years or more); not receiving a JobKeeper payment from another employer.
- Payment will be made monthly in arrears by the ATO, starting from the first week of May 2020.
- Must register with the ATO (<https://www.ato.gov.au/general/gen/JobKeeper-payment/>)

### **Cashflow boost for employers**

- Only available to active eligible employers established prior to 12 March 2020.
- Eligible employers are small and medium business entities with annual turnover under \$50 million and employs workers.
- Eligible employers that withhold tax on their employees' salary and wages will receive a tax free payment equal to 100% of the amount withheld, between \$10,000 (minimum) and \$50,000 (maximum) in the March 2020 BAS.

<sup>1</sup> The intent of the JobKeeper Payment is to enable any eligible self-employed person to get a wage subsidy regardless of what business structure they use, where:

- the partners in a partnership only receive a share of profits – one partner can be nominated to receive it
- directors of a company only receive dividends – one director can be nominated to receive it
- beneficiaries of a trust only receive distributions – one individual beneficiary (i.e. not a corporate beneficiary) can be nominated to receive it

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- For employers that continue to be active for the June 2020 and September 2020 quarters, an additional tax-free payment will be paid in the June and September BAS that is equal to 50% of the original credit paid in the March 2020 BAS.
- The payments will be paid by the ATO as an **automatic credit** to the BAS.

## **Instant asset write-off**

- Businesses can claim an immediate deduction on purchases of eligible business assets.
- The current threshold of \$30,000 per business asset has now been boosted to \$150,000.

## **Early access to superannuation benefits**

- New compassionate early release condition allowing individuals to access their superannuation entitlements (tax free)
- Eligible individuals will be able to access (as a lump sum) up to \$10,000 of their superannuation entitlements **before** 30 June 2020, and a further \$10,000 from 1 July 2020 (subject to a six-month time frame).
- Apply directly to the ATO through the myGov website ([www.my.gov.au](http://www.my.gov.au)) and certify that the relevant eligibility criteria are satisfied.
- The amount withdrawn will not affect Centrelink or Veteran's Affairs payments.
- Eligibility criteria (**one or more of the following requirements** must be 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%.

## **Bank loan deferment**

- The Australian Banking Association has announced that Australian banks will defer loan repayments for small businesses affected by COVID-19 for six (6) months.
- Contact your bank to discuss your options and find official information from the Australian Banking Association (<https://www.ausbanking.org.au/banks-small-business-relief-package/>)

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## Unsecured bank loans

- The Federal Government will provide a guarantee of 50% to encourage banks for making unsecured loans to small and medium enterprises (SME)<sup>2</sup> for use as working capital
- Terms and Conditions:
  - a) Maximum loan per borrower will be \$250,000.
  - b) Loans will be up to three (3) years, with an initial six (6) month repayment holiday.
  - c) Loans will be in the form of unsecured finance (ie. borrowers will not have to provide an asset as security for the loan.)

## Creditor restrictions and liability relief

- Temporary relief from statutory demands by creditors and suppliers<sup>3</sup>
- Minimum threshold for creditors issuing a statutory demand is increased from \$2,000 to \$20,000
- Minimum response time to a statutory demand extended from 21 days to six (6) months
- Company directors of companies will be relieved for six (6) months of any personal liability for insolvent trading

## Reducing the minimum drawdown for superannuation pensions

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

## Centrelink support

- A new six (6) month 'Coronavirus supplement' of \$550 per fortnight will be paid to individuals who are currently eligible for Jobseeker Payment; Youth Allowance and Parenting Payment (Partnered and Single).
- For the period that the Coronavirus supplement is paid, Centrelink will also expand access to certain income support payments (eg. the Jobseeker Payment, the Youth Allowance Jobseeker and the Parenting Payment) for eligible individuals such as 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.
- Asset testing for the JobSeeker Payment, the Youth Allowance Jobseeker and the Parenting Payment will be waived for the period of the Coronavirus supplement.<sup>4</sup>
- Centrelink will be providing two (2) separate \$750 tax-free 'economic support payments' to social security, veteran and other income support recipients and to eligible concession card holders.
  - a) 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**.
  - b) 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

<sup>2</sup> Businesses with turnover up to \$50 million

<sup>3</sup> Statutory demands are a common way for creditors to force a company into liquidation – this means a company will often pay its debts to avoid being liquidated

<sup>4</sup> Income testing will still apply to the person's other payments, consistent with current arrangements.

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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.

## Useful Links

Business Victoria ([www.business.vic.gov.au](http://www.business.vic.gov.au))

Business Queensland ([www.business.qld.gov.au](http://www.business.qld.gov.au))

Business SA ([www.business.sa.gov.au](http://www.business.sa.gov.au))

Business NSW ([www.business.nsw.gov.au](http://www.business.nsw.gov.au))

Australian Government Business Support ([www.business.gov.au](http://www.business.gov.au))

Australian Taxation Office ([www.ato.gov.au/coronavirus](http://www.ato.gov.au/coronavirus))

Australian Government ([www.australia.gov.au](http://www.australia.gov.au))

Australian Treasury ([www.treasury.gov.au](http://www.treasury.gov.au))