

MANAGING THROUGH COVID-19

AUSTRALIAN GOVERNMENT'S ECONOMIC RESPONSE

SUMMARY OF THE AUSTRALIAN GOVERNMENT'S ECONOMIC RESPONSE TO COVID-19 – 23 MARCH 2020

The Australian Government and the Reserve Bank of Australia have announced a range of measures to support the economy, business and employment in the face of the coronavirus health crisis. The measures include the following:

SUPPORT FOR BUSINESS

Cash Flow Boost for employers

Employers with an aggregated annual turnover of under \$50 million (based on prior year turnover) will receive payments of between \$20,000 to \$100,000 from the government to help with cash flow.

There will be two components to the payment. The first stage will be for the March and June quarters. Employers will receive a payment equal to 100 per cent of the taxes withheld on salary and wages, with the maximum payment being \$50,000. Where an employer (both for profit businesses and not-for-profits) is not required to withhold any tax on salary and wages, the minimum payment at this stage will be \$10,000.

The second component will be for the July to September quarter. Eligible entities will receive an additional payment equal to the total payment received under the first stage. This means that eligible entities will receive anywhere between \$20,000 to \$100,000 in payments from the government

The payment will be delivered as a credit in the activity statement system from 28 April 2020 upon businesses lodging their activity statements. Where this puts the business in a refund position, the ATO will deliver the refund within 14 days.

The payments will only be available to active eligible employers established prior to 12 March 2020. However, charities which are registered with the Australian Charities and Not-for-profits Commission (ACNC) will be eligible regardless of when they were registered. To qualify for the additional payment, the entity must continue to be active.

NB. This package replaces the cash flow boost for employers announced on 12 March 2020 where payments of up to \$25,000 were announced.

Temporary relief for financially distressed businesses

The Government is proposing several temporary measures to lessen the risk of a surge in insolvencies and allow more businesses to trade through this difficult period.

These measures include:

- a temporary six-month increase to the threshold at which creditors can issue a statutory demand on a company under the *Corporations Act 2001* from \$2000 to \$20,000
- a temporary extension to the statutory timeframe for a company to respond to a statutory demand from 21 days to six months. This extension will apply for six months.
- a temporary increase to the threshold at which creditors can initiate bankruptcy proceedings against a debtor who is not incorporated from \$5,000 to \$20,000. This will apply for six months
- a temporary extension to the period that a debtor has to respond to a bankruptcy notice from 21 days to six months. This will apply for six months
- a temporary extension to the period under which an unsecured creditor cannot take further action to recover debts when a debtor declares an intention to enter voluntary bankruptcy from 21 days to six months. This will apply for six months
- giving directors temporary relief from personal liability for insolvent trading with respect to any debts incurred in the ordinary course of the company's business. This relief will apply for six months but will not apply to egregious cases of dishonesty and fraud.

To enable the government to respond to other issues at a time where Parliamentary sittings will be disrupted, the government proposes giving the Treasurer a temporary instrument-making power in the *Corporations Act 2001* to temporarily amend provisions of the Act to provide relief from specific obligations or to modify obligations to enable compliance with legal requirements during the crisis.

The instrument-making power will apply for six months. Any instrument made under this power will apply for up to six months from the date it is made.

Increasing the instant asset write off

The government is proposing to increase the threshold for the instant asset write off from \$30,000 to \$150,000 and expand access to businesses with an aggregated annual turnover of up to \$500 million (up from \$50 million). The increase will only be available from 12 March to 30 June 2020 for new or second-hand assets first used or installed ready for use by 30 June 2020.

Accelerated depreciation

The government is proposing an accelerated depreciation deduction for eligible assets acquired from 12 March 2020 and first used or installed by 30 June 2021. Eligible taxpayers will receive a deduction of 50 per cent of the cost of the eligible asset on installation, with existing depreciation rules applying to the balance.

Eligible businesses are those with an aggregated turnover up to \$500 million. Eligible assets are those that can depreciated under Division 40 of the Income Tax Assessment Act 1997 (that is plant, equipment and specified intangible assets, such as patents), but does not apply to second-hand Division 40 assets, or buildings and other capital works depreciable under Division 43.

Apprentice and trainee wage subsidy

The government will offer employers a wage subsidy of 50 per cent of an apprentice's or trainee's wage from 1 January to 30 September 2020, capped at \$7,000 each quarter per each eligible apprentice or trainee.

Businesses with less than 20 full-time staff will be eligible, however employers of any size and Group Training Organisations that re-engage an eligible out-of-trade apprentice or trainee will be eligible for the subsidy.

The apprentice or trainee must have been in training with the small business as at 1 March 2020. Employers can register for the subsidy from early April 2020. Final claims for payment must be lodged by 31 December 2020.

Government credit guarantee for unsecured SME borrowing

The Government has announced the Coronavirus SME Guarantee Scheme, whereby it will provide a guarantee to SME lenders of 50 per cent for new unsecured loans to be used for working capital. SMEs with a turnover of up to \$50 million will be eligible to receive these loans.

The Government will provide eligible lenders with a guarantee for loans with the following terms:

- the maximum total size of loans of \$250,000 per borrower
- the loans will be up to three years, with an initial six-month repayment holiday
- the loans will be in the form of unsecured finance.

Loans will be subject to lenders' credit assessment processes. The Government states that they expect lenders will look through the cycle to sensibly consider the uncertainty of the current economic conditions.

The Government will encourage lenders to provide facilities to SMEs that only have to be drawn if needed by the SME. If offered, this will mean that the SME will only incur interest on the amount they draw down.

The Scheme will commence by early April 2020 and be available for new loans made by participating lenders until 30 September 2020.

Making it easier for small businesses to access new credit, credit limit increases, and credit variations and restructures

The Government will exempt lenders from the responsible lending obligations for a period of six months in relation to the credit they extend to their existing small business customers, provided there is an existing borrowing relationship and some proportion of that credit is used for business purposes.

The exemption will apply to new credit, credit limit increases and credit variations and restructures. The government anticipates that this reform should help small businesses get access to credit quickly and efficiently. It may however depend on the lender and the small business.

Contact your lender for further information.

Support from the Reserve Bank of Australia to encourage more lending by banks

The Reserve Bank of Australia (RBA) has announced a term funding facility for the banking system. Banks will have access to at least \$90 billion in funding from the RBA at a fixed interest rate of 0.25 per cent. To encourage lending to businesses, the facility offers additional low-cost funding to banks if they expand their business lending, with particular incentives applying to new loans to SMEs.

APRA has also [announced](#) temporary changes to its expectations regarding bank capital ratios.

Support for smaller lenders

The Government, through the Australian Office of Financial Management (the AOFM) will invest up to \$15 billion into the markets used by smaller lenders to support their lending. The AOFM will be using the money to purchase residential mortgage backed securities from smaller lenders, as well as assets that support small business lending and consumer lending.

SUPPORT FOR INDIVIDUALS

Increased an accelerated income support for individuals

The Government is temporarily expanding eligibility to income support payments and establishing a new Coronavirus supplement, to be paid at a rate of \$550 per fortnight. This supplement will be paid to both existing and new recipients of the eligible payment categories. These changes will commence from 27 April 2020 and will apply for six months.

The income support payment categories eligible to receive the Coronavirus supplement are:

- Jobseeker Payment
- Youth Allowance Jobseeker
- Parenting Payment (Partnered and Single)
- Farm Household Allowance
- Special Benefit recipients

For the six month period of the Coronavirus supplement, there will be expanded access to those income support payments, including for:

- permanent employees who are stood down or lose their employment
- sole traders
- the self-employed
- casual workers
- contract workers.

Asset testing for JobSeeker Payment, Youth Allowance Jobseeker and Parenting Payment will be waived for the six month period. Income testing will still apply to the person's other payments, consistent with current arrangements.

The one-week Ordinary Waiting Period has already been waived.

People will not be permitted, and will need to declare that they are not, accessing employer entitlements (such as annual leave and/or sick leave) or Income Protection Insurance, at the same time as receiving Jobseeker Payment and Youth Allowance Jobseeker.

The process for claiming such payment will be accelerated and the application process will be streamlined.

Temporary early access to superannuation

The Government is proposing to allow eligible individuals to apply online through myGov to access up to \$10,000 of their superannuation before 1 July 2020. They may also be able to access up to a further \$10,000 from 1 July 2020 for approximately three months. This measure is subject to passage of legislation.

To apply for early release, you must satisfy any one or more of the following requirements:

- you are unemployed
- you are eligible to receive a job seeker payment, youth allowance for jobseekers, parenting payment, special benefit or farm household allowance (access to such support payments will be fast-tracked under the Coronavirus supplement)
- on or after 1 January 2020
 - you were made redundant; or
 - your working hours were reduced by 20 per cent or more; or
 - if you are a sole trader — your business was suspended or there was a reduction in your turnover of 20 per cent or more.

People accessing their superannuation will not need to pay tax on amounts released and the money they withdraw will not affect Centrelink or Veterans' Affairs payments.

People will need to apply directly to the ATO through the myGov website. Applicants will need to certify that they meet the above eligibility criteria. The ATO will make a determination as to their eligibility, and if eligible, they will advise the relevant super fund to make the payment direct to recipient.

Separate arrangements will apply for members of a self-managed superannuation fund. Please contact the ATO for further information.

Temporary reduction in superannuation minimum drawdown requirements

The Government is temporarily reducing superannuation minimum drawdown requirements for account-based pensions and similar products by 50 per cent for the 2019-20- and 2020-21-income years. This will reduce the need for retirees and account-based pensioners to sell investments to fund minimum drawdown requirements.

Age	Current default minimum drawdown rates	Proposed drawdown rates for 2019-20 and 2020-21
Under 65	4%	2%
65 to 74	5%	2.5%
75 to 79	6%	3%
80 to 84	7%	3.5%
85 to 89	9%	4.5%
90 to 94	11%	5.5%
95 and over	14%	7%

Reduction to the social security deeming rates

As of 1 May 2020, the upper deeming rate will be 2.25 per cent and the lower deeming rate will be 0.25 per cent.

The Government estimates the reduction will benefit around 900,000 income support recipients, including around 565,000 people on the Age Pension who will, on average, receive around \$105 more from the Age Pension in the first full year that the reduced rates apply.

Direct payment to individuals

The government will provide two separate payments of \$750 to around 6.5 million social security, veterans and other income support recipients and eligible concession card holders residing in Australia.

The first payment will be made at any time from 12 March 2020 to 13 April 2020. The second payment will be made on 10 July 2020.

ATO SUPPORT MEASURES

The ATO has implemented a series of administrative measures to assist Australians experiencing financial difficulty as a result of the COVID-19 outbreak.

Businesses impacted by the coronavirus are encouraged to get in touch with the ATO to discuss relief options. Tax agents can assist businesses with this as well.

Options available to assist impacted businesses include:

- deferring by up to four months the payment date of amounts due through the business activity statement (BAS, including PAYG instalments), income tax assessments, FBT assessments and excise
- allowing businesses on a quarterly reporting cycle to opt into monthly GST reporting in order to get quicker access to GST refunds to which they may be entitled to
- allowing businesses to vary Pay As You Go (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 low interest payment plans.

Employers will still need to meet their ongoing super guarantee obligations for their employees.

Unlike the bushfire relief measures, which applied automatically to particular geographic areas, assistance measures for those impacted by COVID-19 will not be automatically implemented.

Anyone impacted by COVID-19 should therefore contact the ATO or ask their tax agent to contact the ATO to request assistance on its Emergency Support Infoline 1800 806 218.