



COVID-19: Economic Stimulus Stage 2

The Federal Government has announced stage 2 of its economic plan to cushion the economic impact of the coronavirus (COVID-19) and help build a bridge to recovery. The package provides support to workers, households and businesses through this difficult time. Building on the previous measures, this package will support households and business through the period ahead. It is designed to support businesses in managing short-term cash flow challenges, provide support to individuals, severely affected communities and regions, and to ensure the continued flow of credit in the Australian economy. The Government is moving quickly to implement this package, with a package of Bills is being introduced into Parliament on 23 March 2020 for urgent consideration.

Support for businesses

Boosting Cash Flow for Employers

The Government is enhancing the Boosting Cash Flow for Employers measure it announced on 12 March 2020 by providing up to \$100,000 to eligible small and medium-sized businesses, and not-for-profits (NFPs) that employ people, with a minimum payment of \$20,000.

First Benefit

Small and medium-sized business entities with aggregated annual turnover under \$50 million and that employ workers, will receive a payment equal to 100% of their salary and wages withheld (up from 50%) up to a maximum of \$50,000 (up from \$25,000). In addition, the



minimum payment is being increased from \$2,000 to \$10,000, even if their total withholding is less than \$10,000.

The benefit will be provided by way of a credit to the employer's Integrated Client Account with the ATO. If this puts the employer in a credit position, the excess will be refunded by the ATO within 14 days. The first benefit will be paid from 28 April 2020 when the employer lodges their Activity Statements.

- If you lodge quarterly, the payment will be credited to your ATO Integrated Client Account when you lodge your BAS for the period ending March 2020 and June 2020. This means that the PAYGW will not need to be paid to the ATO on the March and June BAS.
- If you lodge monthly, the first payment will be equal to 300% (in lieu of a credit for January and February to provide similar treatment to quarterly lodgers) of the PAYGW in the March 2020 Activity Statement (capped at \$50,000). The remaining payments will be equal to the PAYGW in the April, May and June 2020 activity statements. However, the aggregated total payment received for March, April, May and June cannot exceed the \$50,000 maximum.

Second Benefit – Additional Payment

To qualify for the Additional Payment, the entity must continue to be active. The Additional Payments will be delivered as an automatic credit to the Integrated Client Account with the ATO (and refundable if in credit). The minimum Additional Payment is \$10,000 and the maximum Additional Payment is \$50,000.

- If you lodge quarterly, you will receive the Additional Payment as a credit to your ATO Integrated Client Account upon lodgement of your Activity Statements for June 2020 and September 2020. Each Additional Payment will be equal to 50% of the amount paid under the First Benefit.
- If you lodge monthly, you will receive the Additional Payment as a credit to your Integrated Client Account when you lodge your June, July, August and September Activity Statements. Each Additional Payment will be equal to 25% of the amount paid under the First Benefit.

Temporary relief for financially distressed businesses

The economic impacts of the Coronavirus will see many otherwise profitable and viable businesses temporarily face financial distress. In order to provide a safety net to lessen the threat of actions that could unnecessarily push businesses into insolvency and force the winding up of the business, the Government is temporarily changing the following:

Statutory demands: The minimum threshold for creditors issuing a statutory demand on a company will increase from \$2,000 to \$20,000. The period of time to respond to a statutory demand will be extended from 21 days to 6 months.

The minimum threshold for creditors to initiate bankruptcy proceedings against an individual will increase from \$5,000 to \$20,000. The period of time to respond to a bankruptcy notice will be extended from 21 days to 6 months.

Insolvent trading: Directors are personally liable if a company trades while insolvent. Directors will be temporarily relieved of their duty to prevent insolvent trading in respect of any debts



incurred in the ordinary course of the company's business. This will apply for 6 months. Egregious cases of dishonesty and fraud will still be subject to criminal penalties.

Increasing the instant asset write-off

The instant asset write-off for depreciating assets will increase from \$30,000 to \$150,000. This instant deduction will be available for businesses with an aggregated turnover of less than \$500 million (up from \$50 million).

This immediate deduction will be available for new and second-hand assets first used or installed ready for use from 12 March 2020 to 30 June 2020.

Backing business investment

Businesses with aggregated turnover of less than \$500 million will also be eligible to claim accelerated depreciation deductions. It seems that this incentive will be relevant for those assets that are not eligible for the instant asset write-off.

The accelerated depreciation deduction operates as follows:

- A deduction equal to 50% of the cost of the asset for the year in which the asset is installed; and
- The existing depreciation rules applying to the balance of the asset's cost.

This measure will only be available for new assets acquired from 12 March 2020 and first used or installed by 30 June 2021. This measure does **not** apply to second-hand assets or capital works deductions (Division 43).

Supporting apprentices and trainees

Small businesses employing fewer than 20 full-time employees can apply for a subsidy of 50% of their apprentice or trainee's wage paid during the 9 months from 1 January 2020 to 30 September 2020 up to a maximum of \$21,000 per eligible apprentice or trainee (\$7,000 per quarter).

The apprentice or trainee must have been in training with a small business as at 1 March 2020. Where a small business is not able to retain an apprentice, the subsidy will be available to a new employer. Employers can register for the subsidy from early-April 2020. Final claims for payment must be lodged by 31 December 2020.

Support for Coronavirus-affected regions and communities

The Government will set aside \$1 billion to support regions most significantly affected by the Coronavirus outbreak. These funds will be available to assist during the outbreak and the recovery. In addition, the Government is assisting our airline industry by providing relief from a number of taxes and Government charges estimated to total up to \$715 million.

Supporting the flow of credit

Support for immediate cash flow needs for SMEs

The Government will provide a guarantee to assist businesses with a turnover of up to \$50 million to borrow money. The Government will guarantee of 50% to lenders for new unsecured loans to be used for working capital. This is to provide an incentive to lenders.



The following terms will apply:

- Maximum total size of loans will be \$250,000 per borrower;
- Loans will be up to 3 years, with an initial 6-month repayment holiday; and
- Loans will be in the form of unsecured finance.

Loans will be subject to lenders' credit assessment processes with the expectation that lenders will look through the cycle to sensibly take into account the uncertainty of the current economic conditions.

Quick and efficient access to credit for small business

The Government is cutting red tape by providing a temporary exemption from responsible lending obligations for lenders providing credit to existing small business customers. This reform will help small businesses get access to credit quickly and efficiently.

Support for individuals and households

Income support for individuals

Over the next six months, the Government is temporarily expanding eligibility to income support payments and establishing a new, time-limited Coronavirus supplement to be paid at a rate of \$550 per fortnight. This will be paid to both existing and new recipients of Jobseeker Payment, Youth Allowance Jobseeker, Parenting Payment, Farm Household Allowance and Special Benefit.

Payments to support households

The Government is providing two separate \$750 payments to social security, veteran and other income support recipients and eligible concession card holders residing in Australia. The first payment will be made from 31 March 2020 and the second payment will be made from 13 July 2020. This second payment will not be made to those eligible for the Coronavirus supplement.

Temporary early release of superannuation

The Government is allowing individuals affected by the Coronavirus to access up to \$10,000 of their superannuation in 2019-20 and a further \$10,000 in 2020-21. Individuals will not need to pay tax on amounts released and the money they withdraw will not affect Centrelink or Veterans' Affairs payments.

Eligibility:

To apply for early release, an individual must satisfy at least one of the following conditions:

- They are unemployed
- They are eligible to receive one of the following benefits: Jobseeker Payment, Youth Allowance Jobseeker, Parenting Payment, Special Benefit or Farm Household Allowance; or
- On or after 1 January 2020:
 - The individual was made redundant; or
 - Working hours were reduced by 20% or more
 - For a sole trader – business was suspended or there was a reduction in turnover of 20% or more.



Temporarily reducing superannuation minimum drawdown rates

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

Reducing social security deeming rates

On 12 March, the Government announced a 0.5 percentage point reduction in both the upper and lower social security deeming rates. The Government will now reduce these rates by another 0.25 percentage points. As of 1 May 2020, the upper deeming rate will be 2.25% and the lower deeming rate will be 0.25%

Please contact Kinsella if you have any questions about how these measures affect you and your business.

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