

# enhanced stimulus - cash flow assistance for businesses as at 25<sup>th</sup> March, 2020

**The following relates to the second stimulus package announced by the Federal Government on 24<sup>th</sup> March, please disregard the 1<sup>st</sup> package as this is now superseded with the below.**

The Government is now providing up to \$100,000 to eligible small and medium sized businesses, and not-for-profits (including charities) that employ people, with a minimum payment of \$20,000.

On 12 March 2020, the Government announced the *Boosting Cash Flow for Employers* measure. The measure initially provided up to \$25,000 to business, with a minimum payment of \$2,000 for eligible businesses. Small and medium sized business entities with aggregated annual turnover under \$50 million and that employ workers are eligible.

The Government has enhanced this measure as part of the second economic response package.

An additional payment is also being introduced in the July – October 2020 period. Eligible entities will receive an additional payment equal to the total of all of the *Boosting Cash Flow for Employers* payments they have received.

This means that eligible entities will receive at least \$20,000 up to a total of \$100,000 under both payments. This additional payment continues cash flow support over a longer period, increasing confidence, helping employers to retain staff and helping entities to keep operating.

The cash flow boost provides a tax-free payment to employers and is automatically calculated by the Australian Taxation Office (ATO). There are no new forms required.

## eligibility

### boosting cash flow for employees' payments

Small and medium business entities with aggregated annual turnover under \$50 million and that employ workers will be eligible. Eligibility will generally be based on prior year turnover.

- The payment will be delivered by the Australian Taxation Office (ATO) as a credit in the activity statement system from 28 April 2020 upon businesses lodging eligible upcoming activity statements.
- Eligible businesses that withhold tax to the ATO on their employees' salary and wages will receive a payment equal to 100 per cent of the amount withheld, up to a maximum payment of \$50,000.
- Eligible businesses that pay salary and wages will receive a minimum payment of

\$10,000, even if they are not required to withhold tax.

- The payments will only be available to active eligible employers established prior to 12 March 2020.

## additional payment

To qualify for the additional payment, your business must continue to be active.

For monthly activity statement lodgers, your additional payments will be delivered as an automatic credit in the activity statement system. This will be equal to a quarter of your total initial Boosting Cash Flow for Employers payment following the lodgement of your June 2020, July 2020, August 2020 and September 2020 activity statements (up to a total of \$50,000).

For quarterly activity statement lodgers, the additional payments will be delivered as an automatic credit in the activity statement system. This will be equal to half of your total initial Boosting Cash Flow for Employers payment following the lodgement of your June 2020 and September 2020 activity statements (up to a total of \$50,000).

This measure will benefit around 690,000 businesses employing around 7.8 million people.

## timing

### boosting cash flow for employer's payments

The Boosting Cash Flow for Employers measure will be applied for a limited number of activity statement lodgements. The ATO will deliver the payment as a credit to the business upon lodgement of their activity statements. Where this places the business in a refund position, the ATO will deliver the cash refund within 14 days.

| type of lodger   | eligible period                            | lodgement due date |
|------------------|--|--------------------|
| <b>Quarterly</b> | Quarter 3 (January, February & March 2020) | 28 April 2020      |
|                  | Quarter 4 (April, May and June 2020)       | 28 July 2020       |
| <b>Monthly</b>   | March 2020                                 | 21 April 2020      |
|                  | April 2020                                 | 21 May 2020        |
|                  | May 2020                                   | 22 June 2020       |
|                  | June 2020                                  | 21 July 2020       |

Quarterly lodgers will be eligible to receive the payment for the quarters ending March 2020 and June 2020.

Monthly lodgers will be eligible to receive the payment for the March 2020, April 2020, May 2020 and June 2020 lodgements. To provide a similar treatment to quarterly lodgers, the payment for monthly lodgers will be calculated at three times the rate (300 per cent) in the March 2020 activity statement.

The minimum payment will be applied to the business' first lodgement.

The ATO offers a range of support services to small and medium businesses experiencing hardship — visit [ato.gov.au](http://ato.gov.au) to find out more.

## additional payment

The additional payment will be applied to a limited number of activity statement lodgements. The ATO will deliver the payment as a credit to your business upon lodgement of your activity statements. Where this places the business in a refund position, the ATO will deliver the refund within 14 days.

| type of lodger   | eligible period                             | lodgement due date |
|------------------|---|--------------------|
| <b>Quarterly</b> | Quarter 4 (April, May and June 2020)        | 28 July 2020       |
|                  | Quarter 1 (July, August and September 2020) | 28 October 2020    |
| <b>Monthly</b>   | June 2020                                   | 21 July 2020       |
|                  | July 2020                                   | 21 August 2020     |
|                  | August 2020                                 | 21 September 2020  |
|                  | September 2020                              | 21 October 2020    |

Quarterly lodgers will be eligible to receive the additional payment for the quarters ending June 2020 and September 2020. Each additional payment will be equal to half of your total initial Boosting Cash Flow for Employers payment (up to a total of \$50,000).

Monthly lodgers will be eligible to receive the additional payment for the June 2020, July 2020, August 2020 and September 2020 lodgements. Each additional payment will be equal to a quarter of your total initial Boosting Cash Flow for Employers payment (up to a total of \$50,000).

## Examples

example 1.

### John's medical clinic (monthly PAYG Withholding Reporting)

John owns and runs a medical clinic in Victoria and employs eight people on average full-time weekly earnings who each earn \$89,730 per year. In the months of March, April and June for the 2019-20 income year, John reports withholding of \$15,008 for his employees on each Business Activity Statement (BAS).

Under the Government's changes, John will be eligible to receive the Boost on lodgement of each of his BAS.

John's business receives:

- A credit of \$45,024 for the March period, equal to 300 per cent of his total withholding.
- A credit of \$4,976 for the April period, before he reaches the \$50,000 cap.
- No payment for the May period, as he has now reached the \$50,000 cap.
- An additional payment of \$12,500 for the June period, equal to 25 per cent of his total Boosting Cash Flow for Employers payments.
- An additional payment of \$12,500 for the July period, equal to 25 per cent of his total Boosting Cash Flow for Employers payments.
- An additional payment of \$12,500 for the August period, equal to 25 per cent of his total Boosting Cash Flow for Employers payments.
- An additional payment of \$12,500 for the September period, equal to 25 per cent of his total Boosting Cash Flow for Employers payments.

Under the previously announced Boosting Cash Flow for Employers measure, John's clinic would have received a maximum payment of \$25,000.

**Under the Government's enhanced Boosting Cash Flow for Employers measure, John's clinic will receive \$100,000. This is an additional \$75,000 to support his business and help him retain his staff.**

example 2.

### **Rebecca's medical practice (monthly PAYG Withholding Reporting)**

Rebecca owns a medical practice in Victoria. She employs her partner and 11 other staff with an average salary of \$50,000 per year. Rebecca reports withholding of \$8,788 for her employees in each of her monthly BAS.

Under the Government's changes, Rebecca will be eligible to receive the payment on lodgement of her relevant BAS.

Rebecca's practice will receive:

- A credit of \$26,364 for the March period, equal to 300 per cent of her total withholding.
- A credit of \$8,788 for the April period.
- A credit of \$8,788 for the May period.
- A credit of \$6,060 for the June period, before she reaches the \$50,000 cap. Rebecca will also receive an additional payment of \$12,500 for the June period, equal to 25 per cent of her total Boosting Cash Flow for Employers payments.
- An additional payment of \$12,500 for the July period, equal to 25 per cent of her total Boosting Cash Flow for Employers payments.
- An additional payment of \$12,500 for the August period, equal to 25 per cent of her total Boosting Cash Flow for Employers payments.
- An additional payment of \$12,500 for the September period, equal to 25 per cent of her total Boosting Cash Flow for Employers payments.

Under the previously announced Boosting Cash Flow for Employers measure, Rebecca's practice would have received a total payment of \$25,000.

**Under the Government's enhanced Boosting Cash Flow for Employers measure, Rebecca's practice will receive \$100,000. This is an additional \$75,000 to support her business.**

example 3.

### **Charlotte's medical specialist practice (quarterly reporting with nil PAYG Withholding)**

Charlotte owns and runs a small medical specialist practice in Melbourne and employs her partner as a bookkeeper and one other staff member as casual employees who each earn \$10,000 per year. In her quarterly BAS, Charlotte reports withholding of \$0 for her employees as they are under the tax-free threshold.

Under the Government's changes, Charlotte will be eligible to receive the payment on lodgement of her BAS.

Charlotte's practice will receive:

- A credit of \$10,000 for the March quarter, as she pays salary and wages but is not required to withhold tax.
- An additional payment of \$5,000 for the June quarter, equal to 50 per cent of her total Boosting Cash Flow for Employers payments.
- An additional payment of \$5,000 for the September quarter, equal to 50 per cent of her total Boosting Cash Flow for Employers payments.
- If Charlotte begins with holding tax for the June quarter, she would need to withhold more than \$10,000 before she receives any additional payment.

Under the previously announced Boosting Cash Flow for Employers measure, Charlotte's practice would have received a total payment of \$2,000.

**Under the Government's enhanced Boosting Cash Flow for Employers measure, Charlotte's practice will receive \$20,000. This is an additional \$18,000 to support her business.**

example 4.

### **Taylor's Dental Clinic (quarterly PAYG Withholding Reporting)**

Taylor owns a dental clinic with a receptionist and a dental nurse with an average salary of \$60,000 per year. She reports total withholding of \$6,136 for her employees for each quarterly BAS.

Under the Government's changes, Taylor will be eligible to receive the payments on lodgement of her relevant BAS.

- A credit of \$10,000 for the March quarter, the minimum payment.
- An additional payment of \$5,000 for the June quarter, equal to 50 per cent of its total Boosting Cash Flow for Employers payments.
- An additional payment of \$5,000 for the September quarter, equal to 50 per cent of its total Boosting Cash Flow for Employers payments.

Under the previously announced Boosting Cash Flow for Employers measure, Taylor's practice would have received a total payment of \$2,000.

**Under the Government's enhanced Boosting Cash Flow for Employers measure, Taylor's practice will receive \$20,000. This is an additional \$18,000 to support her business.**

## **delivering support for business investment**

The Government is backing businesses to invest to help the economy withstand and recover from the economic impact of Coronavirus. This business investment measure in this package is designed to assist Australian businesses and economic growth in the short term, and encourage a stronger economic recovery following the Coronavirus outbreak.

## **increasing the instant asset write-off (IAWO)**

The Government is increasing the instant asset write-off (IAWO) threshold from \$30,000 to \$150,000 and expanding access to include all businesses with aggregated annual turnover of less than \$500 million (up from \$50 million) until 30 June 2020. In 2017-18 there were more than 360,000 businesses that benefited from the current IAWO, claiming deductions to the value of over \$4 billion.

## **the IAWO threshold**

The higher IAWO threshold provides cash flow benefits for businesses that will be able to immediately deduct purchases of eligible assets each costing less than \$150,000. The threshold applies on a per asset basis, so eligible businesses can immediately write-off multiple assets. The IAWO is due to revert to \$1,000 for small businesses (turnover less than \$10 million) from 1 July 2020.

## eligibility

The Government is expanding access so that more businesses can take advantage of the IAWO. The annual turnover threshold for businesses is increasing from \$50 million to \$500 million. Expanding the threshold will mean an additional 5,300 businesses who employ around 1.9 million Australians will be able to access the IAWO for the first time.

## timing

This proposal applies from announcement on 10 March 2020 until 30 June 2020, for new or second-hand assets first used or installed ready for use in this timeframe.

### Example 1 — Business benefits from increased asset threshold

Dr Sarah Cohen and/or her service entity operate a medical practice. On 1 May 2020, Sarah bought lasers and other medical equipment for \$140,000, exclusive of GST for use in her practice.

Under the new \$150,000 instant asset write-off, Sarah could claim an immediate deduction of \$140,000 for the purchase of the medical equipment in the 2019-20 income year. This will improve Sarah's cash flow and help her business withstand and recover from the economic impact of the Coronavirus. **Note** – the deduction for instant asset write-off is allowable whether Sarah paid cash or financed the purchase of the medical equipment.

## backing business investment (bbi)

The Government is introducing a time limited 15-month investment incentive to support business investment and economic growth over the short-term, by accelerating depreciation deductions. The key features of the incentive are:

- benefit — deduction of 50 per cent of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset's cost;
- eligible businesses — businesses with aggregated turnover below \$500 million; and
- eligible assets — new assets that can be depreciated under Division 40 of the Income

Tax Assessment Act 1997 (i.e. plant, equipment and specified intangible assets, such as patents) acquired after announcement and first used or installed by 30 June 2021. Does not apply to second-hand Division 40 assets, or buildings and other capital works depreciable under Division 43.

## eligibility

Businesses with aggregated turnover below \$500 million, purchasing certain new depreciable assets.

## timing

Applies to eligible assets acquired after announcement on 10 March 2020 and first used or installed by 30 June 2021.

## one-off economic support payment

The Government will provide a one-off payment of \$750 to approximately 6.5 million Social Security and Veterans' income support recipients, Farm Household Allowance (FHA) recipients, Family Tax Benefit (FTB) recipients and holders of a Pensioner Concession Card, Commonwealth Seniors Health Card (CSHC) or Commonwealth Gold Card.

To be eligible, you must be residing in Australia and be receiving one of the following payments or hold one of the following concession cards on 12 March 2020:

Please advise all your family members as they may be eligible to qualify for this payment.

- Age Pension
- Disability Support Pension
- Carer Payment
- Parenting Payment
- Wife Pension
- Widow B Pension
- ABSTUDY (Living Allowance)
- Austudy
- Bereavement Allowance
- Newstart Allowance
- Youth Allowance
- Partner Allowance
- Sickness Allowance
- Special Benefit
- Widow Allowance
- Family Tax Benefit, including Double Orphan Pension
- Carer Allowance
- Pensioner Concession Card holders
- Commonwealth Seniors Health Card holders
- Veteran Service Pension; Veteran Income Support Supplement; Veteran Compensation payments, including lump sum payments; War Widow(er) Pension; and Veteran Payment
- Veteran Gold Card holders
- Farm Household Allowance

Services Australia and the Department of Veterans' Affairs will automatically deliver the payment from 31 March 2020 (subject to the passage of legislation) with the majority of recipients receiving the payment by 17 April 2020.

***Please advise all your family members as they may be eligible to qualify for this payment.***

Please visit the Services Australia website for more information on each individual payment.

## other support for small and medium businesses (SME)

### banking

To support customers through COVID-19 Westpac (banks) have announced a raft of measures. Click this link to access Westpac's COVID-19 support measures.

[Westpac](#)

It is important to consider all your options and to ensure you make the correct long-term decision please do not contact your bank without speaking with us first. We want to ensure whatever decision you make today will be in your best interests over the longer term.

### SME loan guarantee and funding measures

Banks will offer unsecured three-year loans of up to \$250,000 to businesses with a turnover of less than \$50 million. Fifty percent of the loan value will be guaranteed by the Federal Government. Loans will be interest-free for the first six months, interest-only for the next six months and principle and interest for the remaining two years.

Loans will be available through the banks' normal business lending channels.

The RBA has provided a \$90 billion term funding facility for banks to reduce the cost of finance for small and medium-sized businesses. The facility is expected to result in a significant reduction in the interest rate charged in business loans - as little as 4.5 percent per annum. A \$15 billion funding facility for non-bank lenders has also been deployed.

### managing interest payments

- 1) Residential finance
  - Westpac assist is available for clients who have lost their job or can evidence a decline in income
  - 3 month deferral of repayments (capitalised)
  - Review and possible extension of 3 further months
  - Deferred payments not treated as arrears (no black spot on your credit score)
- 2) Business finance
  - 3 month deferral of repayments for business credit cards and business loans
  - Option to extend business loan term 3 months
- 3) Up for review
  - Fast-tracking (decreased verification) for switching P&I to interest only
  - Non-face-to-face verification of identity for clients and for settlements
- 4) Fixed rates
  - 1, 2, 3 year fixed rates
  - 2.29% for P&I, owner occupied loans

## Other possible measures

Some additional measures are being reviewed by the regulator and internal bank compliance. We are requesting these be fast tracked to enable customers to switch from Principal and Interest loans to Interest only loans to assist with cashflow management.

## Superannuation

**IMPORTANT - Because there could be long-term implications in gaining early access to your superannuation, please speak to your adviser to discuss what this could mean to you.**

### temporary early access to 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.

While superannuation helps people save for retirement, the Government recognises that for those significantly financially affected by the Coronavirus, accessing some of their superannuation today may outweigh the benefits of maintaining those savings until retirement.

Eligible individuals will be able to apply to access up to \$10,000 of their superannuation before 1 July 2020. They will also be able to access up to a further \$10,000 from 1 July 2020 for approximately three months (exact timing will depend on the passage of the relevant legislation).

#### Eligibility

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

- you are unemployed; or
- you are eligible to receive a job seeker payment, youth allowance for jobseekers, parenting payment (which includes the single and partnered payments), special benefit or farm household allowance; or
- 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.

#### Timing

You will be able to apply for early release of your superannuation from mid-April 2020.

## superannuation – minimum drawdown rates

The minimum drawdown requirements for superannuation will be temporarily reduced by 50 percent for 2019-20 and 2020-21. For example, the minimum rate for under-65s will reduce from four percent to two percent.

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.

The Government is also reducing both the upper and lower social security deeming rates by a further 0.25 percentage points in addition to the 0.5 percentage point reduction to both rates announced on 12 March 2020.

### Temporary reduction in superannuation minimum drawdown requirements

This measure will benefit retirees with account-based pensions and similar products by reducing the need to sell investment assets to fund minimum drawdown requirements. The reduction applies for the 2019-20 and 2020-21 income years.

| age        | default minimum drawdown rates (%) | reduced rates by 50% for the 2019-20 and 2020-21 income yrs (%) |
|------------|------------------------------------|---|
| under 65   | 4                                  | 2   |
| 65 – 74    | 5                                  | 2.5   |
| 75 – 79    | 6                                  | 3   |
| 80 – 84    | 7                                  | 3.5   |
| 85 – 89    | 9                                  | 4.5   |
| 90 – 94    | 11                                 | 5.5   |
| 95 or more | 14                                 | 7   |

This measure will have no impact on the underlying cash balance for 2019-20 and a negligible impact in 2020-21.

## timing of assistance - summary

To help us prioritise access to the various stimulus measures, please see the Timing of Assistance table below.

| date   | support   |
|--|---|
| Immediately, with deductions to be included in 2019-20 tax returns | Increased instant asset write off                             |
| Immediately  | Temporarily reduced minimum drawdown rates for superannuation |
| Immediately, with deductions to be included in 2019-20 tax returns | Backing business investment — accelerated depreciation        |
| As soon as practicable   | Support for Coronavirus-affected regions and communities      |
| From 31 March 2020   | First round of \$750 payments to support households           |
| Applications from early-April                                      | Assistance for existing apprentices and trainees              |
| Applications from mid-April 2020                                   | Temporary early release of superannuation                     |
| From 27 April 2020   | Income support and a Coronavirus supplement                   |
| From 28 April 2020   | First phase of Boosting Cash Flow for Employers               |
| From 1 May 2020  | Increased transfer payments from reduced deeming rates        |
| From 13 July 2020  | Second round of \$750 payments to support households          |
| From 21 July 2020  | Second phase of Boosting Cash Flow for Employers              |

Source: Treasury, Overview-Economic Response to the Coronavirus, Last updated: 24 March 2020

**From the Bongiorno team**

**At the end of this period, we will all be judged by our behaviour during this time of extreme stress.**