

Circular No. 39/2020

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Information for members – Coronavirus Update #4 – Government financial support for businesses and employees

Federal and State Governments have announced economic measures to support businesses and workers to counter the economic impact of the Coronavirus.

Federal Government

Boosting Cash Flow for Employers

The Federal Government is enhancing the Boosting Cash Flow for Employers measure it announced on 12 March 2020. This provides 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. Small and medium-sized business entities with aggregated annual turnover under \$50 million and that employ workers are eligible. NFPs, including charities, with aggregated annual turnover under \$50 million and that employ workers will now also be eligible.

Under the scheme, employers will receive a payment equal to 100 per cent of their salary and wages withheld (up from 50 per cent), with the maximum payment being increased from \$25,000 to \$50,000.

In addition, the minimum payment is being increased from \$2,000 to \$10,000. 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.

The payment will be delivered by the Australian Taxation Office (ATO) as a credit when businesses lodge eligible activity statements from 28 April 2020. Where this places the business in a refund position, the ATO will deliver the refund within 14 days. 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.

Additional payments will be delivered as an automatic credit for monthly and quarterly lodgers up to September 2020. Each additional payment will be equal to half of the total initial Boosting Cash Flow for Employers for quarterly lodgers and one quarter of this initial cash boost for monthly lodgers (up to a total of \$50,000 for both).

Temporary relief for financially distressed businesses

The Government is temporarily increasing the threshold at which creditors can issue a statutory demand on a company and to initiate bankruptcy proceedings against an individual as well as temporarily increasing the time companies and individuals have to respond to statutory demands they receive.

The package also includes temporary relief for directors from any personal liability for trading while insolvent, and providing temporary flexibility in the Corporations Act 2001 to provide targeted relief from provisions of the Act to deal with unforeseen events that arise as a result of the Coronavirus health crisis.

The ATO has been directed to tailor solutions for owners or directors of business that are currently struggling due to the Coronavirus, including temporary reduction of payments or deferrals, or withholding enforcement actions including Director Penalty Notices and wind-ups.

Increasing the instant asset write-off

The Federal Government is increasing the instant asset write-off threshold from \$30,000 to \$150,000 and expanding access to include businesses with aggregated annual turnover of less than \$500 million (up from \$50 million) until 30 June 2020.

Backing business investment

The Federal Government is introducing a time-limited 15 month investment incentive (through to 30 June 2021) to support business investment and economic growth over the short term, by accelerating depreciation deductions. Businesses with a turnover of less than \$500 million will be able to deduct 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.

Supporting apprentices and trainees

Eligible employers can apply for a wage subsidy of 50 per cent of the apprentice's or trainee's wage for 9 months from 1 January 2020 to 30 September 2020. Where a small business is not able to retain an apprentice, the subsidy will be available to a new employer that employs that apprentice. Employers will be reimbursed up to a maximum of \$21,000 per eligible apprentice or trainee (\$7,000 per quarter).

Support for immediate cash flow needs for SMEs

Under the Coronavirus SME Guarantee Scheme, the Federal Government will provide a guarantee of 50 per cent to SME lenders, that is financial institutions,¹ to support new short-term unsecured loans

¹ According to the *Guarantee of Lending to Small and Medium Size Enterprises (Coronavirus Economic Response Package) Bill 2020*, 'financial institution means: (a) a body corporate that is an ADI for the purposes of the Banking Act 1959; or (b) a non-ADI lender (within the meaning of the Banking Act 1959).'

to SMEs. The Scheme will guarantee up to \$40 billion of new lending. This will provide businesses with funding to meet cash flow needs, by further enhancing lenders' willingness and ability to provide credit.

Access to credit for small business

The Federal Government is 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.

Income support for employees and other 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 ("eligible payments") on top of the usual benefit rates.

Subject to legislation passing, the Federal Government- via Services Australia, will:

- pay a temporary fortnightly \$550 Coronavirus Supplement from 27 April 2020 if receiving an eligible payment;
- extend eligibility for the first \$750 Economic Support Payment to pay it from 31 March 2020 if receiving an eligible payment on any day from 12 March to 13 April 2020;
- expand eligibility for some payments and make them easier to claim;
- make Crisis Payment available if needing to self-isolate, are in severe financial hardship and you can get an income support payment. Crisis Payment may be available if isolated at home without leave entitlements. Crisis Payment is a one off payment equal to a week's pay of the existing income support payment rate; and,
- pay a second \$750 Economic Support Payment from 13 July 2020 if receiving an eligible payment or have an eligible concession card on 10 July 2020.

Eligibility for JobSeeker Payment and Youth Allowance has been temporarily expanded, with the ordinary waiting period waived for:

- a permanent employee who has been stood down or lost their job a sole trader, self-employed;
- a casual or contract worker whose income has reduced;
- a carer for someone who's affected by Coronavirus.

Asset testing has been waived from 27 April for 6 months, except for Farm Household Allowance and Special Benefit. Income testing will still apply.

Employer entitlements, such as annual leave or sick leave, or income protection insurance cannot be accessed at the same time as getting JobSeeker Payment or Youth Allowance for job seekers.

Temporary early release of superannuation

Individuals affected by the Coronavirus will be 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.

Bills are being introduced into the Australian Parliament on 23 March 2020 to implement this package.

Aged Care Package

The Federal Government has announced additional temporary funding for Aged Care providers, staff, residents and families. It will include:

- \$234.9 million for a COVID-19 ‘retention bonus’ to ensure the continuity of the workforce for aged care workers in both residential and home care.
 - This will mean a payment of up to \$800 after tax per quarter – paid for two quarters – for direct care workers.
 - Two payments of up to \$600 after tax per quarter – for two quarters – for those who provide care in the home.
 - Payments will be delivered to providers to pay their workers and part-time workers will be paid a pro-rata rate.
- \$78.3 million in additional funding for residential care to support continuity of workforce supply.
- \$26.9 million for a temporary 30 per cent increase to the Residential and Home Care Viability Supplements and the Homeless Supplement. This includes equivalent viability funding increases for National Aboriginal and Torres Strait Islander Flexible Aged Care Program providers, Multi-Purpose Services and homeless providers.
- \$92.2 million in additional support to home care providers and organisations which deliver the Commonwealth Home Support Programme, operating services including meals on wheels. This will include services for people in self-isolation such as shopping and meal delivery.
- \$12.3 million to support the My Aged Care service to meet the surge in aged care specific COVID-19 enquiries, allowing for additional staff to minimise call wait times.

Other Assistance through State and Territory Governments

The state and territory governments have also announced a number of measures, typically including payroll tax relief, and relief from certain fees and taxes, and other measures. Further details of these measures can be obtained from AFEI.

Need to know more?

We can assist you with further details of the above measures and further developments that may occur.

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