



## **Coronavirus – Government Aid**

# Agenda

- 1 Federal Government stimulus package 1: announced 12 March 2020
- 2 Federal Government stimulus package 2: announced 22 March 2020
- 3 NSW State Government stimulus package: announced 17 March 2020
- 4 Accessing the package support benefits and accounting and tax implications
- 5 Keep operating now ... and future-proof your business for the 'new normal'



**COVID-19 response**  
Federal Government stimulus package 1

**centium** 

**Announced 12 March 2020**



# What is the stimulus package 1?

- Support from the Australian Government to support the Australian economy – \$17.6 billion
- \$1.6 billion in tax relief to small businesses
- Keep small businesses afloat and employees in work



## Support being offered to small businesses

- 1 Cash flow payment of up to \$25,000 for employers
- 2 50% wage subsidy for apprentices and trainees
- 3 Increase in the instant asset write-off threshold to \$150,000
- 4 50% accelerated depreciation for investments

# 1 Cash flow payment for employers

- A payment up to a maximum of \$25,000
- A minimum payment of \$2,000

## Who is eligible?

Businesses with a turnover of less than \$50M that employ staff between 1 January 2020 and 30 June 2020

## When will it be received?

Eligible businesses will automatically receive payments of 50% from 28 April 2020, with refunds to be paid within 14 days after that date.

## 2

## Wage subsidy for apprentices and trainees

- Wage subsidy of 50% of an apprentice's or trainee's wage for up to 9 months from 1 January 2020 to 30 September 2020.
- Businesses can be reimbursed up to a maximum of \$21,000 per eligible apprentice

### Who is eligible?

Small businesses with fewer than 20 full time employees who retain an apprentice or trainee.

### When will it be received?

You will be able to register for the subsidy from early April 2020.

### 3 Increase in the instant asset write-off threshold

- Instant asset write-off threshold will be increased from \$30,000 to \$150,000
- Higher threshold from 12 March until 30 June 2020 - applies to new or second-hand assets installed in businesses during these dates

#### Who is eligible?

Businesses with aggregated annual turnover of less than \$500M (up from \$50M).

#### When will it be received?

Claimed back via your business tax return.



# 4

## **Increase in the instant asset write-off threshold**

- Deduct an additional 50% of an asset cost in the year of purchase from 12 March 2020 until 30 June 2021
- Designed to support business investment and economic growth over the short term

### **Who is eligible?**

- Businesses with a turnover of less than \$500M that are purchasing new depreciable assets.
- Eligible assets covered are new assets that can be depreciated under Division 40 of the Income Tax Assessment Act 1997.
- Secondhand assets are not eligible for this initiative.

### **When will it be received?**

Claimed back via your business tax return.

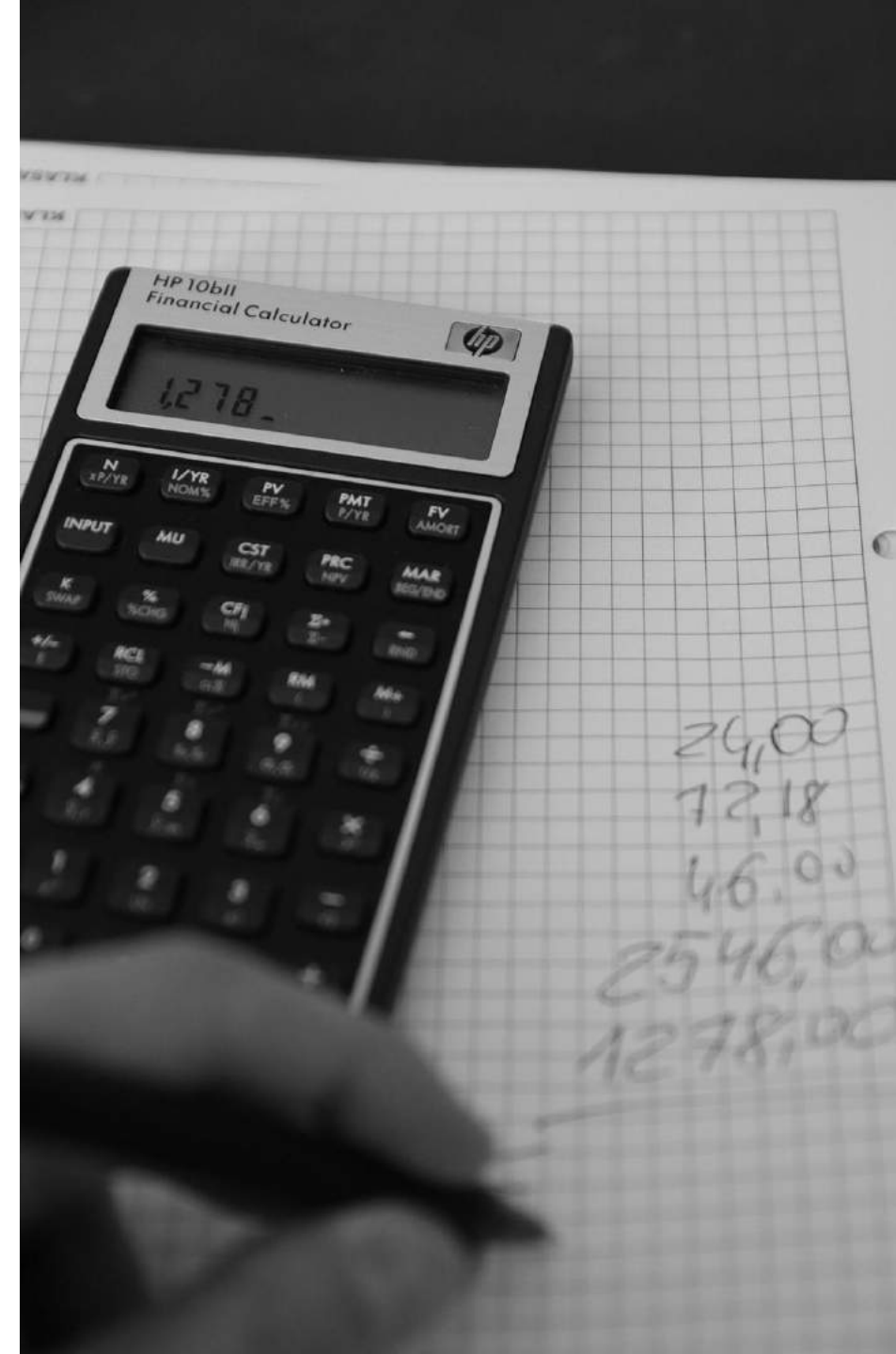
## Other measures

- A tax free, one-off \$750 stimulus payment to individual income support recipients and eligible concession card holders, being rolled out from 31 March 2020.
- Targeted regional and community support aimed at businesses and communities particularly affected by the economic downturn due to Coronavirus, e.g. those in the tourism, agriculture and education industries.
- Push to promote domestic tourism.



## Tax relief

- ATO will consider relief for certain tax obligations, including deferring tax payments up to four months.
- If you fall behind with your tax and super obligations:
  - review ATO's information on COVID-19
  - call ATO on 1800 806 218 or
  - speak to your accountant or tax professional so that they can work with you to find a solution. Alternatively, Centium can assist.



# Summary: economic response to the Coronavirus

## 12 March 2020

AIM	WHAT	WHEN
<b>Delivering support for business investment</b>	<b>Increasing the instance asset write-off</b> Lifting the threshold to \$150,000 (from \$30,000) – and making more businesses eligible to use it.	Immediately, until 30 June 2020
	<b>Backing business investment</b> Offering businesses a time-limited incentive to invest, by accelerating depreciation deductions.	Immediately, until 30 June 2021
<b>Cash flow assistance for business</b>	<b>Boosting cash flow for employers</b> Helping small and medium-sized business cover the costs of employee wages and salaries (50% of PAYG withheld, with a minimum \$2,000 payment and up to a cap of \$25,000 over 6 months).	Covers amounts withheld between 1 January 2020 and 30 June 2020
	<b>Supporting apprentices and trainees</b> Wage assistance to help small businesses to keep their apprentices and trainees.	1 January 2020 to 30 September 2020
<b>Stimulus payments to households to support growth</b>	<b>Stimulus payments</b> One-off payments of \$750 to social security, veteran and other income support recipients and eligible concession card holders to support confidence and domestic demand in the economy.	From 31 March 2020
<b>Assistance for severely affected regions</b>	<b>Support for Coronavirus-affected regions and communities</b> Financial support to help regions and communities most affected by the Coronavirus to recover.	As soon as practicable



The background of the slide features a close-up, slightly angled view of several Australian 100 dollar banknotes. The notes are grey and white, with the portrait of Queen Elizabeth II visible on the right side of each note. The word "Australia" is printed in a stylized font. The number "100" is prominently displayed in large, bold digits. The serial number "CM 99 902 618" is visible on the notes. The overall image has a textured, slightly grainy appearance.

# **COVID-19 response**

## Federal Government stimulus package 2



## What is the stimulus package 2?

- Additional support (\$66.1 billion) from the Australian Government in addition to the first stimulus package

Total  
support  
to-date

=

\$189  
billion





***“ We want to help businesses keep going as best they can and for as long as they can, or to pause instead of winding up their business. We want to ensure that when this crisis has passed Australian businesses can bounce back. ”***

*Prime Minister Scott Morrison*

## Support being offered to small businesses in 2nd package

1. Boost cashflow for employers; and
2. Provide regulatory protection and financial support for businesses to stay in business via:
  - a Coronavirus SME guarantee scheme; and
  - providing temporary relief for financially distressed businesses



1

## Boost cashflow for employers

- Payment up to a maximum of \$100,000 delivered in two stages  
*(increased from \$25,000 announced in 1st package)*
- A total minimum payment of \$20,000  
*(increased from minimum payment of \$2,000 announced in 1st package)*

### Who is eligible?

Businesses with a turnover of less than \$50M that employ staff between 1 January 2020 and 30 June 2020.

### When will it be received?

The initial payment will be delivered by the ATO as an automatic credit in the activity statement system from 28 April 2020 upon employers lodging eligible upcoming activity statements.

## 2.1 Coronavirus SME guarantee scheme

- Maximum total size of loans of \$250,000 per borrower
- Loans up to three years, with an initial six-month repayment holiday
- Loans will be in the form of unsecured finance, meaning that borrowers will not have to provide an asset as security for the loan

### Who is eligible?

SMEs with a turnover of up to \$50M will be eligible to receive these loans.

### When will it be received?

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



## 2.2

## Providing temporary relief for financially distressed businesses

- Temporarily increasing:
  - the threshold at which creditors can issue a statutory demand on a company
  - the time companies have to respond to statutory demands they receive
- Temporary relief for directors from any personal liability for trading while insolvent

The *Corporations Act 2001* will be amended to provide temporary and targeted relief for companies to deal with unforeseen events that arise as a result of the Coronavirus.



**Corporations Act 2001**

# Summary: economic response to the Coronavirus

## 22 March 2020

AIM	WHAT	WHEN
<b>Cash flow assistance for business</b>	<b>Boosting cash flow for employers</b> Not-for-profits and small businesses with a turnover under \$50M will receive a tax-free cash payment of up to \$100,000 to help them retain staff and continue operating in 2 separate calculation periods.	First payment covers amounts withheld between 1 January 2020 and 30 June 2020 Second payment covers amounts withheld between 30 June 2020 - October 2020
	<b>Supporting apprentices and trainees</b> Wage assistance to help small businesses to keep their apprentices and trainees - wage subsidy of 50% of apprentice or trainee wages.	1 January 2020 to 30 September 2020
<b>Government underwritten, Cash flow loans for SMEs</b>	<b>Coronavirus SME Guarantee Scheme</b> A guarantee of 50% of new loans written by banks and SME lenders to support new short-term unsecured loans to SMEs up to \$250,000 for up to three years.	Early April 2020 and available for new loans made by participating lenders until 30 September 2020
<b>Delivering support for business investment</b>	<b>Increasing the instance asset write-off</b> Lifting the threshold to \$150,000 (from \$30,000) – and making more businesses eligible to use it.	Immediately, until 30 June 2020
	<b>Backing business investment</b> Offering businesses a time-limited incentive to invest, by accelerating depreciation deductions.	Immediately, until 30 June 2020
<b>Stimulus payments to households to support growth</b>	<b>Stimulus payments</b> One-off payments of \$750 to social security, veteran and other income support recipients and eligible concession card holders to support confidence and domestic demand in the economy. Additional \$550 income support payments	From 31 March 2020
<b>Assistance for severely affected regions</b>	<b>Support for Coronavirus-affected regions and communities</b> Financial support to help regions and communities most affected by the Coronavirus to recover.	As soon as practicable



**COVID-19 response**  
NSW State Government stimulus package

## What is the NSW State Government stimulus?

- Support from the NSW State Government to support the NSW State economy – \$1.6 billion
- Help keep people in jobs
- Support small business
- Support in addition to that offered in the Federal Government stimulus



# What support is being offered?

Support relevant to small businesses

1

## Payroll tax waived

- \$450M to waive payroll tax
- \$56M to be brought forward to the next round of payroll tax cuts

2

## Fees waived

- \$80M to waive various fees and charges

3

## Employment boost

- \$250M to employ additional cleaners of public infrastructure
- \$250M to bring forward maintenance on public assets
- \$500M to bring forward capital works and maintenance



# 1 Payroll tax waived

- \$450M allocated to waive payroll tax for the next three months, or until the end of the financial year delivered as a 25% reduction in 2019/20 annual liability
- The waiver will be additional to other benefits laid out in the federal government's stimulus
- Next round of payroll tax cuts to be brought forward = the payroll tax threshold will rise to \$1M in the financial year 2020/21

## Who is eligible?

Businesses with payrolls of up to \$10M.

## When will it be received?

No payroll tax required in March, April or May 2020. Final adjustment made in 2019/20 annual reconciliation.

## 2 Fees waived

- \$80M to waive certain fees and charges that apply to businesses in vulnerable sectors



### Who is eligible?

Bars, cafes, restaurants and tradespeople.

### When will it be received?

It is not yet clear what fees will be waived, or for how long.

### 3 **Employment boost**

- \$250M to employ additional cleaning staff for public infrastructure, such as public transport assets, schools and public buildings
- \$250M to spend on fast-tracking the maintenance of public assets, including social housing and fencing
- \$500M to bring forward capital works and maintenance

#### **Who is eligible?**

Small businesses and sole traders.

#### **When will it be received?**

It is not yet clear how these contracts will be managed.

# How to access the package support benefits & accounting and tax implications

SUPPORT	HOW TO ACCESS	ACCOUNTING & TAX IMPLICATIONS
<b>Boosting cash flow for employers</b>	<ul style="list-style-type: none"><li>Assessed by the ATO as part of the activity statement process.</li><li>No additional forms are required by entities.</li></ul>	<ul style="list-style-type: none"><li>Tax-free grant</li><li>Need to be accounted for as income by the entity</li></ul>
<b>Supporting apprentices and trainees</b>	<ul style="list-style-type: none"><li>Eligibility assessment is undertaken by an Australian Apprenticeship Support Network (AASN) provider</li><li>Advice provided to employer by AASN on how to apply for the subsidy, including information on eligibility.</li></ul>	<ul style="list-style-type: none"><li>No specific mention of this the tax treatment for this support,</li><li>Because it represents a subsidy of a business expense this would ordinarily be a taxable payment.</li></ul>
<b>Loan guarantee scheme</b>	<ul style="list-style-type: none"><li>Loan applications will need to be made directly with participating financial institution lenders.</li></ul>	<ul style="list-style-type: none"><li>No specific tax implications for this support.</li><li>The loan would be accounted for as usual.</li></ul>
<b>Instant asset write-off and accelerated depreciation</b>	<ul style="list-style-type: none"><li>Claimed by entities as part of the normal annual income tax return.</li></ul>	<ul style="list-style-type: none"><li>Tax deductibility will be impacted when preparing the annual income tax return for the entity.</li><li>An entity may choose to reflect a different depreciation for internal accounting purposes.</li></ul>
<b>NSW Government payroll tax</b>	<ul style="list-style-type: none"><li>Waiving and adjusting the threshold will be available as part of the normal payroll tax periodic submission. Waived amount will be applied automatically as part of the 2019/20 annual reconciliation.</li></ul>	<ul style="list-style-type: none"><li>No additional accounting or tax implications.</li></ul>

# The implications of the “Aggregate Turnover” threshold for a SME

- Eligibility for benefits available to entities based on an aggregate annual turnover.
- The threshold for the cash flow boost, apprentice and trainee support, and loan guarantee scheme is less than \$50M.
- The threshold for the asset write-off and accelerated depreciation benefits is less than \$500M.
- Eligibility will generally be based on prior year turnover.





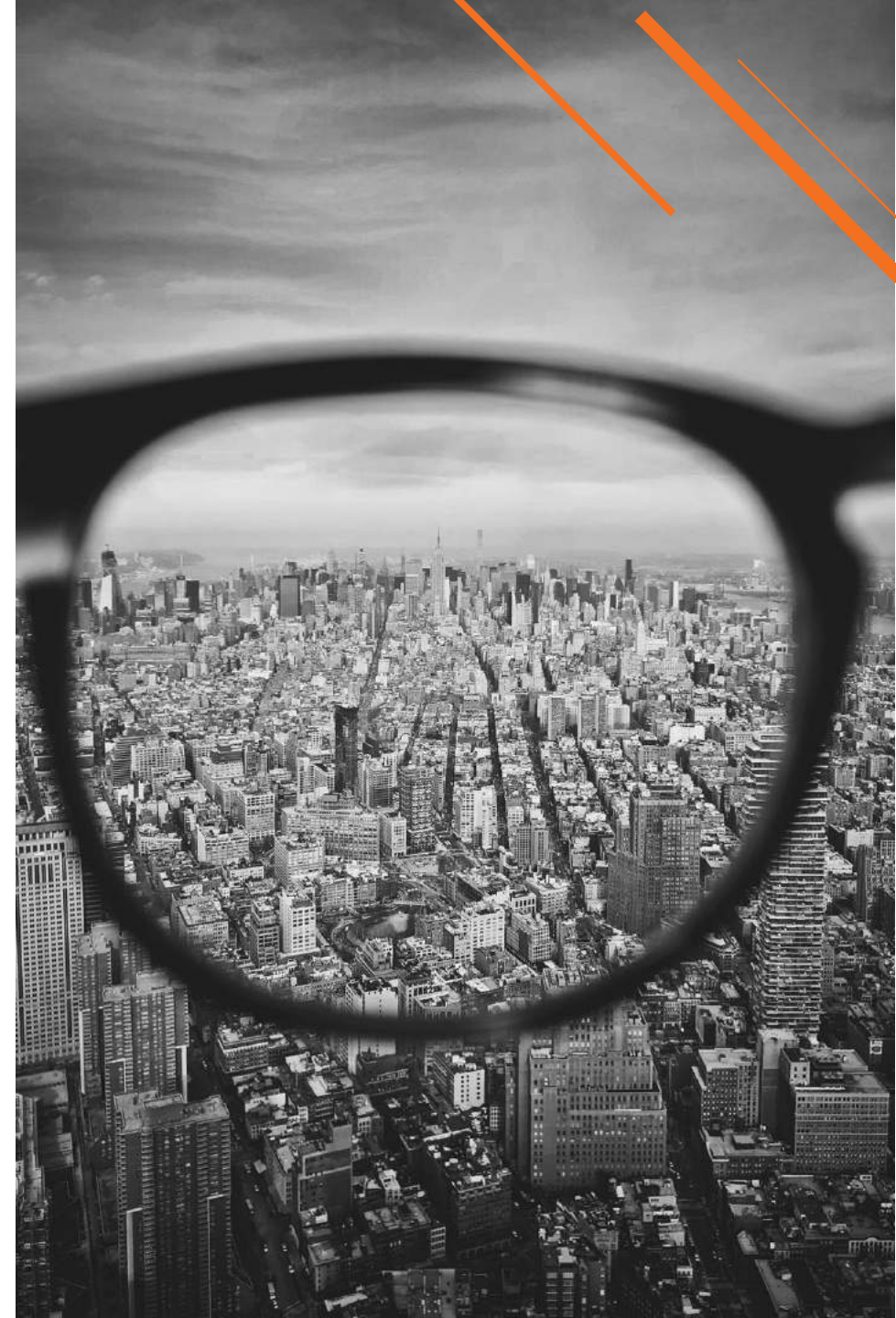
## Benefits or entitlements available to sole traders

- Sole traders cannot qualify for the cash flow boost or the apprentice and trainee support if they are not employers.
- The loan guarantee scheme and the asset write-off and accelerated depreciation benefits are available to sole traders.



# Keep operating now & future-proof your business for the new normal


- Work smarter to keep your doors open
  - Urgent business continuity planning, including 'no contact' business initiatives
- Consider different ways of conducting business
  - what will be your new business model?
    - Business transformation – streamlining current ways of doing business, supply chain, outsourced services, etc
    - Revising standard operating procedures to include new digital self-serve technologies
    - Review of working from home arrangements – cyber security, data privacy, staff training & performance, etc
- Be aware of emerging risks & opportunities



# Contact us

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