

WELCOME

Welcome to our special update edition of the StewartBrown newsletter where we keep you updated with the latest tax and Government assistance packages being made available in response to the COVID-19 pandemic. This newsletter incorporates the original assistance package information along with recently released updates.

ASSISTANCE TO COPE WITH THE EFFECTS OF THE CORONAVIRUS (COVID-19)

Federal Government stimulus package-overview

An additional \$66b in COVID-19 economic support has now been pledged by the Federal Government in addition to the previous \$17.6b stimulus package.

Importantly, Not-for-Profit entities (“NFP’s”), including charities, with aggregated annual turnover under \$50 million and that employ workers will now also be eligible. Previously they were not included in the measures. This will support employment activities at a time where NFP’s are facing increasing demand for services.

The priority for this stimulus package remains support for small businesses, with wage subsidies of up to \$100,000, and access to a further \$20b in government guaranteed unsecured loans (capped at \$250,000) on offer.

An additional payment is also being introduced in the July to October 2020 period. Eligible entities will receive an additional payment equal to the total of all of the Boosting Cash Flow for Employers (see below) 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.

Again, these cash flow boosts are tax free payments to employers and are automatically calculated by the Australian Taxation Office (ATO). There are no new tax forms required to be completed by employers.

The Government is also temporarily increasing the threshold at which creditors can issue a Statutory Demand on a company and the time companies have to respond to such demands. The package also includes 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.

The key tax and stimulus measures now include:

Business Investment

From Thursday 12 March 2020, the instant asset write-off threshold has been increased from \$30,000 (for businesses with an aggregated turnover of less than \$50 million) to \$150,000 (for businesses with an aggregated turnover of less than \$500 million) until 30 June 2020.

A time-limited 15-month investment incentive (through to 30 June 2021) which will operate to accelerate certain depreciation deductions. This measure will also be available to businesses with a turnover of less than \$500 million, which will be able to immediately deduct 50% of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset’s cost. As announced, this measure is proposed to only apply to new depreciating assets first used, or installed ready for use, by 30 June 2021.

Cashflow Assistance (*Boosting Cashflow for Employers measure*)

The Government is now providing up to \$100,000 per employer to eligible small and medium sized businesses, and NFP’s (including charities) that employ people, with a minimum payment of \$20,000. This has been increased substantially from the original tax-free incentive of up to \$25,000 for eligible small and medium businesses (i.e., with an aggregated turnover of less than \$50 million that employ staff) based on their PAYG withholding obligations. This is not a cash payment, but it is a credit equal to 100% (previously 50%) of the PAYG amounts withheld from salary and wages paid to employees.

The first payment (capped at \$50,000) will be made after 28th April and the second payment (also capped at \$50,000) after 28 July 2020.

Eligible businesses that pay salary and wages but are not required to withhold tax will receive a minimum payment of \$20,000 (over two payments), up from \$2,000 in the first package. The payment will be available from 28 April 2020 and, as stated in the previous stimulus update, will be paid as a credit to the business upon lodgement of their activity statements.

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 activity statements.

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. However, charities which are registered with the Australian Charities and Not for profits Commission will be eligible regardless of when they were registered, subject to meeting other eligibility requirements. This recognises that new charities may be established in response to the coronavirus pandemic.

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 lodgment 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 lodgment of your June 2020 and September 2020 activity statements (up to a total of \$50,000).

Wage subsidies to support the retention of apprentices and trainees

Employers with less than 20 full-time employees may be entitled to apply for Government funded wage subsidies amounting to 50% of an apprentice's or trainee's wage for up to nine months from 1 January 2020 to 30 September 2020. The maximum subsidy for each apprentice/trainee is \$21,000.

Coronavirus SME Guarantee Scheme

The Government commits to underwrite \$20b worth of loans as a 50 per cent guarantee to support lending to SME's from bank and non-bank lenders.

Commencing in early April, this will apply to eligible loans for businesses with annual aggregated turnovers of up to \$50 million and will include an upfront six month freeze on repayments.

The loans will be unsecured but can only be used for working capital purposes and will apply to loans granted within six months from April 1, 2020. New and existing bank customers will be able to apply for loans up to \$250,000 over three years.

Temporary insolvency relief

Directors will now be temporarily relieved of their duty to prevent insolvent trading with respect to any debts incurred in the ordinary course of the company's business, with the measure set to run for six months. This relief does not apply to cases of dishonesty and fraud and these will still be subject to criminal penalties. Any debts incurred by the company will still be payable by the company.

The government will also increase the current minimum threshold for creditors issuing a Statutory Demand on a company under the Corporations Act 2001 from \$2,000 to \$20,000, again for a six month period.

The statutory time frame for a company to respond to a Statutory Demand will also be extended temporarily from 21 days to six months.

The threshold for the minimum amount of debt required for a creditor to initiate bankruptcy proceedings against a debtor will temporarily increase from its current level of \$5,000 to \$20,000.

The time a debtor has to respond to a bankruptcy notice will be temporarily increased from 21 days to six months.

Individual Assistance

Tax-free payments of \$750 to social security, veteran and other income support recipients and eligible concession card holders. It is estimated that around half of those who will benefit will be pensioners. These payments will commence to be automatically made from 31 March 2020.

Payments for households

A further \$750 payment to social security and veteran income support recipients and eligible concession card holders, except for those who are receiving an income support payment that is eligible to receive the coronavirus supplement. This second payment will be made automatically from 13 July 2020.

Coronavirus supplement

Temporary eligibility expansion 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 the JobSeeker Payment, Youth Allowance jobseeker, Parenting Payment, Farm Household Allowance and Special Benefit.

The Coronavirus supplement will be paid for the next six months commencing 27 April, 2020. Eligible income support recipients will receive the full amount of the \$550 Coronavirus supplement on top of their payment each fortnight.

Early release of superannuation

From April, individuals will be able to access their superannuation, capped at \$10,000 this financial year and a further \$10,000 next financial year. The withdrawals will be tax-free and will be made available to those eligible for the coronavirus supplement as well as sole traders experiencing a 20% or more reduction in either hours of work or income as a result of the coronavirus.

Eligible individuals will be able to apply online through myGov for access of 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 another three months. They will not need to pay tax on amounts released and the money they withdraw will not affect Centrelink or Veterans' Affairs payments.

Superannuation minimum drawdown rates and social security deeming rates

There will be a temporary reduction to superannuation minimum drawdown requirements for account based pensions and similar products by 50 per cent for 2019-20 and 2020-21.

In addition a reduction of the deeming rates by a further 0.25 percentage points to reflect the latest rate reductions by the RBA. As of 1 May 2020, the lower deeming rate will be 0.25 per cent and the upper deeming rate will be 2.25 per cent.

NSW STATE GOVERNMENT PACKAGE

In addition to the recent announcements by the Federal Government, the NSW State Government has announced the following measures to help businesses during this difficult period:

- \$450 million for the waiver of payroll tax for businesses with payrolls of up to \$10 million for three months (the remainder of 2019-20). This means these businesses will save a quarter of their annual payroll tax bill in 2019-20.
- \$56 million to bring forward the next round of payroll tax cuts by raising the threshold limit to \$1 million in 2020-21.
- \$80 million to waive a range of fees and charges for small businesses including bars, cafes, restaurants and tradies.
- \$250 million to employ additional cleaners of public infrastructure such as transport assets, schools and other public buildings.
- more than \$250 million to bring forward maintenance on public assets including social housing and crown land fencing.
- \$500 million to bring forward capital works and maintenance.

Contact your StewartBrown Manager or Partner if you would like to discuss how we can ensure you receive your maximum cashflow assistance from both the State and Federal Governments.

BUSINESS CONTINUITY

As a business owner, you need to face the possibility of team members being absent from your workplace, product supply issues and demand for your services and products reducing over the short term.

In light of these recent events and the uncertainty we are facing day to day, we felt it important to assure you that we expect no major interruptions to the services that we provide to you.

Our cloud systems mean you can always contact us if you need

Whether we're working from our office or working home in the coming weeks, we have invested heavily in the latest technology in recent years, and this means we can keep assisting you no matter what may happen.

All members of our team are able to work remotely and have access to all the technology systems and tools they use daily to assist our clients. Please keep emailing or phoning your advisor when you need us, and we will be here to help you!

WEALTH ADVICE

The share markets have fluctuated significantly due to fear and uncertainty in the marketplace in the past week or so. For any questions you may have about investment matters, please feel free to contact Amanda Lee at StewartBrown Advisory here in the office.



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