

COVID STIMULUS INITIATIVES	HOW IT WORKS
<b>FEDERAL GOVERNMENT INCENTIVES</b>	
<b>(a) For Small Businesses</b>	
<p><b>Cashflow boost for employers.</b></p> <p>A maximum payment of \$100,000, minimum \$20,000 (tax free) will be credited to your ATO BAS account (businesses with turnover of less than \$50m).</p> <p>The first payment, known as 'first cashflow boost payment', will be paid as follows:</p> <ul style="list-style-type: none"> <li>Monthly activity statement lodgers will get a payment equal to 300% of the PAYGW lodged on the March 2020 BAS then 100% of the PAYGW lodged on the April, May and June activity statements subject to the \$50,000 cap.</li> <li>Quarterly activity statement lodgers will get a payment equal to 100% of the PAYGW lodged on the March and June 2020 activity statements subject to the \$50,000 cap.</li> </ul> <p>The second payment, the 'second cashflow boost payment', will be paid to employers who 'continue to be active' as follows:</p> <ul style="list-style-type: none"> <li>Monthly activity statement lodgers will get an additional payment when they lodge their June 2020, July 2020, August 2020 and September 2020 activity statement, each payment equal to 25% of the total received under the 'boosting cash flow for employers' payment.</li> </ul>	<p>Examples</p> <p>If Business X's Jan to March PAYG withholding is \$40,000, your ATO BAS account will receive a credit of \$40,000 in April. Balance \$10,000 in July.</p> <p>If Business Y's withholding is less than \$10,000, the credit will be \$10,000</p> <p>If Business Z is a monthly lodger, and it's March PAYG withholding is \$10,000, credit in April will be \$30,000. Remaining \$10,000 each will be paid in May and June.</p> <p>Second payment will be equal to the first, and will be paid out from July to October. This will depend on the business continuing to employ people, albeit at a lower level than prior months.</p> <p>Thus in above examples, Business X and Z will get a credit of \$50,000 while Business Y will get a credit of \$10,000</p> <p>This incentive will reduce ATO debt for small businesses with additional credit reducing GST debt. Unfortunately thus the businesses might not be getting their hands on any cash in their bank, unless their ATO BAS account is in net refundable position.</p> <p>At very best, this incentive reduces the cost of labour for a business by the amount of stimulus they get.</p>

<ul style="list-style-type: none"> <li>Quarterly activity statement lodgers will get an additional payment when they lodge their June 2020 BAS and September 2020 BAS, each payment equal to 50% of whatever payment they received under the 'boosting cash flow for employers' payment.</li> </ul>	<p>The treasurer said in a press conference that this incentive is designed to help small business pay wages and rent. I am not sure how that will happen considering most businesses will not see this money in their bank account!</p>
<p><b><i>Business lending support for businesses with turnover of less than \$50m</i></b></p> <p>The government will guarantee 50% of unsecured loans provided to small businesses, for maximum loan amount of \$250,000.</p>	<p>Businesses will need to source loans from the banks. It is understood that the loans will be of the nature of unsecured overdraft, but at a concessional rates.</p> <p>Loan terms will be up to 3 years, with no repayments up to 6 months. Criteria for loan clearance will be eased.</p>
<p><b><i>Increased Tax Deductions for capital investments.</i></b></p> <p>Part 1 – Immediate deduction in tax for investments made by 30<sup>th</sup> June 2020, of up to \$150,000 in plant and equipment.</p> <p>Part 2 – For investments in plant and equipment beyond 1<sup>st</sup> July 2020 and/or above \$150,000 made by 30<sup>th</sup> June 2021 – 50% immediate deduction with normal depreciation deduction on the remaining</p>	<p>It is important to note that this deduction is only applicable for plant and equipment, not the usual fitouts. Also the equipment should be in use, or installed ready for use by the necessary date.</p> <p>While motor vehicle qualify, the maximum qualification amount for motor vehicle is only \$57,581. Thus if you buy a Tesla in your business, of \$100k, you will only be able to tax deduct \$57,581.</p> <p>Spend only where absolutely necessary. Save where possible!</p>
<p><b><i>Employing apprentice or trainees</i></b></p> <p>Government will subsidise 50% of salary to apprentices or trainees, of up to \$7,000 per quarter per apprentice for Jan1 to Sep 30 2020 (total \$21,000 per apprentice)</p>	<p>It is yet to be known how the businesses will be able to claim this incentive. Most likely businesses will need to contact some government agency to get this rebate.</p>
<p><b><i>Protecting directors and businesses.</i></b></p> <p>Provisions of directors' duties and risks will be eased. Directors will be protected from the risk</p>	<p>This will ease risk to personal assets of directors and help them trade through these difficult</p>

of trading in insolvency. Also insolvency claims can only be made against businesses for amounts above \$20,000 and businesses will have 6 months to respond to the claims.	periods without the fear of being made personally responsible.
<b>(b) For Individuals, Families and Sole Traders</b>	
<p><b>Cenrelink Support.</b> Individuals currently on Jobseeker payments and similar support payments will get additional payment \$550 per fortnight.</p> <p>Also sole traders and casual workers who have lost income due to Covid can apply for this payment of \$550 per fortnight.</p>	It is understood that if you are a sole trader or casual worker, and your income has dropped by 20%, you can apply with Centrelink for this support.
<p><b>Support to house holders</b></p> <p>An additional payment of \$750 will be made in April to households already on government income support. A second payment will be made in July 2020. This is over and above the ongoing support payments.</p>	The first of this payment will automatically be made from 31 <sup>st</sup> March 2020 and second from 13 July 2020.
<p><b>Early release of super</b></p> <p>People on government support will be able to apply for a tax free release of their super of up to \$10,000 to June 2020. Another request for up to \$10,000 can be made from July 2020.</p>	A simple application can be made to ATO through mygov.gov.au. Upon approval by ATO, superfund will release the payments to applicants.
<b>STATE GOVERNMENT INCENTIVES - NSW</b>	
<p><b>Payroll tax relief</b></p> <p>Taxpayers with payroll of up to \$10m per year will not be required to pay their payroll tax for three months – April, May and June</p> <p>Also payroll tax threshold will be increased to \$1m from 1<sup>st</sup> July 2020</p>	Businesses will still need to report payroll figure for April May and June but not pay any payroll tax.

<b>BANK INCENTIVES</b>	
<p><b><i>Mortgage payment deferrals</i></b></p> <p>Households and small businesses impacted by COVID can request for their monthly repayments be deferred for up to 6 months</p>	<p>Make no mistake, the banks will continue to accrue and add unpaid interest to your debt over this period. Thus down the lane you would have a much higher amount to pay. It is best to continue to pay, if you can.</p> <p>It is further understood that deferrals will go on your credit file as 'hardship arrangements' and can impact your future borrowings.</p>
<p><b><i>Interest rate reductions</i></b></p> <p>Most banks are offering lower interest rates for both households and small businesses.</p>	<p>This would be a good time to negotiate lower interest rate with your current bank. However, be careful before you lock in a fixed rate. If interest rates drop further you might be caught on the wrong side.</p>
<b>ATO ADMINISTRATIVE SUPPORT</b>	
<p>ATO has confirmed;</p> <ul style="list-style-type: none"> <li>deferring by up to four months the payment date of amounts due through the business activity statement (BAS, including PAYG instalments), income tax assessments, FBT assessments and excise</li> <li>allowing businesses to vary Pay As You Go (PAYG) instalment amounts to zero for the April 2020 quarter. Businesses that vary their PAYG instalment to zero can also claim a refund for any instalments made for the September 2019 and December 2019 quarters</li> <li>remitting any interest and penalties, incurred on or after 23 January 2020, that have been applied to tax liabilities</li> </ul>	<p>These support measures will not be automatically implemented. You or your accountants will have to call ATO special help line on 1800 806 218</p>

<ul style="list-style-type: none"> <li>allowing businesses to enter into low interest payment plans.</li> </ul>	
<b>FAIRWORK GUIDANCE ON LAYOFFS</b>	
<p>One of the biggest challenge for businesses is to handle employee entitlements with no or little money in bank.</p> <p>In this scenario we understand employees can be asked to take annual leave or long service leave payouts where there is no work. They can also be asked to take leave without pay. This can only be done in exceptional circumstances.</p>	<p>Please refer <a href="http://fairwork.gov.au">fairwork.gov.au</a> for more information. An extract from the website states;</p> <p>Whether the option of standing down employees is available is very fact dependent and an employer should exercise the option cautiously. The employer must be able to demonstrate that:</p> <ul style="list-style-type: none"> <li><b>there is a stoppage of work</b></li> <li>the employees to be stood down cannot be usefully employed (which is not limited to the work an employee usually performs)</li> <li>the cause of the stoppage must also be one that the employer cannot reasonably be held responsible for.</li> </ul> <p>If an employer unlawfully stands down employees without pay, the employees will likely be able to recover unpaid wages.</p> <p>Some examples of when employers may be able to stand down employees include:</p> <ul style="list-style-type: none"> <li>if there was an enforceable government order or direction requiring the business to close (which means there is no work at all for the employees to do, even from another location)</li> <li>if a large proportion of the workforce was required to self-quarantine with the result that no useful work was able to be</li> </ul>

	<p>performed in the business by the remaining employees/workforce</p> <ul style="list-style-type: none"><li>• if there was a stoppage of work due to lack of supply for which the employer could not be held responsible.</li></ul> <p>This is not an exhaustive list.</p> <p><a href="https://www.fairwork.gov.au/about-us/news-and-media-releases/website-news/coronavirus-and-australian-workplace-laws">https://www.fairwork.gov.au/about-us/news-and-media-releases/website-news/coronavirus-and-australian-workplace-laws</a></p>
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