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COVID-19 Client Update

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Federal Government Assistance

Small and Medium Businesses

Extending the Instant Asset Write Off – Assets up to \$150,000

The instant asset write-off threshold (IAWOT) has been increased to \$150,000 (up from \$30,000) for businesses with aggregated turnovers less than \$500 million (up from \$50 million).

The threshold applies on an asset by asset basis, meaning your business may be able to claim the write off on multiple assets before the end of the financial year.

The increased threshold applies to new and second-hand assets purchased and installed ready for use from 12 March 2020 until 30 June 2020. The commitment date for purchase of the asset must have been after 12 May 2015.

The increased threshold also applies to second element costs of assets which generally relate to improvements to existing assets. Where second element costs in relation to a pre-existing asset are incurred between 12 March 2020 and 30 June 2020 they can be immediately written off if they are under the threshold.

For businesses applying the simplified depreciation rules the small business general pool balance can be written off if it is under \$150,000 at the end of the relevant income year (being the 2020 financial year).

Unless there is a change to legislation, IAWOT reverts to \$1,000 on 1 July 2020.

Backing Business Investment – Turnover Under \$10 Million

Eligible businesses with turnovers under \$10 million that are using the simplified depreciation rules can apply an increased depreciation rate for assets allocated to the small business general pool in the year first allocated. This applies to assets first used or installed ready for use between 12 March 2020 and 30 June 2021 and is relevant for assets that cost more than small business instant asset threshold. The increased rate of claim is 57.5%. All other simplified depreciation rules continue to apply. The following example sets out how these rules would be applied to an eligible asset added to an existing pool.

Example – Asset 1

Cost	\$	180,000
Installed ready for use		01-June20
Existing pool balance at 1 July 2019	\$	150,000
Asset 1 cost allocated to SBE general pool	\$	180,000
57.5% pool deduction on Asset 1	\$	103,500
30% depreciation on opening existing pool balance	\$	45,000
Total depreciation SBE pool – 2020FY	\$	148,500
Closing SBE pool balance at 30 June 2020	\$	181,500



Backing Business Investment – Turnover \$10 Million – \$500 Million

Businesses with turnovers between \$10 million and \$500 million can apply accelerated depreciation for eligible assets costing over \$150,000.

Eligible assets are Division 40 assets, e.g. plant and equipment, acquired after 12 March 2020 and installed or first used before 30 June 2021. The assets must be new and not previously held by another entity other than as trading stock. An asset will not be eligible if any other entity has previously made a depreciation claim on the asset. The accelerated depreciation cannot be applied to second hand assets or Division 43 assets (buildings and capital works).

When applying the accelerated depreciation, 50% of the asset cost can be immediately deducted in the income year that the asset is first used or installed ready for use if that occurs between 12 March 2020 and 30 June 2021. The remaining 50% of the cost is to be depreciated under the existing depreciation rules for non small business entities.

The depreciation on the remaining 50% is applied from time the asset is first used or installed ready for use until the end of the relevant income year. The following example sets out how these rules would be applied to an eligible asset.

Example – Asset 1

Cost	\$	180,000
Installed ready for use		01-Jun-20
Depreciation rate under existing rules		10%
50% immediate deduction	\$	90,000
Depreciation on remaining 50% 1 June - 30 June 2020	\$	750
Total depreciation on Asset 1 - 2020 FY	\$	90,750
WDV Asset 1 at 30 June 2020	\$	89,250



Boosting Cash Flow for Employers – Initial Boost

Employers with aggregated turnover of less than \$50 million are eligible for refunds of PAYG withheld on wages paid to employees over the applicable period. The rebate will be equal to 100% of the amount withheld, up to a maximum of \$50,000. A minimum rebate of \$10,000 will be received by all eligible employers even if they are not required to withhold any tax from payments over the applicable periods.

To be eligible to receive the rebate the entity must have been an active employer prior to 12 March 2020. The legislation explains this as:

The entity held an ABN on 12 March 2020 **AND**

Either derived assessable income from carrying on a business in the 2019 FY **OR**

Made a supply for consideration in the course of an enterprise it carried on within Australia after 1 July 2018 and before 12 March 2020 **AND**

Notice of this was held by the commissioner prior to 12 March 2020.

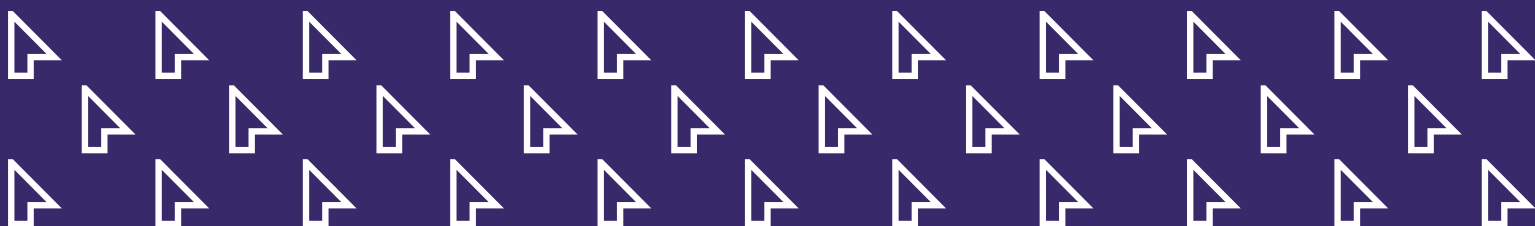
This notice would have to be in the form of a lodged tax return for the 2019 income year or any activity statement lodged after 1 July 2018 but before 12 March 2020.

The initial boost will be received as credit on your applicable activity statements. In some cases it may reduce the total amount payable on the activity statement. In circumstances where it results in a refund, that refund may be used to offset other ATO debts such as income tax accounts. Where no other debts exist, the refund will be paid to the entity within 14 days of lodgement of the relevant activity statement.

The timing of the credit depends on whether the entity is a monthly or quarterly PAYG W lodger as set out below. It should be noted that the minimum payment of \$10,000 will be made in the first eligible lodgement.

Quarterly	Lodgement/ Payment Date	Monthly	Lodgement/ Payment Date
Quarter 3 2020 – Jan, Feb, March	28 April	March	21 April
Quarter 4 2020 – April, May, June	28 July	April	21 May
		May	21 June
		June	21 July

To align the treatment of monthly and quarterly lodgers, the March credit for monthly lodgers will be three times the PAYG withheld for the month of March.



Boosting Cash Flow for Employers – Additional Boost

Businesses that received the first cash flow boost are eligible to receive a second boost. This is available even if the circumstances of the business have changed significantly since the receipt of the first boost - provided the entity lodges a GST return (activity statement) for the relevant period.

The additional boost mirrors the additional boost and will be 100% of original credit received, up to a maximum of \$50,000 and a minimum of \$10,000.

This means the maximum total benefit available to businesses under the cash flow boosts is \$100,000 and the minimum is \$20,000.

The second boost will be received as a credit to the applicable activity statements. Quarterly lodgers will receive the total additional credit in equal installments across two activity statements. Monthly lodgers will receive the total additional credit in equal installments across four activity statements. The timing of credits is as follows.

Quarterly	Lodgement/ Payment Date	Monthly	Lodgement/ Payment Date
Quarter 4 2020 – April, May, June	28 July	June	21 July
Quarter 1 2021 – July, Aug, Sep	28 October	July	21 August
		August	21 September
		September	21 October



The following examples set out how the initial and additional boosts would be calculated for an eligible employer.

Monthly Lodger

INITIAL BOOST				
	Activity Statement Period			
	Mar	Apr	May	Jun
PAYG W	9,000	7,000	8,000	11,000 **
Credit on Activity Statement - Original Payment	27,000 *	7,000	8,000	8,000
Cumulative Credit Received - Original Payment	\$ 27,000	\$ 34,000	\$ 42,000	\$ 50,000

*Note this is 3 times the March PAYG W
 ** 11k reported but boost limited to 8k to cap cumulative total at 50k

ADDITIONAL BOOST				
	Activity Statement Period			
	Jun	Jul	Aug	Sep
Credit on Activity Statement - Additional Payment	12,500	12,500	12,500	12,500 = \$50,000/4
Cumulative Credit Received - Additional Payment	\$ 12,500	\$ 25,000	\$ 37,500	\$ 50,000

Quarterly Lodger

INITIAL BOOST				
	Activity Statement Period			
	Mar	Apr	May	Jun
PAYG W	\$ 13,000			\$ 11,000
Credit on Activity Statement - Original Payment	\$ 13,000			\$ 11,000
Cumulative Credit Received - Original Payment	\$ 13,000	\$ 13,000	\$ 13,000	\$ 24,000

ADDITIONAL BOOST				
	Activity Statement Period			
	Jun	Jul	Aug	Sep
Credit on Activity Statement - Additional Payment	\$ 12,000			\$ 12,000 = \$24,000/2
Cumulative Credit Received - Additional Payment	\$ 12,000	\$ 12,000	\$ 12,000	\$ 24,000



SME Guarantee Scheme

The Government has indicated it will provide a guarantee of 50% to small and medium enterprise lenders for new unsecured loans to businesses with turnover of less than \$50 million where the funds are required due to the impact of the coronavirus. This should encourage lender's willingness and ability to provide credit to small and medium sized businesses. Loans are capped at \$250,000 over a period of up to three years with no repayments due for the first six months. The scheme is set to commence in early April and will be available for new loans made by participating lenders until 30 September 2020.

Supporting Apprentices and Trainees

Eligible employers can apply for a wage subsidy of 50% of an apprentice's or trainee's wages paid during the nine months from 1 January 2020 to 30 September 2020. Employers will be reimbursed up to a maximum of \$21,000 per eligible apprentice or trainee (\$7,000 per quarter).

The subsidy will be available to small businesses employing fewer than 20 full-time employees that retain an apprentice or trainee. Where a small business is not able to retain an apprentice the subsidy will be available to a new employer.

Employers of any size and Group Training Organisations that re-engage an eligible out-of-trade apprentice or trainee will also be eligible for the subsidy. The apprentice or trainee must have been in training with a small business as at 1 March 2020.

Employers will be able to access the subsidy after an eligibility assessment is undertaken by an Australian Apprenticeship Support Network provider and can register employees for the subsidy from early April 2020. Final claims for payment must be lodged by 31 December 2020.

Temporary Relief for Financially Distressed Businesses

Several measures have been put in place including:

- A temporary increase to the threshold at which creditors can issue a statutory demand on a company from \$2,000 to \$20,000 and an increase in the time that companies have to respond to such demands from 21 days to six months.
- A temporary increase to the threshold at which creditors can initiate bankruptcy proceedings against debtors from \$5,000 to \$20,000.
- The introduction of temporary safe harbour rules for directors' personal liability for trading while insolvent for debts incurred in the ordinary course of business. Note that the onus of proof remains with the directors.

The introduction of these measures does not mean that the debts are stayed for six months, but they do mean that recovery actions, absent security, will become more difficult. This makes PPSR much more critical where goods are supplied ahead of cash changing hands.



Individuals and Households

Income Support for Individuals

A new Coronavirus Supplement of \$550 a fortnight has been introduced. It will be available to existing and new recipients of eligible payment categories. The payment categories are:

- Jobseeker payment
- Youth allowance jobseeker
- Parenting payment
- Farm household allowance
- Special benefit recipients

The supplement payment is set to commence from 27 April 2020 for six months. It is important to note that eligible recipients will receive the Coronavirus Supplement on top of any other payments they are entitled to.

There is also increased eligibility for the Coronavirus Supplement. As well as people who would have been eligible for the above listed payments before the introduction of the new rules, people who fall within the following categories will be eligible for the supplement:

Permanent employees who lose employment, sole traders, self employed, casual workers and contract workers who meet the income tests as a result of the economic downturn from the coronavirus

A person who is unable to work because they are required to care for someone with coronavirus

Asset testing will be waived for the Job Seeker, Youth Allowance Job Seeker and Parenting payments for the period of the Coronavirus Supplement. The one week ordinary waiting period has also been waived for the Coronavirus Supplement.

It is important to note that people are not permitted to (and must declare that they are not) accessing employer entitlements, such as annual or sick leave, or income protection insurance payments at the same time as Jobseeker and Youth Allowance Jobseeker entitlements.

There are also more flexible job seeking approaches available to qualify for Jobseeker and Youth Jobseeker payments, recognising that social distancing requirements and business closures may make it difficult for people to meet the regular requirements. Jobseekers who have caring responsibilities or who need to self isolate can seek an exemption from their mutual obligation requirements. No medical evidence needs to be provided.

Sole traders who become eligible for the Jobseeker payment will automatically meet their mutual obligation requirements by continuing to develop and sustain their business.

New claims can be submitted through Centrelink accounts linked to MyGov. If you do not have a Centrelink account linked to MyGov you can still register your intent to make a claim, and Services Australia will get in contact with you regarding your claim. Your payment will be backdated if you were eligible but not receiving the payment.



Early Release of Superannuation

Eligible individuals can apply through MyGov to access up to \$10,000 of their superannuation balance before 1 July 2020.

It has been indicated that up to \$10,000 additional withdrawals will be available for approximately 3 months into 2021 financial year. The exact timing will be confirmed with the passage of legislation.

Individuals are eligible to make the withdrawals if:

- They are unemployed
- They are eligible to receive any of the payments which make them eligible to receive the coronavirus supplement
- On or after 1 January 2020 they were:
 - Made redundant; or
 - Their working hours were reduced by 20% or more; or
 - They were a sole trader and their business was suspended or turnover reduced by 20% or more

Applications can be made from mid-April 2020. The withdrawals of superannuation will not be subject to income tax.

There will be a different process for people with a self-managed superannuation fund. As at 26 March 2020 we await further guidance to be published by the Australian Taxation Office.



Reduction of Minimum Drawdown Requirements

The minimum drawdown requirements for superannuation have been reduced by 50% for the 2020 and 2021 financial years. This has been done in recognition that it may be significantly detrimental to investment balances during this time if investments have to be sold to meet the normal minimum drawdown requirements.

Age	Default minimum drawdown rates (%)	Reduced rates by 50 per cent for the 2019–20 and 2020–21 income years (%)
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

Household Support Payments

The Government has announced two separate payments of \$750 will be made automatically to eligible recipients. The first payment is scheduled to be made from 12 March 2020 to 13 April 2020. The second payment is scheduled to be made on 10 July 2020.

Individuals are eligible for the payment if they are residing in Australia and receiving/holding any of the below payments/concession cards:

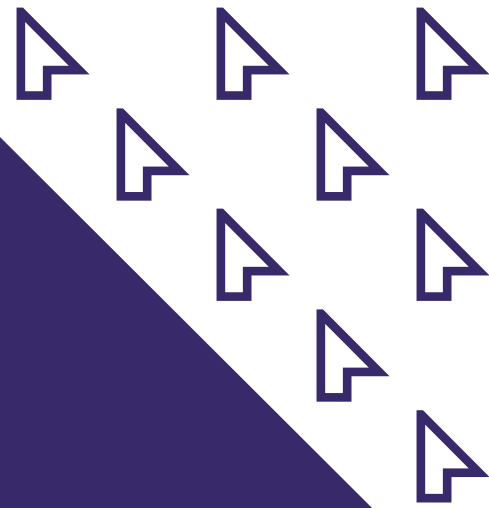
- Age Pension
- Disability Support Pension
- Carer Payment
- Parenting Payment
- Wife Pension
- Widow B Pension
- ABSTUDY (Living Allowance)
- Austudy
- Bereavement Allowance
- Newstart Allowance
- JobSeeker Payment
- Youth Allowance
- Partner Allowance
- Sickness Allowance
- Special Benefit
- Widow Allowance
- Family Tax Benefit, including Double Orphan Pension
- Carer Allowance
- Pensioner Concession Card (PCC) 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.
- DVA PCC holders; DVA Education Scheme recipients; Disability Pensioners at the temporary special rate; DVA Income support pensioners at \$0 rate.
- Veteran Gold Card holders
- Farm Household Allowance

Individuals will not be entitled to the second payment if they are eligible to receive the Coronavirus Supplement that was previously outlined in this document.

Both payments will be exempt from income tax.

It is important to note that an individual is only entitled to one payment of \$750 per round, even if they are eligible for more than one of the above listed payments or hold more than one concession card. For example - if an individual was receiving the aged pension and held a Pensioner Concession Card they would still only be entitled to one \$750 payment in the first round and one \$750 payment in the second round (provided they were not eligible for the Coronavirus Supplement).

Tasmanian State Government Assistance



Small Business Support Package

The Tasmanian Government has identified industries severely impacted by the coronavirus outbreak as:

- Seafood
- Tourism and accommodation
- Retail
- Hospitality
- Arts and entertainment
- Fitness

The Government has introduced the following to assist businesses in these industries.

Small Business Emergency Support Grant - \$2,500

To qualify your business must:

- Operate in one of the identified industries;
- Employ fewer than 20 full time equivalent (FTEs) employees (casual or part-time) or be a sole trader, self-employed or owner operator;
- Have been operating as a business (not a hobby or charity) on or before 31 January 2020; and
- Be registered for tax purposes in Australia with an Australian Business Number (ABN).

The following are not eligible:

- Wholly owned subsidiaries of large businesses (20+ employees)
- A non-employed business from which the owner derives less than 50 per cent of their income
- Businesses that operate primarily in industries outside those listed above.

Application forms are available at www.business.tas.gov.au

Small Business Hardship Grant - \$15,000

Application forms will be available at www.business.tas.gov.au. Further details on this grant are expected to be announced in the near future. Businesses are encouraged to first apply for the Small Business Emergency Support Grant.

Small Business Loan Support Package

Tasmanian businesses with turnovers of less than \$10 million can apply for Government loans to assist with business continuity and viability during the coronavirus period. Businesses with turnovers exceeding this threshold can still apply and may be granted loans by exception. Loans start at \$20,000 up to \$250,000.

These loans will be available to businesses in the hospitality, tourism, seafood and export sectors and related supply chain businesses where the business can demonstrate it has been materially impacted by the coronavirus outbreak.

Loans will be granted for purposes such as:

- Purchase of business plant and equipment
- Improving distribution channels and online shopping accessibility
- Implementing initiatives to improve the sustainability and viability of the business
- Ensuring that essential business continuity is maintained

Loans will not be granted for the purposes of making overdue creditor payments, overdue statutory payments, staff displacement or redundancy costs or debt refinancing.

The loans will be interest free for three years and then payable at State Growth's commercial loan interest rate from year four onwards. The maximum loan term will be five years.

Enquiries should be directed to ask@business.tas.gov.au

Business Vehicle Registration Relief Package

Small businesses that suspend activity due to business downturn and trading restrictions resulting from the coronavirus outbreak can apply to the Registrar of Motor Vehicles to freeze their business vehicle registrations for both light and heavy vehicles. Registrations can be reactivated at not cost when business recommences. The maximum period that a registration can be frozen is 12 months.

Applications can be made at: www.transport.tas.gov.au/registration/registration_business_support_package

Business details will need to be provided including the Australian Business Number (ABN). A declaration that business activities have been ceased or suspended will need to be made at the time of application.



Payroll Tax Waivers

Subject to the passage of legislation, businesses in the hospitality, tourism and seafood industries will not have to pay payroll tax for the entire 2020 financial year. Currently these businesses will not have to lodge payroll tax returns for March, April or May 2020. The Annual Adjustment Return must still be lodged by 21 July 2020. Refunds for any payroll tax already paid will be arranged.

Other businesses with payrolls of up to \$5 million will be able to apply for the waiver based on the impact of virus on the business.

Youth Employment Scheme

Businesses that employ a young person aged 24 and under, between April and December 2020 will be eligible for a payroll tax rebate for one year on eligible wages.

As of Thursday 26 March we are still awaiting further details on how to access this assistance.

Improving Small Business Cash Flows

Unless otherwise required by contractual arrangements, payment terms by Government agencies will be reduced from 30 days to 14 days; and

Unless otherwise required by contractual arrangements, small businesses will be provided extended payment terms to Government from 30 days to 90 days.

Targeted Small Business Grants Program for Apprenticeships and Traineeships

Businesses that hire an apprentice or trainee in the tourism, hospitality, building and construction, and manufacturing industries will be eligible for a \$5,000 grant.

As of Thursday 26 March we are still awaiting further details on how to access this assistance.

Fee Waivers

Businesses in applicable industries will be eligible for a 50% discount on liquor licencing fees and a waiver of all application fees for the calendar year 2020, back dated to 1 January 2020.

Annual fees and levies for the rock lobster, giant crab, fin fishers and for abalone divers, will be waived for 12 months.

Emergency Relief Payments for Those in Isolation

One-off payments of \$250 for individuals or up to \$1,000 for families are available for those who are required by Public Health to self-isolate as a result of the coronavirus. Eligibility includes those with a Health Care Card or a Pensioners Concession Card and those on low incomes who can demonstrate a need for financial support, including casual workers.

As of Thursday 26 March we are still awaiting further details on how to access this assistance.



Additional Measures Announced Thursday 26 March

The Government announced there will be capped electricity prices and frozen water bills for the 2021 financial year.

Aurora has announced that no businesses or residential premises will be disconnected during the period of crisis.

Small business customers will have their next Aurora bill after 1 April 2020 waived.

Public school levies for the 2020 calendar year will be waived. Refunds will be arranged where appropriate.

Casual workers in the state sector will be provided with two weeks special leave if required to self isolate.





Australian Taxation Office (ATO) Assistance

Deferrals and Payment Plans

If you or your business has been affected by COVID-19, the ATO may be able to defer or vary some payments or instalments you have due including income tax, activity statement, pay as you go (PAYG) instalments, FBT and excise payments by up to six months. There is also the option of putting in place a payment plan for existing or new debts.

PAYG Instalments

If you pay quarterly PAYG instalments you can vary your PAYG instalments on your activity statement for the March 2020 quarter. You can also claim a refund for any instalments made for the September 2019 and December 2019 quarters. Where you choose to vary your PAYG instalments, the ATO has indicated that no penalties or interest charges will apply to varied instalments for the 2019-20 financial year. You should carefully consider the taxation and cash flow implications of obtaining a refund in this manner. It may cause significant cash flow issues when your tax liability for the 2020 financial year becomes due and payable.

Super Guarantee Payments

If you are an employer, you need to meet super guarantee obligations for your employees. By law, the tax office cannot vary the contribution due date or waive the super guarantee charge. However, you may be able to put in place a payment plan for any outstanding superannuation guarantee charges once the appropriate superannuation guarantee charge forms have been lodged for any late or outstanding superannuation payments.



Assistance From Australian Banks

Australian banks have announced they will provide additional assistance in various ways to customers impacted by the coronavirus. If you have not been contacted by your bank already you are encouraged to reach out to see what support may be available to you. Various lenders are offering assistance in different ways, including deferral of overdraft and business loan repayments, waiving application and merchant fees and waiving early redraw fees on term deposits.



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