



Federal Government COVID-19 Economic Stimulus Stage 2 (subject to pending legislation)

The Federal Government has announced Stage 2 of its economic plan to cushion the economic impact of coronavirus (COVID-19). There are four parts to the economic plan, they are listed below.

- Boosting Cash Flow for Employers
- Income Support for Individuals
- Temporary Early Access to Superannuation
- Temporary Relief for Financially Distressed Businesses

Boosting cash flow for employers

The Government is enhancing the 'Boosting Cash Flow for Employers' measure it announced on 12 March 2020. The Government is providing 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. These payments will help businesses and NFPs with their cash flow so they can keep operating, pay their rent, electricity and other bills and retain staff.

This measure will benefit around 690,000 businesses employing around 7.8 million people, and around 30,000 NFPs (including charities).

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. This will support employment at a time where NFPs are facing increasing demand for services.

Under the enhanced 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 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 measure initially provided up to \$25,000 to business, with a minimum payment of \$2,000 for eligible businesses. Small and medium sized business entities with aggregated annual turnover under \$50 million and that employ workers are eligible.

This additional payment continues cash flow support over a longer period, increasing confidence, helping employers to retain staff and helping entities to keep operating. The

cash flow boost provides a tax-free payment to employers and is automatically calculated by the Australian Taxation Office (ATO). There are no new forms required.

Eligibility

Boosting Cash Flow for Employers payments Small and medium sized business entities and NFPs with aggregated annual turnover under \$50 million and that employ workers, will be eligible.

Eligibility will generally be based on prior year turnover.

- The 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.
- Eligible employers that withhold tax to the ATO on their employees' salary and wages will receive a payment equal to 100 per cent of the amount withheld, up to a maximum payment of \$50,000.
- Eligible employers 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.

Eligibility - Additional payment

To qualify for the additional payment, the entity must continue to be active. For monthly activity statement lodgers, the additional payments will be delivered as an automatic credit in the activity statement system. This will be equal to a quarter of their total initial Boosting Cash Flow for Employers payment following the lodgment of their 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 their total initial Boosting Cash Flow for Employers payment following the lodgment of their June 2020 and September 2020 activity statements (up to a total of \$50,000).

This measure will benefit around 690,000 businesses employing around 7.8 million people, and around 30,000 NFPs (including charities).



Timing - Boosting Cash Flow for Employers payments

The Boosting Cash Flow for Employers payment will be applied to a limited number of activity statement lodgments. The ATO will deliver the payment as a credit to the entity upon lodgment of their activity statements. Where this results in the entity being in a refund position, the ATO will deliver the refund within 14 days.

Type of lodger	Eligible period	Lodgment due date
Quarterly	Quarter 3 (January, February and March 2020)	28 April 2020
	Quarter 4 (April, May and June 2020)	28 July 2020
Monthly	March 2020	21 April 2020
	April 2020	21 May 2020
	May 2020	22 June 2020
	June 2020	21 July 2020

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 lodgments.

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 entities' first lodgment.

Timing - Additional payment

The additional payment will be applied to a limited number of activity statement lodgments. The ATO will deliver the payment as a credit to the entity upon lodgment of their activity statements. Where this results in the entity being in a refund position, the ATO will deliver the refund within 14 days.

Type of lodger	Eligible period	Lodgment due date
Quarterly	Quarter 4 (April, May and June 2020)	28 July 2020
	Quarter 1 (July, August and September 2020)	28 October 2020
Monthly	June 2020	21 July 2020
	July 2020	21 August 2020
	August 2020	21 September 2020
	September 2020	21 October 2020



Quarterly lodgers will be eligible to receive the additional payment for the quarters ending June 2020 and September 2020. Each additional payment will be equal to half of their total initial Boosting Cash Flow for Employers payment (up to a total of \$50,000). Monthly lodgers will be eligible to receive the additional payment for the June 2020, July 2020, August 2020 and September 2020 lodgments. Each additional payment will be equal to a quarter of their total initial Boosting Cash Flow for Employers payment (up to a total of \$50,000).

Examples

Sarah's Construction Business

Sarah owns and runs a building business in South Australia and employs 8 construction workers on average full-time weekly earnings, who each earn \$89,730 per year. Sarah reports withholding of \$15,008 for her employees on each of her monthly Business Activity Statements (BAS). Under the Government's changes, Sarah will be eligible to receive the payment on lodgment of her BAS. Sarah's business receives:

- A credit of \$45,024 for the March period, equal to 300 per cent of her total withholding.
- A credit of \$4,976 for the April period, before she reaches the \$50,000 cap.
- No payment for the May period, as she has now reached the \$50,000 cap.
- An additional payment of \$12,500 for the June period, equal to 25 per cent of her total Boosting Cash Flow for Employers payments.
- An additional payment of \$12,500 for the July period, equal to 25 per cent of her total Boosting Cash Flow for Employers payments.
- An additional payment of \$12,500 for the August period, equal to 25 per cent of her total Boosting Cash Flow for Employers payments.
- An additional payment of \$12,500 for the September period, equal to 25 per cent of her total Boosting Cash Flow for Employers payments.

Under the previously announced Boosting Cash Flow for Employers measure, Sarah's business would have received a maximum payment of \$25,000. Under the Government's enhanced Boosting Cash Flow for Employers measure, Sarah's business will receive \$100,000. This is an additional \$75,000 to support her business and help her retain her staff.

Sean's Hairdresser Salon

Sean owns a hairdresser's salon on the Gold Coast. He employs 12 hairdressers, with average salary of \$50,000 per year. Sean reports withholding of \$8,788 for his employees in each of his monthly BAS.

Under the Government's changes, Sean will be eligible to receive the payments on lodgment of his relevant BAS. Sean's business will receive:

- A credit of \$26,364 for the March period, equal to 300 per cent of his total withholding.



- A credit of \$8,788 for the April period.
- A credit of \$8,788 for the May period.
- A credit of \$6,060 for the June period, before he reaches the \$50,000 cap.

Sean will also receive an additional payment of \$12,500 for the June period, equal to 25 per cent of his total Boosting Cash Flow for Employers payments.

- An additional payment of \$12,500 for the July period, equal to 25 per cent of his total Boosting Cash Flow for Employers payments.
- An additional payment of \$12,500 for the August period, equal to 25 per cent of his total Boosting Cash Flow for Employers payments.
- An additional payment of \$12,500 for the September period, equal to 25 per cent of his total.

Under the previously announced Boosting Cash Flow for Employers measure, Sean's business would have received a total payment of \$25,000. Under the Government's enhanced Boosting Cash Flow for Employers measure, Sean's business will receive \$100,000. This is an additional \$75,000 to support his business.

Tim's Courier Run

Tim owns and runs a small paper delivery business in Melbourne and employs two casual employees who each earn \$10,000 per year. In his quarterly BAS, Tim reports withholding of \$0 for his employees as they are under the tax-free threshold. Under the Government's changes, Tim will be eligible to receive the payment on lodgment of his BAS. Tim's business will receive:

- A credit of \$10,000 for the March quarter, as he pays salary and wages but is not required to withhold tax.
- An additional payment of \$5,000 for the June quarter, equal to 50 per cent of his total Boosting Cash Flow for Employers payments.
- An additional payment of \$5,000 for the September quarter, equal to 50 per cent of his total Boosting Cash Flow for Employers payments.

If Tim begins withholding tax for the June quarter, he will need to withhold more than \$10,000 before he receives any additional payment. Under the previously announced Boosting Cash Flow for Employers measure, Tim's business would have received a total payment of \$2,000. Under the Government's enhanced Boosting Cash Flow for Employers measure, Tim's business will receive \$20,000. This is an additional \$18,000 to support his business.



Help for the Homeless Op-Shop

Help for the Homeless, a registered charity, runs an op-shop to support its programs and employs 5 part-time workers with an average income of \$30,000 per year. It reports total withholding of \$3,510 for its employees for each quarterly BAS. Under the Government's changes, Help for the Homeless will be eligible to receive the payment on lodgment of its BAS as it is a charity. Help for the Homeless receives:

- A credit of \$10,000 for the March quarter, the minimum payment.
- An additional payment of \$5,000 for the June quarter, equal to 50 per cent of its total Boosting Cash Flow for Employers payments.
- An additional payment of \$5,000 for the September quarter, equal to 50 per cent of its total Boosting Cash Flow for Employers payments.

Under the Government's enhanced Boosting Cash Flow for Employers measure, Help for the Homeless will receive \$20,000. Under the previously announced Boosting Cash Flow for Employers measure, NFPs were not eligible for the support.

SUPPORTING APPRENTICES AND TRAINEES

Summary

The Government is supporting small business to retain their apprentices and trainees. Eligible employers can apply for a wage subsidy of 50 per cent of the apprentice's or trainee's wage paid during the 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. Employers will be reimbursed up to a maximum of \$21,000 per eligible apprentice or trainee (\$7,000 per quarter). Support will also be provided to the National Apprentice Employment Network, the peak national body representing Group Training Organisations, to co-ordinate the re-employment of displaced apprentices and trainees throughout their network of host employers across Australia.

Eligibility

The subsidy will be available to small businesses employing fewer than 20 full-time employees who retain an apprentice or trainee. The apprentice or trainee must have been in training with a small business as at 1 March 2020. Employers of any size and Group Training Organisations that re-engage an eligible out-of-trade apprentice or trainee will be eligible for the subsidy. Employers will be able to access the subsidy after an eligibility assessment is undertaken by an Australian Apprenticeship Support Network (AASN) provider. This measure will support up to 70,000 small businesses, employing around 117,000 apprentices.



Timing

Employers can register for the subsidy from early April 2020. Final claims for payment must be lodged by 31 December 2020. Further information is available at:

- The Department of Education, Skills and Employment website at: www.dese.gov.au.
- Australian Apprenticeships website at: www.australianapprenticeships.gov.au.

For further information on how to apply for the subsidy, including information on eligibility, contact an Australian Apprenticeship Support Network (AASN) provider.

Examples

David's Plumbing

David's Plumbing is a small business that employs 10 people, including two full-time Australian Apprentices. Taylor is a first year Australian Apprentice, aged 20, undertaking a Certificate III qualification. She commenced her apprenticeship with David's Plumbing on 6 February 2020. Taylor receives a weekly wage of \$532.89. Lisa is a third year Australian Apprentice, aged 29, undertaking a Certificate IV qualification. She commenced her apprenticeship with David's Plumbing on 18 November 2017. She receives a weekly wage of \$772.71. David's Plumbing are eligible for Supporting Apprentices and Trainees which pays 50 per cent of the apprentices' wages that have been paid by David's Plumbing since 1 January 2020. David's Plumbing will receive:

- \$9,059 subsidy for employing Taylor from 6 February 2020 to 30 September 2020; and
- \$15,068 subsidy for employing Lisa from 1 January 2020 to 30 September 2020.

For more information

For more information on the Australian Government's Economic Response to the Coronavirus visit treasury.gov.au/coronavirus Businesses can visit business.gov.au to find out more about how the Economic Response complements the range of support available to small and medium businesses.



Income support for individuals (Sole Traders & casuals)

Economic response to the coronavirus

The Government is providing support for individuals to assist them during the next six months.

Increased and accelerated income support

Summary

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 supplement will be paid to both existing and new recipients of the eligible payment categories. These changes will apply for the next six months.

Eligibility Payment categories

The income support payment categories eligible to receive the Coronavirus supplement are:

- Jobseeker Payment¹ (and all payments progressively transitioning to Jobseeker Payment; those currently receiving Partner Allowance, Widow Allowance, Sickness Allowance and Wife Pension)
- Youth Allowance Jobseeker
- Parenting Payment (Partnered and Single)
- Farm Household Allowance
- Special Benefit recipients

Anyone who is eligible for the Coronavirus supplement will receive the full rate of the supplement of \$550 per fortnight.

Expanded access

For the period of the Coronavirus supplement, there will be expanded access to the income support payments listed above.

- Expanded access: Jobseeker Payment and Youth Allowance Jobseeker criteria will provide payment access for permanent employees who are stood down or lose their employment; sole traders; the self-employed; casual workers; and contract workers who meet the income tests as a result of the economic downturn due to the Coronavirus. This could also include a person required to care for someone who is affected by the Coronavirus.
- Reduced means testing: Asset testing for Jobseeker Payment, Youth Allowance Jobseeker and Parenting Payment will be waived for the period of the Coronavirus supplement. Income testing will still apply to the person's other payments, consistent with current arrangements.



- Reduced waiting times: The one-week Ordinary Waiting Period has already been waived.
 - To further accelerate access to payments, the Liquid Asset test Waiting Period (LAWP) and the Seasonal Work Preclusion Period (SWPP) will also be waived for recipients eligible for the Coronavirus supplement.
 - People currently serving a LAWP will no longer need to serve that waiting period.
 - The Newly Arrived Residents Waiting Period (NARWP) will be temporarily waived for recipients eligible for the Coronavirus supplement. When the Coronavirus supplement ceases, those people that were serving a NARWP will continue to serve the remainder of their waiting period, though the time the person was receiving the Coronavirus supplement will count towards their NARWP. Residency requirements still apply.
 - Income Maintenance Periods and Compensation Preclusion Periods will continue to apply, as payments under these arrangements are treated as income.

People will not be permitted, and will need to declare that they are not, accessing employer entitlements (such as annual leave and/or sick leave) or Income Protection Insurance, at the same time as receiving Jobseeker Payment and Youth Allowance Jobseeker under these arrangements.

From 20 March 2020, Sickness Allowance was closed to new entrants and was replaced by the Jobseeker Payment. This does not mean that people who previously may have been eligible for Sickness Allowance are now unable to access income support. Jobseeker Payment better accommodates individual circumstances, including assisting people who are sick or bereaved.

Faster claim process

Accelerated claim process: To ensure timely access to payments, new applicants are encouraged to claim through on-line and mobile channels. If applicants do not have internet access, they can claim over the phone.

- From April 2020, Services Australia will allow new applicants to call to verify their identity to reduce the need to visit a Services Australia office.
- To claim online, people who do not already deal with Services Australia will need to set up their myGov account, call to verify their identity, and get a link to their Centrelink online account.
- Applicants for Jobseeker Payment and Youth Allowance Jobseeker will: Make an initial declaration about their identity, residency status, income and that they have been made redundant, or had their hours reduced (including to zero) as a result of the economic downturn due to Coronavirus. In the case of sole traders and the self-employed, applicants will make a declaration that their business has been suspended or had turnover reduced significantly.



- Applicants may also declare the amount of rent they pay in this declaration to qualify for Rent Assistance.
- Services Australia has effective measures in place to detect those seeking to defraud the social security system. Anyone fraudulently claiming a payment will need to pay the money back and may face imprisonment.

Streamlined application process

A number of simplified arrangements will be put in place to make it easier to claim, including removing the requirements for:

- Employment Separation Certificates, proof of rental arrangements and verification of relationship status;
- Job Seeker Classification Instrument assessment for those people who have recently left jobs, recognising they are job ready; and
- Job seekers to make an appointment with an employment service provider before they can be paid.

Flexible job-seeking arrangements

- Those receiving Jobseeker Payment have an obligation to actively look for work or build their skills, but the Government is making sure this can be done flexibly and safely.
- Jobseekers who have caring responsibilities, or who need to self-isolate, are able to seek an exemption from their mutual obligation requirements without the need for medical evidence.
- Activities can be rescheduled if the job seeker is unable to attend as a result of the Coronavirus.

Job Plans will be adjusted to a default requirement of four job searches a month (or one a week) to reflect softening labour market conditions. Mutual obligations can be tailored for each individual to suit not only their needs but also the needs of the community.

In some circumstances, job seekers can undertake training or volunteer within their community to meet their mutual obligation requirements. Sole traders that become eligible for the Jobseeker Payment will automatically meet their mutual obligation requirements during this period by continuing to develop and sustain their business.

Job seekers are encouraged to stay job ready, connected to their employment services provider and up to date on potential job opportunities in their local area. These changes ensure that job seekers can reliably access income support, safely look for work, fill critical vacancies as they emerge, develop their skills and job preparedness, contribute to their community and help the economy to bounce back stronger.



Timing

The Coronavirus Supplement and expanded access for payments will commence from 27 April 2020.

Example

Leonie is in her mid-30s, with two dependent children aged 10 and 12 and works as a telephone consultant for a travel agency. The economic downturn due to Coronavirus has caused the travel agency where she works to close for a six-month period and resulted in Leonie's hours being reduced to zero. Leonie will be eligible to apply for Jobseeker Payment and the Coronavirus supplement under the new streamlined process. Leonie can apply on-line and make a declaration about her identity, residency status, income and that she has had her hours reduced to zero as a result of the economic downturn due to Coronavirus. Leonie is eligible for Jobseeker Payment and will receive \$1,171.50 per fortnight, comprising:

- Jobseeker Payment single, with dependent child rate of \$612.00 per fortnight; plus
- Energy Supplement of \$9.50 per fortnight; plus
- Coronavirus supplement of \$550 per fortnight.

Leonie will also receive Family Tax Benefit Part A and Part B of \$483 a fortnight. Having recently left employment, Leonie is already job ready. An employment service provider will look to match Leonie's skills with available opportunities (for example, in another Call Centre) so Leonie's skills can be used in another industry and Leonie can get another job quickly.

Example

Chris is a sole trader, running an architecture practice, specialising in home renovations. Chris' practice has been successful over the years, and he has been able to build up a reasonable amount of assets during his career, to a level that would ordinarily make him ineligible for an income support payment. The economic downturn due to Coronavirus has adversely affected Chris' business, and his income has been reduced to zero. Chris will be able to apply for the new Jobseeker / Coronavirus supplement and will not have his assets included as part of the eligibility assessment for the payment. He will also not be required to serve a Liquid Asset test Waiting Period, as that has been waived. Chris is eligible for the Jobseeker payment and, as he is married, will receive:

- Jobseeker Payment partnered rate of \$510.80 per fortnight; plus
- Energy Supplement of \$7.90 per fortnight; plus
- Coronavirus supplement of \$550 per fortnight This brings Chris' total fortnightly income support payment to \$1,068.70.



Delivering support for business investment

The Government is backing businesses to invest to help the economy withstand and recover from the economic impact of Coronavirus. The two business investment measures in this package are designed to assist Australian businesses and economic growth in the short-term, and encourage a stronger economic recovery following the Coronavirus outbreak.

These measures will support over 3.5 million businesses (over 99 per cent of businesses) with aggregated annual turnover of less than \$500 million employing more than 9.7 million employees.

Increasing the instant asset write-off

The Government is increasing the instant asset write-off (IAWO) threshold from \$30,000 to \$150,000 and expanding access to include all businesses with aggregated annual turnover of less than \$500 million (up from \$50 million) until 30 June 2020. In 2017-18 there were more than 360,000 businesses that benefited from the current IAWO, claiming deductions to the value of over \$4 billion.

The IAWO threshold

The higher IAWO threshold provides cash flow benefits for businesses that will be able to immediately deduct purchases of eligible assets each costing less than \$150,000. The threshold applies on a per asset basis, so eligible businesses can immediately write-off multiple assets.

The IAWO is due to revert to \$1,000 for small businesses (turnover less than \$10 million) from 1 July 2020.

Eligibility

The Government is expanding access so that more businesses can take advantage of the IAWO. The annual turnover threshold for businesses is increasing from \$50 million to \$500 million. Expanding the threshold will mean an additional 5,300 businesses who employ around 1.9 million Australians will be able to access the IAWO for the first time.

Timing

This proposal applies from announcement until 30 June 2020, for new or second-hand assets first used or installed ready for use in this timeframe.

Example 1 — Business benefits from increased asset threshold

Owen owns a company, ON Point Farms Pty Ltd, through which he operates a farming business in the Central Wheat Belt of Western Australia. ON Point Farms Pty Ltd has an aggregated annual turnover of \$25 million for the 2019-20 income year. On 1 May 2020, Owen purchases a second-hand tractor for \$140,000, exclusive of GST, for use in his business.



Under existing tax arrangements, ON Point Farms Pty Ltd is not able to immediately deduct assets costing more than \$30,000 and instead would depreciate the tractor using an effective life of 12 years. Choosing to use the diminishing value method, ON Point Farms Pty Ltd would claim a tax deduction of \$3,899 for the 2019-20 income year.

Under the new \$150,000 instant asset write-off, ON Point Farms Pty Ltd would instead claim an immediate deduction of \$140,000 for the purchase of the tractor in the 2019-20 income year, \$136,101 more than under existing arrangements. At the company tax rate of 27.5 per cent, Owen will pay \$37,427.78 less tax in 2019-20.

This will improve ON Point Farms Pty Ltd.'s cash flow and help his business withstand and recover from the economic impact of the Coronavirus.

Example 2 — Business benefits from increased turnover threshold

Samantha owns a company, Sam's Specialty Roasters Pty Ltd, through which she operates a large food processing business in Brisbane. Sam's Specialty Roasters Pty Ltd has an aggregated annual turnover of \$150 million for the 2019-20 income year. On 1 May 2020, Samantha purchases five new conveyor belts for her production facility for \$40,000 each, exclusive of GST, for use in her business.

Under existing tax arrangements, Sam's Specialty Roasters Pty Ltd is not eligible for the instant asset write-off and instead would depreciate the conveyor belts using an effective life of 15 years. Choosing to use the diminishing value method, Sam's Specialty Roasters Pty Ltd would claim a total tax deduction of \$4,456 for the 2019-20 income year.

Under the new \$150,000 instant asset write-off, Sam's Specialty Roasters Pty Ltd would instead claim an immediate deduction of \$200,000 for the purchase of the conveyor belts (i.e. \$40,000 for each conveyor) in the 2019-20 income year, \$195,544 more than under existing arrangements. At the company tax rate of 30 per cent, Samantha will pay \$58,663.20 less tax in 2019-20.

This will improve Sam's Specialty Roasters Pty Ltd.'s cash flow and help her business withstand and recover from the economic impact of the Coronavirus.



Backing business investment (BBI)

The Government is introducing a time limited 15-month investment incentive to support business investment and economic growth over the short-term, by accelerating depreciation deductions. The key features of the incentive are:

- benefit — deduction of 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;
- eligible businesses — businesses with aggregated turnover below \$500 million; and
- eligible assets — new assets that can be depreciated under Division 40 of the Income Tax Assessment Act 1997 (i.e. plant, equipment and specified intangible assets, such as patents) acquired after announcement and first used or installed by 30 June 2021. Does not apply to second-hand Division 40 assets, or buildings and other capital works depreciable under Division 43.

Eligibility

Businesses with aggregated turnover below \$500 million, purchasing certain new depreciable assets.

Timing

Applies to eligible assets acquired after announcement and first used or installed by 30 June 2021.

Example 3 — Middle-sized business benefits from the BBI

J Construction Solutions Pty Ltd has an aggregated annual turnover of \$200 million for the 2020-21 income year. On 1 July 2020, J Construction Solutions Pty Ltd installs a \$1 million truck mounted concrete pump for use in the business.

Under existing tax arrangements, J Construction Solutions Pty Ltd could claim 30 per cent depreciation in the first year (based on the asset's effective life of 6½ years).

Under the new BBI, J Construction Solutions Pty Ltd can claim a depreciation deduction of \$650,000 in the 2020-21 income year. This consists of 50 per cent of the concrete pump's value under the new BBI (\$500,000) plus 30 per cent of the remaining \$500,000 under existing depreciation rules (\$150,000). This is \$350,000 more than under existing tax arrangements.

At the company tax rate of 30 per cent, J Construction Solutions Pty Ltd will pay \$105,000 less tax in the 2020-21 income year (30 per cent of \$350,000). This extra tax benefit is worth \$14,000 to J Construction Pty Ltd over the asset's life (at an interest rate of 5 per cent). This will improve J Construction Solutions Pty Ltd.'s cash flow and lower the after-tax cost of the concrete pump to the business.



Example 4 — Small business benefits from the BBI

Joan and Bruce own a company, NC Transport Solutions Pty Ltd, through which they operate a haulage business on the North Coast of New South Wales.

NC Transport Solutions Pty Ltd has an aggregated annual turnover of \$8 million for the 2019-20 income year. On 1 May 2020, Joan and Bruce purchase a new truck for \$260,000, exclusive of GST, for use in their business.

Under existing tax arrangements, NC Transport Solutions Pty Ltd would depreciate the truck using their small business simplified depreciation pool. Under the pooling rules, NC Transport Solutions Pty Ltd would deduct 15 per cent of the asset's value upon entry to the pool, leading to a tax deduction of \$39,000 for the 2019-20 income year.

Under the new BBI, NC Transport Solutions Pty Ltd would instead claim an up-front deduction of 50 per cent of the truck's value (\$130,000) before placing the asset in their small business simplified depreciation pool. Joan and Bruce would then claim a further 15 per cent deduction on the depreciated value of the truck (\$19,500). As a result of the two deductions, Joan and Bruce will be able to claim a deduction totaling \$149,500 in the 2019-20 income year, \$110,500 more than under existing arrangements. At the company tax rate of 27.5 per cent, Joan and Bruce will pay \$30,387.50 less tax in the 2019-20 income year.

This will improve NC Transport Solutions Pty Ltd.'s cash flow and help Joan and Bruce's business withstand and recover from the economic impact of the Coronavirus.



Temporary early access to superannuation

Summary

The Government is allowing individuals affected by the Coronavirus 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 and the money they withdraw will not affect Centrelink or Veterans' Affairs payments.

While superannuation helps people save for retirement, the Government recognises that for those significantly financially affected by the Coronavirus, accessing some of their superannuation today may outweigh the benefits of maintaining those savings until retirement.

Eligible individuals will be able to apply online through myGov to access 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 approximately three months (exact timing will depend on the passage of the relevant legislation).

Eligibility To apply for early release you must satisfy any one or more of the following requirements:

- you are unemployed; or
- you are eligible to receive a job seeker payment, youth allowance for jobseekers, parenting payment (which includes the single and partnered payments), special benefit or farm household allowance; or
- on or after 1 January 2020: you were made redundant; or your working hours were reduced by 20 per cent or more; or if you are a sole trader — your business was suspended or there was a reduction in your turnover of 20 per cent or more.

People accessing their superannuation will not need to pay tax on amounts released and the money they withdraw will not affect Centrelink or Veterans' Affairs payments.

How to apply

If you are eligible for this new ground of early release, you can apply directly to the ATO through the myGov website: www.my.gov.au. You will need to certify that you meet the above eligibility criteria. After the ATO has processed your application, they will issue you with a determination. The ATO will also provide a copy of this determination to your superannuation fund, which will advise them to release your superannuation payment. Your fund will then make the payment to you, without you needing to apply to them directly. However, to ensure you receive your payment as soon as possible, you should contact your fund to check that they have your correct details, including your current bank account details and proof of identity documents.

Separate arrangements will apply if you are a member of a self-managed superannuation fund (SMSF). Further guidance will be available on the ATO website: www.ato.gov.au.

Timing You will be able to apply for early release of your superannuation from mid-April 2020.

Example

Ed the bartender Ed works in a popular bar in Melbourne. As a result of the Coronavirus, Ed has had his work hours reduced from 40 hours on average in the second half of 2019 to 20 hours per week on average in May 2020. As a result, Ed determines that his hours over the last month have reduced by more than 20 per cent compared to the average of his hours over the last six months of 2019.

Ed decides to apply for the early release of \$8,000 of his superannuation in May 2020 to help pay his rent and other living expenses. Ed self-certifies that he is eligible for early release on myGov. He could have applied for up to \$10,000, but chose not to. Ed cannot seek any further early release of superannuation in 2019-20 on the grounds that he has been affected by the adverse economic effects of the Coronavirus.

However, Ed finds after 1 July 2020 that his hours continue to be reduced by more than 20 per cent compared to the average of his hours in the last six months of 2019. Ed decides to make a second application and self-certifies through myGov that he is eligible for early release. He is able to apply again for a release of up to \$10,000 of his superannuation. Ed submits a second application for the full amount of \$10,000 this time. For each application, the ATO approves Ed's early release and notifies both him and his superannuation fund. Ed has received a total of \$18,000 of his superannuation in two separate payments. He will not be taxed on this amount and is free to spend this money on anything he chooses, or save it for future expenses. He is also free to re-contribute any unused amounts to his superannuation in the future (within his contribution caps).

Rachel the sole trader

Rachel is a sole trader with a catering business. At the end of July 2020, Rachel seeks to apply for an early release from her superannuation for the 2020-21 financial year.

Due to the economic effects of the coronavirus, Rachel's turnover for July is \$5,000 compared to \$10,000 on average per month for the second half of 2019. Rachel therefore determines that her turnover has reduced by more than 20 per cent compared to her average turnover over the last six months of 2019.

Rachel self-certifies that she is eligible for early release and applies to have \$10,000 released from her superannuation.



Temporary relief for financially distressed businesses

The economic impacts of the Coronavirus and health measures to prevent its spread could see many otherwise profitable and viable businesses temporarily face financial distress. It is important that these businesses have a safety net to make sure that when the crisis has passed, they can resume normal business operations. One element of that safety net is to lessen the threat of actions that could unnecessarily push them into insolvency and force the winding up of the business.

The Government is temporarily increasing the threshold at which creditors can issue a statutory demand on a company and the time companies 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 temporary and targeted relief from provisions of the Act to deal with unforeseen events that arise as a result of the Coronavirus health crisis.

The ATO will 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.

Executive summary

The elements of the package are:

- A temporary increase in the threshold at which creditors can issue a statutory demand on a company and the time companies have to respond to statutory demands they receive;
- A temporary increase in the threshold for a creditor to initiate bankruptcy proceedings, an increase in the time period for debtors to respond to a bankruptcy notice, and extending the period of protection a debtor receives after making a declaration of intention to present a debtor's petition;
- 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 for companies from provisions of the Act to deal with unforeseen events that arise as a result of the Coronavirus health crisis.

For owners or directors of a business that are currently struggling due to the Coronavirus, the ATO will tailor solutions for their circumstances, including temporary reduction of payments or deferrals, or withholding enforcement actions including Director Penalty Notices and wind-ups.



Temporary higher thresholds and more time to respond to demands from creditors

A creditor issuing a statutory demand on a company is a common way for a company to enter liquidation. The Government is temporarily increasing the current minimum threshold for creditors issuing a statutory demand on a company under the Corporations Act 2001 from \$2,000 to \$20,000. This will apply for six months. Not responding to a demand within the specified time creates a presumption that the company is insolvent. The statutory timeframe for a company to respond to a statutory demand will be extended temporarily from 21 days to six months. This will apply for six months.

To assist individuals, the Government will make a number of changes to the personal insolvency system regulated by the Bankruptcy Act 1966. 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. This will apply for six months. Failure to respond to a bankruptcy notice is the most common act of bankruptcy. The time a debtor has to respond to a bankruptcy notice will be temporarily increased from 21 days to six months.

The extension will give a debtor more time to consider repayment arrangements before they could be forced into bankruptcy. This will apply for six months. When a debtor declares an intention to enter voluntary bankruptcy by making a declaration of intention to present a debtor's petition there is a period of protection when unsecured creditors cannot take further action to recover debts. This period will be temporarily extended from 21 days to six months. This will give debtors more time to consider the options that are best for them. This will apply for six months. Creditors, many of whom are themselves small businesses, will still have the right to enforce debt against companies or individuals through the courts.

Temporary relief from directors' personal liability for trading while insolvent

Directors are personally liable if a company trades while insolvent. This can lead to boards of directors feeling under pressure to make quick decisions to enter into an insolvency process if there is any risk that the company will experience periods where it will be trading while insolvent. To make sure that companies have confidence to continue to trade through the Coronavirus health crisis with the aim of returning to viability when the crisis has passed, directors will 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.

This will relieve the director of personal liability that would otherwise be associated with the insolvent trading. It will apply for six months. Temporary relief from personal liability for insolvent trading will apply with respect to debts incurred in the ordinary course of the company's business. Egregious cases of dishonesty and fraud will still be subject to criminal penalties. Any debts incurred by the company will still be payable by the company.



Example

Steph, Mon and David own a small company that operates a chain of yoga studios in Sydney. Social distancing measures require the participants in the yoga class to be significantly reduced. As a result, their company incurs more debt, to the point where it cannot meet its debts as and when they become due and payable. Under the provisions of the Corporations Act, the three owners would be personally liable if the business took on further debt without entering an insolvency procedure like voluntary administration or liquidation. However, during the six month period in which the temporary relief is offered, their business can continue to open their yoga studios so that they can maintain their customers and quickly resume normal operations when the crisis has passed, and continue to incur debt. When economic conditions improve, the company can pay back the debt incurred.

Providing the treasurer an instrument-making power under the *Corporations Act 2001*

The impact of the Coronavirus and the health measures in place to limit its spread, in particular social distancing, is giving rise to unprecedented issues for businesses' ability to comply with the provisions of the Corporations Act. The Australian Securities and Investment Commission (ASIC) has the power to offer relief from some provisions or to take no action for not complying with some provisions. But this can require companies to make individual requests to ASIC, which takes time. Importantly, it can still leave companies open to legal action from others, such as shareholders or creditors. Companies are needing to make very quick decisions in the context of very uncertain trading conditions.

To encourage business to make the hard decisions, it is important that the Government can provide regulatory certainty and provide it as quickly as possible. The unprecedented nature of the Coronavirus health crisis makes it difficult to predict what regulatory issues will arise. To deliver regulatory certainty at a time when Parliamentary sittings will also be disrupted, the Treasurer will be given a temporary instrument-making power in the *Corporations Act 2001* to temporarily amend provisions of the Act to provide relief from specific obligations or to modify obligations to enable compliance with legal requirements during the crisis. The instrument-making power will apply for six months. Any instrument made under this power will apply for up to six months from the date it is made.

Supporting the Flow of Credit

The Government, the Reserve Bank of Australia and the Australian Prudential Regulation Authority have taken coordinated action to ensure the flow of credit in the Australian economy. Timely access to credit is vital for businesses to manage the impacts of the Coronavirus.

For further details treasury.gov.au/coronavirus/business-investment.