

Victorian and Federal Government response to COVID-19: Key measures for business and individuals

With the recent announcements by governments both state and federal, to assist the Australian economy during this difficult time, we have produced helpful details of key things to note so far.

Federal government support for business

Tax-free payments up to \$100,000 for employers

Eligible businesses (ie established prior to 12 March 2020) with a turnover of less than \$50 million in the prior year will initially be able to access tax-free cash flow support in the form of a credit for Pay As You Go Withholding, spread over its activity statements from March 2020 to September 2020. Businesses that are not required to withhold will receive a minimum of \$20,000 over this period.

The cash flow support measures will be provided in the form of a credit in the activity statement system. The credits will be automatically calculated by the ATO and employers will need to lodge an activity statement to trigger the entitlement. If the credit puts the business in a refund position, the excess will be refunded by the ATO within 14 days.

Businesses that lodge activity statements on a quarterly basis will be eligible to receive credits in the first phase for the quarters ending March 2020 and June 2020. Credits in the second phase will be available for the quarters ending June 2020 and September 2020. The minimum \$10,000 payment will be applied to the first lodgement.

Business that lodge on a monthly basis will be eligible for the credits in the first phase for the March 2020, April 2020, May 2020 and June 2020 lodgements. Credits in the second phase will be available for the June 2020, July 2020, August 2020 and September lodgements. The minimum \$10,000 payment will be applied to the first lodgement.

The following examples illustrate how the measure will work for monthly and quarterly remitters:

Sarah's Construction Business (Monthly remitter)

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 lodgement of her BAS, as follows:

- 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.

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- 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 Government's enhanced Boosting Cash Flow for Employers measure, Sarah's business will receive \$100,000.

Tim's Courier Run (Quarterly remitter)

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 lodgement 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 would need to withhold more than \$10,000 before he receives any additional payment.

Under the Government's enhanced Boosting Cash Flow for Employers measure, Tim's business will receive \$20,000.

Solvency safety net

A safety net has been put in place to protect businesses in temporary financial distress as a result of the pandemic by lessening the threat of actions that could unnecessarily push them into insolvency and force the winding up of the business. These include:

- A temporary 6-month increase to the threshold at which creditors can issue a statutory demand on a company from \$2,000 to \$20,000.
- The time a company has to respond to statutory demands will increase from 21 days to 6 months.
- For 6 months, directors will be provided with temporary relief from personal liability for trading while insolvent.

Debts incurred will still be payable by the business. Only those debts incurred in the ordinary course of the business will be subject to the safety net measures.

Access to working capital for SMEs – supporting lenders

The Government has announced a Coronavirus SME guarantee scheme that will guarantee 50% of new loans to SMEs with a turnover of up to \$50 million. These loans are new short-term unsecured loans to SMEs.

The Government will provide eligible lenders with a guarantee for loans with the following terms:

- Maximum total size of loans of \$250,000 per borrower.
- The loans will be up to three years, with an initial six-month repayment holiday.

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- The loans will be in the form of unsecured finance, meaning that borrowers will not have to provide an asset as security for the loan.

Loans will be subject to lenders' credit assessment processes with the expectation that lenders will look through the cycle to take into account the uncertainty of the current economic conditions.

This latest measure builds on the previous initiatives to ensure small business can access capital, including:

- An exemption to the responsible lending obligations to enable financial institutions to provide new credit, credit limit increases, and credit variations and restructures,
- \$15bn to the Australian Office of Financial Management to invest in wholesale funding markets used by small banks and non-banks to enable these lenders to support SMEs, and
- Australian Banking Association members will defer loan repayments for 6 months for small businesses (affected small businesses will need to apply for relief).

Sole traders and self-employed eligible for Jobseeker payment

The eligibility criteria to access income support payments will be relaxed to enable the self-employed and sole traders whose income has been reduced, to access support.

Victorian government support for business

Payroll Tax

The government will refund payroll tax paid to date for the 2019/20 financial year to small and medium-sized businesses ("SME's") which are registered for payroll tax and with payroll of less than \$3 million. Businesses will still have to lodge their payroll information as usual, but no payroll tax will be payable.

Some businesses can defer payroll tax for the first three months of 2020/21 (Jul, Aug and Sep 2020) until 1st January 2021. The State Revenue Office will contact eligible businesses directly with information.

Land Tax

Land owners due to pay 2020 land tax that have at least one non-residential property and total taxable landholdings below \$1 million have the option of deferring their 2020 land tax payment until after 31 December 2020. The State Revenue Office will contact all taxpayers who are eligible for this deferral.

Rent Relief

Commercial tenants in government buildings will be able to apply for rent relief. Private landlords will be encouraged to do the same where possible.

Other assistance

- A \$500m Business Support Fund will be established to support hardest hit industries, including hospitality, tourism, accommodation, retail, arts and entertainment. You can register your interest for the Economic Survival and Jobs Package at: <https://fs2.formsite.com/diirdwebteam3/u3qeftcfcc/index.html>
- A \$500m Working for Victoria Fund will be established to help workers who have lost their jobs to find new opportunities, including work delivering food or cleaning public infrastructure.
- All Victorian Government supplier invoices are to be paid within 5 business days.
- Liquor Licencing fees will be waived for 2020 for affected venues.

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Federal measures for Individuals

Early release of superannuation

From mid-April, individuals in financial distress will be able to access up to \$10,000 of their superannuation in 2019-20, and a further \$10,000 in 2020-21. The withdrawals will be **tax-free** and will not affect Centrelink or Veterans' Affairs payments.

To be eligible to access your superannuation you need to meet 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% or more; or
 - if you are a sole trader — your business was suspended or there was a reduction in your turnover of 20% or more.

For those eligible to access their superannuation, you can apply directly to the ATO through the [myGov](#) website from mid-April.

Temporary reduction in minimum superannuation draw down rates

Superannuation minimum drawdown requirements for account-based pensions and similar products will be reduced by 50% in 2019-20 and 2020-21.

The upper and lower social security deeming rates will be reduced further. As of 1 May 2020, the upper deeming rate will be 2.25% and the lower deeming rate 0.25%.

Time limited fortnightly \$550 'coronavirus supplement'

For the next 6 months, the Government is introducing a new Coronavirus supplement to be paid at a rate of \$550 per fortnight. This supplement will be paid to both existing and new recipients in the eligible payment categories.

The payment will be made to those receiving:

- Jobseeker payment (and those transitioning to the jobseeker payment)
- Youth allowance jobseeker
- Parenting payment
- Farm household allowance
- Special benefits recipients

In addition, eligibility to income support payments will be expanded to:

- Permanent employees who are stood down or lose their job
- Casual workers
- Sole traders
- The self-employed
- Contract workers who meet the income test

The Government notes that these criteria could include those required to care for someone affected by the Coronavirus.

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Asset testing has also been reduced and will be waived for 6 months. Income testing will still apply. Please note that the payment is not available if you have access to any employer entitlements such as annual or sick leave or income protection insurance.

Second \$750 payment to households

The Government is now providing two separate \$750 payments to social security, veteran and other income support recipients and eligible concession cardholders residing in Australia. The payment will be exempt from taxation and will not count as income for the purposes of Social Security, Farm Household Allowance and Veteran payments.

Victorian government measures for Individuals

The Victorian Government has announced a series of programs to assist Victorians to deal with coronavirus related issues.

Under an announcement on Sunday (22nd March), the Victorian Government will provide emergency relief packages to Victorians self-isolating due to COVID-19 with no access to food and essential supplies. The program is to support those in mandatory self-isolation, who have little or no food, and no network of family or friends to support them. Each eligible household will receive a two-week supply of essential goods. The emergency relief program will be co-ordinated by the Red Cross in partnership with Foodbank Victoria from Monday 23rd March. Those wishing to access the program should call Victoria's dedicated coronavirus hotline 1800 675 398.

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