Government's response to COVID-19

By the AIA Technical and Education Centre of Excellence (TECE) team

HEALTHIER, LONGER, BETTER LIVES

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The Federal Government's response to the Coronavirus (COVID-19) pandemic has included substantial support by providing economic stimulus packages to soften the economic impact of the Coronavirus.

The stimulus measures which have all been legislated will support affected workers, businesses and the broader community impacted by the Coronavirus pandemic.

The key measures from the Government's stimulus packages have been summarised into three target areas:

1. Support for individuals and households
2. Support for businesses
3. Supporting the flow of credit to small and medium businesses

1. Support for individuals and households

Early access to superannuation

From 20 April 2020, eligible individuals in financial stress will be able to apply online to access:

- Up to $10,000 of their superannuation before 1 July 2020, and
- A further $10,000 from 1 July 2020 until 24 September 2020.

The payments will be tax-free and will not impact a person's Centrelink or Department of Veterans' Affairs (DVA) entitlements.

Tip – only one application per year

Individuals are restricted to only making one application each financial year.

For example, if a person accessed $8,000 in May 2020 they will not be permitted to make an additional application to release the difference of $2,000 before the end of the financial year.

However, a person with multiple superannuation accounts is able to nominate more than one account from which amounts are to be released (subject to a total withdrawal limit of $10,000).

Thus it is important that individuals confirm their current account balances prior to making an application to withdraw, otherwise they may not be able to access the full $10,000.

Eligibility – citizens and permanent residents of Australia and New Zealand

To be eligible for early release, individuals must satisfy any one or more of the following requirements:

- They are unemployed, or
- They are eligible to receive a JobSeeker Payment (formerly Newstart Allowance), 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:
  - They were made redundant, or
  - Their working hours were reduced by 20% or more, or
  - If they are a sole trader – their business was suspended or there was a reduction in their turnover of 20% or more.

Eligibility – temporary residents

This scheme is also available to eligible temporary residents, however, they are limited to apply for a single release of up to $10,000 before 1 July 2020.

To be eligible for early release, temporary residents must satisfy any one or more of the following requirements:

- The temporary resident holds a student visa (subclasses 500, 570-576) for 12 months or more and they are unable to meet immediate living expenses.
- The temporary resident holds a temporary skilled work visa (subclasses 457 and 482), are still employed but they are unable to meet immediate living expenses.
- The temporary resident holds a temporary resident visa (excluding student or skilled worker visas) and they are unable to meet immediate living expenses.

Assessing eligibility

Individuals will be required to self-assess and certify their eligibility as part of the application. While the ATO has confirmed evidence is not required as part of the application process, individuals should keep records and documents to confirm their eligibility in case the ATO asks for this information.

Based on the examples in the Government's factsheet, the 20% reduction in working hours and turnover will be done by comparing current hours/turnover with the average over the period from 1 July 2019 to 31 December 2019. Refer to the example below for more information about how this will work in practice.

Example – taken from the Government factsheet

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% 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.

However, Ed finds after 1 July 2020 that his hours continue to be reduced by more than 20% 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 recontribute any unused amounts to his superannuation in the future (within his contribution caps).

How to apply

- Individuals can make an application from 20 April 2020 by applying online through the myGov website.
  Once the application is open on myGov, individuals will need to go online and review the eligibility requirements before certifying their eligibility. The ATO has also confirmed this self-assessment process will include clear warnings about the potential consequences of making false or misleading declarations.
- Alternatively, if an individual does not have online access, they can call the ATO and lodge an application over the phone.
- Once the individual has lodged their application, the ATO will assess and issue a determination to the individual (via the individual's myGov account) and will also provide a copy of the determination to their superannuation fund.
- Individuals will then be provided with a list of their open superannuation accounts and will be able to nominate how much they wish to withdraw from each account.
- The individual will then be required to nominate the bank account they want the funds to be paid as well as authorise the ATO to provide those details to their nominated superannuation fund(s).
- Applications once made cannot be varied and can only be revoked if there is a genuine error or mistake.

- Once a fund receives the ATO notification, it will be required to pay the amount into the individual's nominated bank account as soon as practicable. Note, superannuation funds will not be required to confirm a member's eligibility prior to making the payment.
- Note, individuals who wish to release benefits in 2019/20 and 2020/21 will need to make two separate applications for each financial year.

Application process for SMSFs

Members of SMSFs are required to go through the same application process as members of other superannuation funds. Once the ATO issues a determination to the SMSF member advising of their eligibility to release an amount, the member must provide the determination to the SMSF trustee whom will be authorised to make the payment to the member. That is, the ATO will not notify the SMSF separately. Further information for SMSF trustees is available on the ATO website.

Tip – impact on insurance benefits

Withdrawing benefits under the COVID-19 early condition of release will generally not impact an individual's life insurance cover in their fund unless the withdrawal results in the full balance being withdrawn, which would result in the account being closed and the insurance cover being cancelled.

Under the 'Protecting members interests first' (PMIF) changes that apply from 1 April 2020, trustees must cancel any life insurances held for a member where their balance has been less than $6,000 at any time between 1 November 2019 and 1 April 2020 (unless member has elected to maintain their insurance).

Therefore, even where a member accessing their benefits causes their benefits to reduce to less than $6,000 they will not have their insurance cancelled as long as the value of their account balance was $6,000 or more at some time between 1 November 2019 and 1 April 2020.

In any case, members should be aware that the insurance premiums deducted from their account may further erode the balance of their account over time if they do not make extra contributions to negate the premium cost.

ATO-held superannuation and rollovers

Where an individual's superannuation fund has been transferred to the ATO due to being an inactive low balance account or a lost member account, the individual cannot apply to the ATO to have the amount released. Instead, individuals will need to transfer the ATO-held superannuation to an active superannuation fund before they can apply for early release of superannuation. This can be done through the individual's myGov account.

Reducing superannuation pension minimum drawdown rates

The minimum drawdown requirements for account-based pensions (ABPs) and similar products will be reduced by 50% for the 2019/20 and 2020/21 financial years.

The revised drawdown rates for 2019/20 and 2020/21 will be as follows:

Age of member	Current minimum %	Reduced minimum % for 2019/20 and 2020/21
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%

Individuals who want to reduce their pension payments to the reduced minimum should contact their fund to do so accordingly.

For those individuals who have already drawn the reduced minimum in the current financial year, they will not be required to take any further pension payments before 30 June 2020.

It is important to note that individuals who have already drawn more than the reduced minimum will not be able to return surplus pension payments back into their fund (unless they are eligible to contribute to superannuation and the amount will be within their contribution caps).

Example – taken from the Government factsheet

Mike is a 66 year old retiree with an ABP. The value of Mike's ABP at 1 July 2019 was $200,000. Under current minimum drawdown requirements, Mike is required by legislation to drawdown 5% of his account balance over the course of 2019/20 and 2020/21.

This means Mike has to drawdown $10,000 by 30 June 2020 to comply with the minimum drawdown requirements.

Following the temporary reduction in minimum drawdown requirements, Mike will now only be required to drawdown 2.5% of his account balance, that is, $5,000, by 30 June 2020. If Mike has already withdrawn over $5,000 for 2019/20, he is not able to put the amount above $5,000 back into his superannuation account.

On 1 July 2020 the value of Mike's ABP is $180,000 (after drawdowns and investment losses). During 2020/21, Mike is required to drawdown 2.5% of his account balance, which is $4,500, instead of $9,000.

As a result of this change to minimum drawdown requirements, Mike is able to preserve his capital while still drawing an income from his superannuation.

This measure will allow people to reduce their pension payments to preserve capital, particularly since the investment markets have fallen considerably and many retirees may wish to avoid selling assets or using cash to fund their pension payments.

Although this is a positive measure, those clients who need to draw more than the minimum to meet their ongoing living costs and are seeing their pension capital reduce dramatically may need to rely on the Government's other stimulus measures (ie. additional payments and changes to deeming rates, discussed below) as back up support.

Reduction in social security deeming rates

The deeming rules are used to calculate assessable income from financial investments (ie. cash, shares and managed funds) to determine an individual's eligibility for social security or DVA entitlements. The deemed amount is then included in the income test regardless of the actual income received from the investment.

As of 1 May 2020, the upper and lower social security deeming rates will be reduced to reflect the low interest rate environment and its impact on the income from investments.

The new deeming rates and the amount of financial assets that individuals can have and still receive social security entitlements are shown below:

Current deeming rate	Deeming rate from 1 May 2020	Single	Pensioner couple (combined)*	Non pensioner couple (each)^
1%	0.25%	First $51,800	First $86,200	First $43,100
3%	2.25%	Excess	Excess	Excess

* At least one member receives a pension
^ Neither receives a pension

$750 support payments

The Government is providing two separate $750 payments to social security, veteran and other income support recipients and eligible concession card holders.

The first payment will be paid automatically from 31 March 2020 and the second payment will be paid automatically from 13 July 2020.

An individual can be eligible to receive both the first and second payment. However, they can only receive one $750 payment in each round of payments, even if they qualify for both payments.

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.

Eligibility for the first $750 payment

To qualify for the first payment, an individual:

- Must be residing in Australia, and
- Must receive an eligible payment or hold an eligible concession card at any time from 12 March 2020 to 13 April 2020, inclusive (or have lodged a claim during this period that is subsequently granted).

Refer to the summary table on page 6 for a list of eligible payments and concession cards.

Eligibility for the second $750 payment

To qualify for the second payment, an individual must meet the following criteria on 10 July 2020:

- Must be residing in Australia, and
- Must receive an eligible payment or hold an eligible concession card, and
- Must not be eligible to receive the Coronavirus supplement (ie. individuals who are eligible to receive the Coronavirus supplement are not eligible for the second $750 payment).

Refer to the summary table on page 6 for a list of eligible payments and concession cards.

Coronavirus supplement of $550 pf for individuals

From 27 April 2020, a Coronavirus supplement will be paid at a rate of $550 per fortnight for eligible individuals. This will be on top of existing income support payments.

This supplement will be paid to both existing and new recipients who receive eligible payments. Refer to the summary table on page 6 for a list of eligible payments.

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

These changes will apply for the next six months. Further, during this period there will be expanded access to the income support payments listed under the Coronavirus supplement column below.

Tip – the Government has released fact sheets on the support measures for individuals and households. Click here to find out more about the above mentioned measures.

Summary table – benefits eligible for $750 support payments and Coronavirus supplement

The following table outlines which economic support payments are payable for the various categories of income support payments or concession cards. Note, individuals cannot receive all three payments.

Eligible payment / concession card	First $750 payment	Second $750 payment	Coronavirus supplement
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	√ (Per recipient)	√ (Per recipient)	
Double Orphan Pension	√	√	
Carer Allowance	√ (Per recipient)	√ (Per recipient)	
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	√		√

Reduction in the JobSeeker partner income test taper rate

The JobSeeker payment provides financial help for individuals aged between 22 and age pension age who are looking for work. It is also available when individuals are sick or injured and are unable to do their usual work or study.

The payment is means-tested, however the JobSeeker partner income test taper rate will be reduced from 60 cents to 25 cents from 27 April 2020.

This change will allow more couples to access the payment where one of the couple loses their job and goes onto the JobSeeker payment, and the working partner is on a more modest income.

Tip – for the JobSeeker payment (including Energy Supplement), the current cut-out for a couple in which only one partner earns income is $1,858.50 per fortnight or $48,321 per annum.

As a result of this change, the new partner income test cut-out for JobSeeker payment will be $3,068.80 per fortnight.

This means a couple could have a combined income of roughly $94,000 per annum when factoring in one partner's employment income and the JobSeeker payment (including the Coronavirus Supplement).

It is important to note that this change is temporary and will operate until the Coronavirus Supplement ceases to be payable (for the next six months from 27 April 2020).

The Department of Social Services has further information about these changes. Click here to find out more about this measure.

Child care relief package

Parents will receive free child care during the Coronavirus crisis in order to help child care centres remain open and viable during through the crisis. This measure will also benefit those parents who choose to keep their children at home during the pandemic as children can remain enrolled and keep their place for when the crisis is over, without having to pay any fees.

From 6 April 2020, the Government will make weekly payments directly to child care centres at the rate of 50% of the services' fee revenue or 50% of the existing hourly rate cap, whichever is lower.

The payments will be based on the attendance figures that each centre had in the fortnight before 2 March (ie. From Monday 17 February through to 28 February), which is before parents started withdrawing their children in large numbers. The payments will be made whether or not children are attending services.

Parents who have kept their children at home since 23 March but have still been paying fees may be able to have their fees waived by the child care centre. However the fee waiver is a business decision and is therefore at the discretion of the child care centre.

Eligibility

In order to receive the payments, child care centres must remain open and not charge families for care. The payments will be paid in lieu of the Child Care Subsidy (CCS) and Additional Child Care Subsidy payments.

The payments will be made by the Government from 6 April until 28 June 2020. This means parents will not be charged fees during this time.

In addition to centre based day care services, the fee-free arrangements also apply to:

- Family day care services
- Outside school hours care, and
- In home care program.

For parents, the current means-testing arrangements do not apply so free child care will apply to everyone, regardless of their means. However, priority will be given to parents who need to continue working (ie. essential workers), including when parents cannot care for their children safely at home.

Other priorities include vulnerable and disadvantaged children and those who have recently been taken out of child care.

Comment – Affected child care centres may also be eligible for the JobKeeper payment (discussed below) to support them in retaining their employees, such as their educators.

However certain business types, such as 'local council governments' who provide council-run child care centres will not be eligible for the JobKeeper payment. Instead, it will be up to the State and Territory Governments to provide extra funding to ensure childcare centres remain open through the Coronavirus pandemic.

For example, the NSW Government has announced it will provide a $133 million childcare package to prevent the mass closure of council-run childcare centres and make preschool free for six months. The rescue package will include $82 million to support centres ineligible for the JobKeeper payment, while $51 million will cover the cost of preschool fees for up to six months so they can waive charges for parents.

Similarly, certain child care educators who are on temporary work visas or educators who are casuals that have been with a service for less than 12 months will also be ineligible for JobKeeper payments. However casual workers may be able to benefit from the JobSeeker payment if they meet the eligibility criteria.

How to apply

Parents should speak directly to their child care operator as there is no Government application process.

Note, parents who have cancelled their child's enrolment since 17 February 2020 are being encouraged by the Government to get back in contact with their child care centre and re-start their arrangements. The Minister for Education (the Hon Dan Tehan MP) stated "re-starting your enrolment will not require you to send your child to child care and it certainly won't require you to pay a gap fee. Re-starting your enrolment will, however, hold your place for that point in time when things start to normalise, and you are ready to take your child back to their centre."

Further, parents wishing to increase their child's hours or days in care have been advised to discuss it with their centre. The Government has is encouraging people to show common-sense and have asked services to prioritise care to children of essential workers, vulnerable and disadvantaged children and children with existing enrolments. Services are not compelled to accept new enrolments or increase session lengths where parents request it as this is a business decision.

The free child care arrangements will be reviewed after one month and the Government will consider an extension after three months. It is expected that the system will last at least six months in total.

2. Support for businesses

JobKeeper payment

The JobKeeper payment allows businesses impacted by the Coronavirus to access a subsidy from the Government (ATO) to continue paying their employees. The payment aims to ensure eligible employers remain connected to their workforce and help businesses restart quickly when the crisis is over.

Affected employers will be able to claim a fortnightly payment of $1,500 per eligible employee. The Government will commence to pay JobKeeper payments from 1 May 2020 with payments backdated to 30 March 2020. The scheme will run for six months (until 27 September 2020) with payments made monthly in arrears.

Comment – the Government has stated the $1,500 per fortnight JobKeeper payment is the equivalent of about 70% of the median wage and represents about 100% of the median wage in some of the most heavily affected sectors, such as retail, hospitality and tourism.

Eligible employers

Employers will be eligible for the JobKeeper payment if all of the following apply:

- On 1 March 2020, they carried on a business in Australia (or were a not-for-profit organization that pursued their objectives principally in Australia)
- They employed at least one eligible employee on 1 March 2020
- The business has suffered a substantial decline in turnover by:
  - 30% (for entities with aggregated turnover of $1 billion or less)
  - 50% (for entities with aggregated turnover of more than $1 billion)
  - 15% (for Australian Charities and Not-For-Profit Commission (ACNC) registered charities other than universities and schools)

Tip – other eligible business entities such as sole traders, partnerships, trusts or companies may also qualify for JobKeeper payments where the business owner is actively engaged in the business.

The ATO has further information about these rules. Click here to find out more about the JobKeeper payment for sole traders and other entities.

Calculating turnover

The turnover calculation is based on GST turnover and applies even if an entity is not registered for GST. It generally includes all Australian based gross business income minus GST (further information about how to work out GST turnover can be found on the ATO website).

Employers can satisfy the fall in turnover in two ways:

- The basic test, or
- The alternative test.

Generally businesses will use the basic test. With this test, when calculating an employer's eligibility due to declines in turnover, a comparison can be made between:

- Their projected GST turnover for a recent month (between March 2020 and September 2020) with their actual GST turnover for the same month in 2019, or
- Their projected GST turnover in either the June or September 2020 quarter with their actual GST turnover for the same quarter in 2019.

Alternatively, where appropriate turnover comparison periods are not available (for example, where a business has been operating for less than a year) the ATO may specify a different alternative test to establish an employer's eligibility.

Where an employer qualifies for JobKeeper payments under the turnover test, they remain eligible for the duration of the scheme and do not need to keep re-assessing their eligibility.

Entities that qualify for JobKeeper payments

All business types, including not-for-profits, will be eligible with the exception of:

- Australian Government and its agencies
- State and Territory Governments and their agencies
- Foreign Governments and their agencies
- Local council Governments
- Wholly-owned corporations of any of the above, and
- A business subject to the Major Bank Levy.

Additionally, a company that is in liquidation, or a partnership, trust or sole trader in bankruptcy, will not be eligible.

Eligible employees

Employees will be eligible for the subsidy if they:

- Are currently employed by the eligible employer (including those stood down or re-hired)
- Were employed by the employer at 1 March 2020
- Are full-time, part-time, or long-term casuals (a casual employed on a regular basis for longer than 12 months as at 1 March 2020)
- Are a permanent employee of the employer (or if a long-term casual employee, not a permanent employee of any other employer)
- Were at least 16 or older on 1 March 2020
- Are an Australian citizen, the holder of a permanent visa, or a Special Category (Subclass 444) Visa Holder at 1 March 2020
- Were a resident for Australian tax purposes on 1 March 2020, and
- Are not in receipt of a JobKeeper payment from another employer.

Thus, an employer cannot claim the JobKeeper payment for any employees who either:

- Were first employed by the employer after 1 March 2020
- Left employment before 1 March 2020, or
- Have been, or have agreed to be, nominated by another employer.

Tip – the legislation provides the Treasurer with power to vary the eligibility for JobKeeper payments and sub-delegate powers to the ATO to prevent the need to recall Parliament if further changes need to be made to the scheme.

Employees nominated by employers

It is important to note that it is optional for an employer to participate in the JobKeeper payment scheme. Other points to note include:

- If an employer does not participate in the scheme, an employee cannot be nominated by them.
- If an employer chooses to participate in the JobKeeper payment scheme, the employer must provide eligible employees with a JobKeeper payment – employee nomination notice.
- Employees must return the employee nomination notice to their employer as soon as possible in order for the employer to make a JobKeeper claim for the employee.
- Employers will not be able to claim the JobKeeper payment on an employee's behalf if:
  - The employee does not agree to be nominated
  - The employee does not return their employee nomination notice before the employer make a claim for them, or
  - The employee or employer do not meet the eligibility criteria.
- Once the employer and employee have agreed they are claiming the JobKeeper payment on the employee's behalf, the employer must then enrol to receive the payment from the ATO.

Application process

- Eligible employers or their registered tax professional can enrol for the JobKeeper payment from 20 April 2020, using the Business Portal using myGovID.
- Employers will need to identify eligible employees for JobKeeper payments and notify all eligible employees that they have been nominated.
- Employers must make a business monthly declaration to the ATO. That is, businesses will need to confirm their business' current and projected GST turnover. This is not a retest of their eligibility, but rather an indication of how the business is progressing under the JobKeeper payment scheme. Employers will also need to reconfirm their eligible employees to the ATO as they may change or leave employment over time.

Payment process

- The first JobKeeper payment will be received by employers from the ATO from 1 May 2020.
- Employers should pay their employees for each JobKeeper fortnight they plan to claim for. The first fortnight is from 30 March – 12 April 2020 and each JobKeeper fortnight follows after that. If the employer usually pays their employees less frequently than fortnightly, employers can pay on a monthly basis as long as employees receive the monthly equivalent of $1,500 in income per fortnight before tax.
- Employers must pay all eligible employees at least the minimum amount of $1,500, even if they earn less than this per fortnight. Employers cannot pay their employees less than $1,500 per fortnight and keep the difference.
- If an employee earns $1,500 or more in income per fortnight before tax, employers should continue to pay them their regular salary or wages. The JobKeeper payment will assist the employer to continue operating by subsidising all or part of the income of their employee(s). Any amount employers pay above $1,500 per fortnight is not subsidised by the JobKeeper payment.
- Employees who have been stood down after 1 March 2020 will also receive at least the minimum amount of $1,500 per fortnight.
- If an employee was employed on 1 March 2020, subsequently ceased employment with their employer, and then has been re-engaged by the same eligible employer, the employee will receive at least the minimum amount of $1,500 per fortnight.

Impact on tax, superannuation and social security

- Tax – JobKeeper payments made to eligible employees are taxable for the employee. The employer is required to withhold tax from the payment at the employee's marginal tax rate (as per the usual process).
- Superannuation guarantee (SG) – employers still have SG obligations and must continue to pay SG on any JobKeeper payments made to employees.
  However, where the amount paid to an employee was less than $1,500 per fortnight, and is then increased to $1,500 per fortnight to meet JobKeeper payment requirements, it is not compulsory for the employer to pay SG in respect of this additional amount (ie. employers are not required to make SG contributions for the additional amount in increased pay where an employee generally earns less than $1,500 per fortnight).
- Social security – JobKeeper payments received by an employee or self-employed individuals are treated as income for social security purposes. Individuals who have already applied for, or are receiving, a social security payment such as JobSeeker payment (eg, as a result of being stood down from work) will need to advise Centrelink of their change in circumstances should they start receiving JobKeeper payments.

Tip – the Government has released a fact sheet on the JobKeeper payment. Click here to find out more about this measure, including information about related superannuation payment requirements.

Supporting apprentices and trainees

Small businesses with less than 20 full time employees who retain an apprentice or trainee can apply for a wage subsidy of 50% of the wages paid to the apprentice / trainee during the 9 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). To qualify, the apprentice or trainee must have been in training with the eligible small business at 1 March 2020.

In addition, employers of any size, and group training organisations, can apply for the subsidy where they re-engage an eligible out-of-trade apprentice or trainee.

Tip – the Government has released fact sheets on the support measures for businesses. Click here to find out more about the above mentioned measures.

Boosting cash flow for employers

The Government will provide temporary cash flow support of between $20,000 and $100,000 to small and medium businesses and not-for-profit organisations that employ staff and have been affected by the economic downturn associated with COVID-19.

Employers will receive a payment equal to the amount withheld from salary and wages paid to employees (ie. amount of PAYG withholding), with a minimum of $10,000 to be paid even where they are not required to withhold tax.

The cash flow support will be:

- Paid in two sets of payments
  - The first payment will be between $10,000 and $50,000 (delivered from 28 April 2020), and
  - The final payment will be equal to the total of the initial payments received.
- Paid/credited by the ATO automatically in the entity's activity statement system (when lodged).

These payments will be tax-free and help businesses and not-for-profits with their cash flow so they can keep operating, pay their rent, electricity and other bills and retain staff.

Eligibility

Businesses (including sole traders, companies, partnerships or trusts) and not-for-profit organisations will be eligible to receive the cash flow boosts if:

- They are a small or medium business or not-for-profit entity with aggregated annual turnover under $50 million in the previous financial year
- They held an ABN on 12 March 2020 and continue to be active
- They made payments to employees subject to withholding (even if the amount they were required to withhold is zero), such as:
  - Salary and wages
  - Director fees
  - Eligible retirement or termination payments
  - Compensation payments
  - Voluntary withholding from payments to contractors.
- On or before 12 March 2020, the business must also have either lodged:
  - A 2018/19 income tax return showing they had an amount included in their assessable income in relation to them carrying on a business, or
  - An activity statement or GST return for any tax period that started after 1 July 2018 and ended before 12 March 2020 showing that they made a taxable, GST-free or input-taxed sale.

Application process

Businesses do not need to apply for the cash flow boosts. The cash flow boosts will be automatically applied to the accounts of eligible businesses when they lodge their activity statement for the relevant periods.

If a business does not need to lodge an activity statement in respect of PAYG withholding, they may still be eligible if the ATO can use other information it holds to determine a business's eligibility for the cash flow boosts.

For qualifying dates, and examples on how these payments will be made for quarterly or monthly lodgers, refer to the Government's fact sheet here.

Increasing the instant asset write-off

The instant asset write-off is currently available to businesses with aggregated turnover of less than $50 million. At present, it allows eligible businesses to claim an immediate tax-deduction for the cost of eligible depreciating assets valued at up to $30,000 (per asset).

The Government will temporarily expand the instant asset write-off for assets first used (or installed ready for use) from 12 March 2020 to 30 June 2020 by:

- Increasing the threshold from $30,000 to $150,000, and
- Expanding the businesses who can access the instant asset write-off to those with an aggregated turnover of less than $500 million.

The instant asset write-off can apply to both new and second hand eligible depreciating assets.

It is important to note that under existing legislation, the instant asset write-off threshold will revert to $1,000 for small businesses (less than $10 million in aggregated turnover) from 1 July 2020.

For more information about the instant asset write-off, refer to the ATO website here.

Accelerating depreciation deductions for new assets

The Government will also provide more generous depreciation deductions for businesses:

- With aggregated turnover of less than $500 million, and
- Who purchase eligible new depreciating assets acquired after 12 March 2020 and first used or installed ready for use on or after 12 March 2020 until 30 June 2021.

Under this incentive, an immediate deduction of 50% will apply in the financial year in which the eligible asset is first used or installed ready for use, with existing depreciation rules applying thereafter.

Where the asset purchased instead qualifies for the instant asset write-off (which, as discussed above, will be significantly increased and expanded until 30 June 2020), the instant asset write-off will apply instead and 100% of the cost of the asset can be claimed as a deduction in the first financial year.

Temporary relief for financially distressed businesses

The Government will provide a range of temporary measures to help protect otherwise viable businesses that face temporary financial distress due to the Coronavirus pandemic.

Some of the key measures include:

- A temporary increase in the threshold (from $2,000 to $20,000) at which creditors can issue a statutory demand on a company and the time companies have to respond to creditor/statutory demands they receive (from 21 days to six months). Both measures will apply for six months.
- For a six month period, change personal insolvency laws to assist individuals by:
  - Increasing the minimum amount of debt required in order for a creditor to initiate bankruptcy proceedings against a debtor from $5,000 to $20,000
  - Increasing the timeframe that a debtor has to respond to a bankruptcy notice from 21 days to six months, and
  - Where a debtor declares an intention to enter voluntary bankruptcy, increasing the period of protection during which unsecured creditors cannot take further action to recover debts from 21 days to six months.
- For a six month period, relieving directors from any personal liability for trading while insolvent. This relief only applies in respect of debts incurred in the ordinary course of a company's business, and any cases of fraud or dishonesty may be subject to criminal penalties.

3. Supporting the flow of credit to small and medium businesses

50% Government guarantee on eligible SME loans

To provide lenders with incentive to continue providing credit to small and medium businesses, the Government will provide a 'Coronavirus SME guarantee scheme'.

Under the scheme, the Government will guarantee 50% of the value of new unsecured loans to be used for working capital made by lenders to eligible small and medium businesses (less than $50 million in turnover).

To qualify for the guarantee, lenders must comply with the following:

- A maximum loan size of $250,000 per borrower
- A maximum loan term of 3 years, with an initial six month repayment holiday, and
- The loans will be unsecured (ie. borrowers will not have to provide assets as security).

This scheme will commence in early April 2020 and be available for new loans made by participating lenders until 30 September 2020.

More efficient access to credit for small business

To enable small businesses to access credit more quickly and efficiently, the Government will provide lenders with a temporary exemption from the responsible lending obligations.

This exemption will apply for six months and applies to any credit for business purposes (including new credit, credit limit increases, or variations and restructures in existing credit).

Tip – the Government has released fact sheets on supporting the flow of credit to small and medium businesses. Click here to find out more about the above mentioned measures.

More information

If you would like any more information, contact your Client Development Manager, or for any technical queries, contact the AIA Technical team at tece@aia.com