

Response to COVID-19

Federal Government Stimulus Package - March 2020

Assistance for SMALL AND MEDIUM BUSINESSES

Measure 1 – boosting cash flow for employers

Businesses that generate less than \$50,000,000 pa in revenue (including not for profit organisations) will be eligible for up to \$100,000 in cash subsidies if they employ staff, with a minimum payment of \$20,000.

This is an extension of the measures announced on 12 March 2020 that offered up to \$25,000 (minimum \$2,000) for eligible businesses.

The operation of the scheme:

Businesses that meet the criteria will receive a payment of 100% of the tax withheld from their employees' salaries for the period from 1 January 2020 to 30 June 2020. Such payments will be to a maximum of \$50,000 with a minimum payment of \$10,000.

For the quarter commencing in July 2020, payments received for the period to 30 June 2020 will be doubled to a maximum of \$100,000 with a minimum of \$20,000.

When will payments be made?

Payments will be made as a credit to the business's activity statement commencing from the April 2020 lodgement and will continue until the September 2020 lodgement.

Other important information:

Payments for the first half of the year will be based on the business's payments to staff (eg: wages and salaries). Only businesses that remain active will qualify for the additional (doubled) payment.

What do you need to do to receive this payment?

No action is required other than the normal lodgement of activity statements. The ATO will automatically apply credits to the amounts owing in respect of amounts withheld for employees.

More information:

- www.treasury.gov.au/coronavirus or contact your accountant.

Measure 2 – support for apprentices and trainees

Employers who have fewer than 20 full time employees can apply for subsidies to assist with the retention of apprentices or trainees who were employed at 1 March 2020.

Applications can be made for a subsidy of up to 50% of the apprentice's or trainee's wage for the 9 month period from 1 January 2020 to 30 September 2020. The maximum payment will be \$21,000 (\$7,000 per quarter).

When will payments be made?

Employers can lodge claims from April 2020 and must have lodged all claims by 31 December 2020.

What do you need to do to receive this payment?

You will need to apply via an Australian Apprenticeship Support Network (AASN) provider.

More information:

- www.dese.gov.au or www.australianapprenticeships.gov.au or contact our office.

Measure 3 – support for business investment

A series of measures is being introduced to encourage businesses to continue to trade through the COVID-19 crisis:

- Australian banks will defer loan repayments for up to 6 months for eligible small businesses who require assistance due to the impact of COVID-19.
- Credit being provided by lenders to existing small business customers won't need to meet the usual responsible lending obligations (although lenders will still assess applications for credit worthiness).
- The government has implemented a Coronavirus Guarantee Scheme whereby they'll guarantee 50% of the value of new loans issued to eligible small and medium businesses (those with a turnover less than \$50,000,000). The maximum total loan size is \$250,000 with repayments required over up to three years with an initial 6-month non-payment period. No security is required for the loans.
- The instant asset write off is being extended from \$30,000 to \$150,000 for eligible small and medium businesses (those with a turnover less than \$50,000,000). This enables businesses investing in equipment or other assets (up to a value of \$150,000) before 30 June 2020 to instantly write off the value of that asset.
- Eligible small and medium businesses (those with a turnover less than \$50,000,000) investing in equipment or other assets can depreciate up to 50% of the value of that asset before 30 June 2021.

Next steps?

Business owners needing assistance due to the crisis or who require additional credit or lending support should approach their financial institution. Those seeking to utilise the write off and depreciation provisions should contact their accountant. The government has also set up a dedicated business support service - <https://treasury.gov.au/policy-topics/business-and-industry/coronavirus-business-liaison-unit>.

Measure 4 – temporary relief for financially distressed businesses

The threshold under which a creditor can issue a demand on for payment has increased from \$2,000 to \$20,000 for a period of 6 months. This will assist businesses who are struggling with short term cash flow issues from being forced into liquidation.

The threshold for personal bankruptcy proceedings is also being temporarily increased from \$5,000 to \$20,000.

Those issued with a bankruptcy notice will have 6 months to respond (currently 21 days).

Relief is also being given to directors who would otherwise face the risk of personal liability if their company trades while insolvent.

More information:

- www.treasury.gov.au/coronavirus or contact your accountant.

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