



CORONAVIRUS STIMULUS PACKAGE #2

Economic Response

Abstract

The Government has announced a 2nd range of measures to support the economy, business & employment in the face of the coronavirus health crisis. We will review these measures

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CORONAVIRUS STIMULUS PACKAGE

The following measures have a start date from 12 March 2020 but will be subject to the ratification of legislation.

The Government is moving quickly to implement this package and a package of Bills was introduced into Parliament on Monday 23 March 2020 for urgent consideration and was passed.

Following passage of the Bills through Parliament, the Government will then move to immediately make, and register, any supporting instruments.

SUMMARY: ECONOMIC RESPONSE TO THE CORONAVIRUS

AIM	WHAT	WHEN
Support for Businesses	Boosting Cash Flow for Employers Enhancement to helping SMEs cover the costs of employee wages & salaries, increase the minimum payment to \$20,000 and the maximum payment to \$100,000	Payments from 28 April 2020, additional payments from 21 July 2020
	Temporary relief for financially distressed businesses Help businesses get through a temporary period of insolvency, by providing higher thresholds and more time to respond to demands from creditors	
	Increasing the instant asset write off Lifting the threshold to \$150,000 (from \$30,000) and making more businesses eligible to use it	Immediately, until 30 June 2020
	Backing Business Investment Offering businesses a time-limited incentive to invest, by accelerating depreciation deductions	Immediately, until 30 June 2021
	Supporting Apprentices & Trainees Wage assistance to help small businesses to keep their apprentices and trainees	Applications open from early April 2020

AIM	WHAT	WHEN
Support for Individuals & Households	Income support for individuals 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 is to both new & existing recipients within the eligible categories	From April 27 2020
	Payments to support households Provide two rounds of \$750 payment to eligible social security, veteran and other income support recipients and concession card holders	Round 1 – 31 March 2020 Round 2 – 13 July 2020
	Temporary early release of superannuation Enable individuals & sole traders directly impacted by the economic consequences of the Coronavirus to access up to \$10,000 of their superannuation in 2019-20, and up to a further \$10,000 in 2020-21. No tax is imposed on withdrawals	Applications from April 2020
	Temporarily reduce superannuation minimum drawdown rates Reduce the superannuation minimum drawdown rates by 50% for the 2019-20 and 2020-21 income years	Immediately
	Lower the social security deeming rates Lower the deeming rates (both the upper and lower) in response to the low interest rate environment	From 1 May 2020

AIM	WHAT	WHEN
Supporting the Flow of Credit	Government support for immediate cash flow needs of SMEs Establish a loan guarantee arrangement between the Government and participating banks to cover the immediate cash flow needs of SMEs	Commence by early April 2020 and be available for new loans until September 2020

SUPPORT FOR BUSINESSES

Support for Australian businesses to manage cash flow challenges and retain employees, through:

- Boosting cash flow for employers
- Supporting apprentices and trainees
- Temporary relief for financially distressed businesses
- Increasing the instant asset write-off
- Backing business investment

Boosting cash flow for employers

Overview

- For businesses with an aggregated annual turnover below \$50 million
- Extended to comprise not for-profits (NFPs), including charities, with an aggregated annual turnover under \$50 million
- Aggregated annual turnover is based on the prior year
- All of the above businesses must employ staff (i.e. pay salary & wages) to receive this payment
- This is now to be delivered in two phases:
 - The first being for the March 2020 & June 2020 quarters
 - The second being for the June 2020 & September 2020 quarters
- Minimum payment is \$20,000 & the maximum is \$100,000 (in total, across both phases)
- Payment is tax free to employers
- Payment is automatically calculated by the Australian Taxation Office (ATO)
- The ATO will deliver the payment as a credit to the entity upon lodgment of the activity statements
- Where this creates a refund position, the ATO will deliver the refund within 14 days

Phase 1

- 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 employee's salary and wages will receive a payment equal to 100% of the amount withheld, up to a maximum of \$50,000
- A minimum payment of \$10,000 will be received, even if the eligible business is not required to withhold tax
- Quarterly lodgers – receive payment for the quarters ending March 2020 & June 2020
- Monthly lodgers – receive payment for the months ending March 2020, April 2020, May 2020 & June 2020. The March 2020 payment will be calculated at three times the rate (300%)
- The minimum payment will be applied to the first lodgment
- Payments are only available to active eligible employers established prior to 12 March 2020
- Charities registered with the Australian Charities and Not-for-profits Commission are eligible regardless of when they registered, subject to meeting other eligibility requirements, to recognise that new charities may be established in response to the Coronavirus pandemic

Phase 2

- Entity must continue to be active
- Additional payments will be delivered as an automatic credit in the activity statement system
- For monthly lodgers – this will be a quarter of the total initial (phase 1) payment, following lodgment of the June 2020, July 2020, August 2020 & September 2020 activity statements
- For quarterly lodgers – this will be equal to half of the total initial (phase 1) payment, following lodgment of the June 2020 & September 2020 activity statements

Example 1 – Monthly Lodger

Each monthly Business Activity Statement (BAS) shows PAYG Withholding of \$12,000

Under Phase 1:

- March 2020 – receives a credit of \$36,000 (equal to 300% of total withholding)
- April 2020 – receives a credit of \$12,000
- May 2020 – receive a credit of \$2,000 (as this reaches the \$50,000 maximum)
- June 2020 – no payment

Under Phase 2:

- June 2020 period – receives credit of \$12,500 (equal to 25% of Phase 1 total credit)
- July 2020 period - receives credit of \$12,500 (equal to 25% of Phase 1 total credit)
- August 2020 period - receives credit of \$12,500 (equal to 25% of Phase 1 total credit)
- September 2020 period - receives credit of \$12,500 (equal to 25% of Phase 1 total credit)

Example 2 – Quarterly Lodger

Each quarterly BAS shows PAYG Withholding of \$20,000

Under Phase 1:

- March 2020 quarter – receives credit of \$20,000
- June 2020 quarter – receives credit of \$20,000

Under Phase 2:

- June 2020 quarter – receives credit of \$20,000 (equal to 50% of phase 1 total credit)
- October 2020 quarter – receives credit of \$20,000 (equal to 50% of phase 1 total credit)

Example 3 – Minimum Payment

Each quarterly BAS show PAYG Withholding of \$0

Under Phase 1:

- March 2020 quarter – receives a credit of \$10,000
- June 2020 quarter – no payment received (as already received the minimum credit)

Under Phase 2:

- June 2020 quarter – receives credit of \$5,000 (equal to 50% of total phase 1 credit)
- September 2020 quarter – receives credit of \$5,000 (equal to 50% of total phase 1 credit)

Supporting apprentices & trainees

Overview

- Eligible employers can apply for a wage subsidy of 50% of an apprentice's or trainee's wage
- Available for wages paid from 1 January 2020 to 30 September 2020 (3 quarters)
- Where a business cannot retain an apprentice, the subsidy will be available to a new employer
- Capped at \$7,000 per quarter for each eligible apprentice or trainee

Eligibility

- An eligible business is one that:
 - Has less than 20 full-time staff who retain an apprentice or trainee, or
 - Employers of any size that re-engage an eligible out-of-trade apprentice or trainee
- The apprentice or trainee must have been in training with a small business as at 1 March 2020

Timing

- Employers can register for the subsidy from early-April 2020
- Final claims for payment must be lodged by 31 December 2020
- Employers will be able to access the subsidy after an eligibility assessment is undertaken by an Australian Apprenticeship Support Network (AASN) provider
- Further information is available at:
 - The Department of Education, Skills and Employment website: www.dese.gov.au
 - Australian Apprenticeships website: www.australianapprenticeships.gov.au
- For further information on how to apply for the subsidy, including information on eligibility, contact an AASN provider

Temporary relief for financially distressed businesses

A measure put in place to ensure that businesses have a safety net so that, when the crisis has passed, normal business operations can be resumed

The elements of this 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
 - Threshold to increase from \$2,000 to \$20,000 (applies for 6 months)
 - Response time to increase from 21 days to 6 months (applies for 6 months)
- 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
 - Threshold to increase from \$5,000 to \$20,000 (applies for 6 months)
 - Response time to increase from 21 days to 6 months (applies for 6 months)
 - Period of protection increase from 21 days to 6 months (applies for 6 months)

Creditors, many of whom are small businesses, still have the right to enforce debt against companies or individuals through the courts.

- Temporary relief for directors from any personal liability for trading while insolvent
 - This will apply for 6 months
- 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

Increasing the instant asset write-off

- Threshold has increased from \$30,000 to \$150,000 per asset
- Expanded to include businesses with an aggregated annual turnover of less than \$500 million (previously \$50 million)
- The threshold applies on a per asset basis, eligible businesses can immediately write-off multiple assets
- Available for assets purchased from 12 March 2020 to 30 June 2020
- Assets to be new or second-hand
- Assets to be first used or installed, ready for use, by 30 June 2020
- The IAWO is due to revert to \$1,000 for small business (turnover less than \$10 million) from 1 July 2020

Backing Business Investment (BBI)

- For businesses with an aggregated annual turnover below \$500 million
- Purchases to be certain new depreciable assets
- Value of the eligible asset¹ is uncapped
- Available for eligible assets acquired from 12 March 2020 to 30 June 2021
- Assets to be first used or installed, ready for use, by 30 June 2021
- Receive a 50% deduction of the cost of the eligible asset
- Existing depreciation rules apply to the balance of the assets cost

¹ Eligible Assets are those that can be depreciated under Division 40 of the *Income Tax Assessment Act 1997* (that is; plant, equipment and specified intangible assets, such as patents), but does not apply to second-hand Division 40 assets, or buildings and other capital works depreciable under division 43)

SUPPORTING INDIVIDUALS & HOUSEHOLDS

Assistance includes income support payments, payments to support households and temporary early releases of superannuation, through the following measures:

- Income support for individuals
- Payments to support households
- Temporary early release of superannuation
- Temporarily reducing superannuation minimum drawdown rates
- Reducing social security deeming rates

Income support for individuals

Overview

Eligibility to income support payments is being temporarily expanded and a time-limited Coronavirus supplement payment of \$550 per fortnight is being introduced. The supplement will be paid to both existing and new recipients of the eligible payment categories and will apply for the next 6 months. The Coronavirus supplement and expanded access for payments will commence from 27 April 2020.

Eligibility

Payment categories eligible to receive the Coronavirus supplement are:

- Jobseeker payment
- Youth Allowance Jobseeker
- Parenting Payment
- Farm Household Allowance
- Special Benefits Recipients

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

For the 6 month period of the Coronavirus supplement, expanded access to the income support payments listed above, namely Jobseeker and Youth Allowance Jobseeker, expanded access includes:

- Permanent employees that are stood down or lose employment
- Sole Traders
- Self-Employed
- Casual Workers
- Contract Workers

The categories above must meet the income tests as a result of the economic downturn due to the Coronavirus. 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 all other payments, consistent with current arrangements.

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

Payments to support households

The Government is providing two separate payments of \$750 (initially, it was one) to support households to manage the economic impact of the Coronavirus.

- Only one payment per round of payments can be received (meaning, if you fall under a few categories, you will still only get one payment)
- Can be eligible to receive both the first and second payments
- Payments are tax free
- Payment will not count as income for:
 - Social Security
 - Farm Household Allowance
 - Veteran Payments

First Payment

- Available to those who are eligible payment recipients and concession card holders at any time from 12 March 2020 to 13 April 2020 inclusive
- Eligible recipients include:
 - Pensioners
 - Other Social Security recipients
 - Veteran Income Support recipients
 - Other Income Support recipients
 - Eligible Concession Card Holders
- Paid automatically from 31 March 2020

Second Payment

- Available to those who are eligible payment recipients and concession card holders on 10 July 2020
- Eligible recipients include:
 - The same as for the first payment, **except** those who receive an income support payment that is eligible to receive the Coronavirus supplement, including:
 - Jobseeker payment (and those transitioning to Jobseeker payment)
 - Youth Allowance Jobseeker
 - Parenting Payment (Partnered and Single)
 - Farm Household Allowance
 - Special Benefit
- Paid automatically from 13 July 2020

Temporarily early access to superannuation

Overview

- Allows eligible individuals to access their superannuation:
 - Up to \$10,000 in 2019-20 (i.e. before 1 July 2020)
 - Up to \$10,000 in 2020-21 (i.e. for approx. 3 months from 1 July 2020)
- No tax will be paid on amounts released from superannuation
- Money withdrawn from superannuation will not affect Centrelink or Veterans' Affairs payments
- Applications for early release commence from mid-April 2020

Eligibility

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

- Be unemployed
- Be eligible for:
 - Jobseeker payment
 - Youth Allowance Jobseeker
 - Parenting Payment (Partnered and Single)
 - Farm Household Allowance
 - Special Benefit
- On, or after, 1 January 2020:
 - You were made redundant
 - Your working hours were reduced by 20% or more
 - If you are a sole trader:
 - Your business was suspended
 - There was a reduction in your turnover of 20% or more

To apply

If you are eligible to apply for the early release of your superannuation:

- 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
- Once the ATO have processed your application, they will issue you a determination
- This determination will also be sent to your Superannuation Fund, which will advise them to release your superannuation payment
- Your superannuation fund will then make the payment to you

Separate arrangements will apply if you are a member of a Self Managed Super Fund (SMSF), further guidance will be available on the ATO website: www.ato.gov.au

Temporarily reducing superannuation minimum drawdown rates

- Minimum drawdown requirements for account-based pensions and similar products will be temporarily reduced by 50% for the:
 - 2019-20 income year
 - 2020-21 income year

Age	Default minimum drawdown rates (%)	Reduced rates by 50% for the 2019-20 & 2020-21 income years (%)
Under 65	4	2
65 – 74	5	2.5
75 – 79	6	3
80 – 84	7	3.5
85 – 89	9	4.5
90 – 94	11	5.5
95 or more	14	7

Reducing social security deeming rates

- Reducing both the upper and lower social security deeming rates by:
 - 0.25% points, in addition to;
 - 0.50% points (announced on 12 March 2020)
- From 1 May 2020:
 - Upper deeming rate will be 2.25%
 - Lower deeming rate will be 0.25%

SUPPORTING THE FLOW OF CREDIT

Support for immediate cash flow needs for SMEs

The Government, Reserve Bank of Australia and the Australian Prudential Regulation Authority have taken coordinated action to support the flow of credit in the Australian economy, in particular for Small and Medium Enterprises (SMEs)

Coronavirus SME guarantee scheme

- The scheme will commence by early April 2020 and be available for new loans made by participating lenders until 30 September 2020
- The scheme is implemented to provide support for businesses that are facing significant challenges due to disrupted cash flow but still need to meet fixed obligations, such as:
 - Rent
 - Utilities
 - Employee expenses
- Under the scheme, the Government will provide a guarantee of 50% to SME lenders for new unsecured loans to be used for working capital.
- SMEs with a turnover of up to \$50 million are eligible to receive these loans
- 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
 - Loans period is up to 3 years, with an initial 6 month repayment deferment
 - Loans are in the form of unsecured finance, meaning no asset is required for security over the loan
- Loans are subject to lenders' credit assessment processes
- Lenders are encouraged to provide facilities to SMEs that:
 - Only have to be drawn if needed by the SME
 - SME will only incur interest on the amount drawn down
 - If no draw down occurs, no interest is charged
 - Retain the flexibility to draw down in the future should the need be required

Quick and efficient access to credit for small business

- The Government is providing an exemption from responsible lending obligations for lenders providing credit to existing small business customers
- The exemption is:
 - For 6 months
 - Applies to any credit for business purposes, including:
 - New credit
 - Credit limit increases
 - Credit variations
 - Credit restructures