

Practice Update

Please read this update and contact our office if you have any queries

April 2020

What a changed world we are living in as we all try to navigate the challenges arising from the current Coronavirus Pandemic, including protecting the health and safety of our friends and family, and the viability of our businesses, employment and investments.

The purpose of this communication is to provide you with a broad summary of the key aspects of the Federal Government's stimulus package in response to the Coronavirus, as recently announced and now enacted.

Our office will continue to assist and support you where we can through this uncertain period as we attempt to survive the ever changing restrictions we are all dealing with.

For further information, please refer to the websites provided at the bottom of the newsletter, or call us.

Cash flow assistance for business

The Government is providing cash flow assistance for eligible businesses in the form of several measures.

Cash Flow Boost

Small and medium sized businesses, with an aggregated turnover of less than \$50 million, may be eligible to receive two sets of tax-free cash flow boosts of between \$20,000 to \$100,000, based on their PAYG withholding obligations.

The payments will be tax-free and flow through automatically from the ATO, with no new forms to be completed. Every entity with a PAYG withholding liability (or entity which makes payments subject to withholding, even if it has no withholding liability) will receive the payment.

The first cash flow boost payments, between \$10,000 and \$50,000, will be delivered by the ATO as a credit upon lodgement of the activity statements from 28 April 2020.

These cover:

- ◆ Quarterly lodgers – period ending March 2020 and June 2020; and
- ◆ Monthly lodgers – periods of March 2020, April 2020 and May 2020.

Monthly lodgers will receive a credit calculated at three times the rate (300 per cent) in the March 2020 activity statements, to align with quarterly lodgers.

Increasing the instant write-off threshold for business assets

The depreciating asset instant write-off threshold will increase to \$150,000 (up from \$30,000).

The measure applies to both new and second-hand assets, first used or installed for use in the periods, beginning on **12 March 2020** and ending on **30 June 2020**. *In the absence of any further relief, the IAWO is due to revert to \$1,000 for small businesses from 1 July 2020.*

Accelerating depreciation deductions for new assets

The Government have introduced a new investment incentive; accelerating depreciation deductions on new assets only, acquired from **12 March 2020** up until **30 June 2021**, for businesses with aggregated turnover of less than \$500 million.

The entity can deduct 50% of the cost of the asset; **and** the amount of the usual depreciation deduction that would otherwise apply.

Different rules will apply where an SBE is using the general small business pool. In this case, an SBE may deduct an amount equal to 57.5% (rather than 15%) of the business-use portion of the cost of an eligible depreciation asset in the year it is allocated to the pool.

An eligible asset must satisfy all new asset conditions under Division 40 of the ITAA 1997.

Income support for Individuals

The Government have introduced various measures to provide a safety net for individuals who are financially impacted by the Coronavirus.

The new Coronavirus supplement

A new six-month 'Coronavirus supplement' of \$550 per fortnight will be paid to individuals who are currently eligible for certain income support payment. This supplement will be paid in addition to their existing income support payments. Eligible support payments include:

- ◆ Jobseeker payment
- ◆ Youth Allowance
- ◆ Parenting Payment (Partnered and Single)
- ◆ Farm Household Allowance.

Expanding access (and eligibility) to certain income support payments

For the period that the Coronavirus supplement is paid, the Government will expand access to certain income support payments, for example, a new category of Jobseeker Payment and Youth Allowance Jobseeker.

Eligible participants could include sole traders; the self-employed; permanent employees who are stood down or lose their employment; casual workers; and contract workers who meet the income tests.

Additionally, asset testing will be waived for the period of Coronavirus supplement. Income testing will still apply to the person's other payments, consistent with current arrangements.

Tax-Free payments of \$750 to eligible recipients

The Government will provide two separate tax-free payments to eligible social security, veteran and other income support recipients and to eligible concession card holders. The first payment will be made from 31 March 2020 and the second payment will be made from 13 July 2020.

Early access to superannuation benefits

The Government have introduced a new compassionate ground of release to allow individuals to access their superannuation entitlements, to assist them to deal with the adverse economic effects of the Coronavirus, where one or more of the following requirements are satisfied:

- ◆ The individual is unemployed
- ◆ The individual is eligible to receive the Jobseeker Payment, Youth Allowance for jobseekers, Parenting Payment, Special Benefit or Farm Household Allowance.
- ◆ On or after 1 January 2020 either:
 - the individual was made redundant;
 - or the individuals working hours were reduced by at least 20%;
 - or if the individual is a sole trader and their business was suspended or their business turnover was reduced at least 20%.

Individuals will be able to access (as a lump sum and will be tax-free) up to \$10,000 of their superannuation entitlements **before** 1 July 2020, and a further \$10,000 **after** 1 July 2020.

Eligible individuals will be able to apply directly to the ATO through myGov website and certify that the eligibility criteria is satisfied.

Reducing the minimum drawdown amounts for superannuation pensions

The Government will be temporarily reducing the superannuation minimum drawdown amounts for account-based pensions and similar products by 50% for the 2020 and 2021 income years.

Reducing social security deeming rates

From 1 May 2020, the upper deeming rate will be reduced from 3% to 2.25%, and the lower deeming rate will be reduced from 1 % to 0.25%.

JobKeeper Payment

The Government have announced a JobKeeper payment to help keep more Australians in jobs and support businesses affected by the economic impact caused by the Coronavirus.

Under the JobKeeper payment, business or not-for-profits will be able to access a subsidy from the Government to continue paying their employees. Affected employers will be able to claim a payment of \$1,500 per fortnight per employee from 30 March 2020 until 27 September 2020.

Employers will be eligible for the subsidy if their GST turnover has fallen or will likely fall by 30% or more. Self employed individuals (businesses without employees) will be eligible to receive the JobKeeper payment where they meet the relevant turnover test.

A business must compare their turnover to a corresponding period a year earlier. Turnover is calculated as it is for GST purposes, and is reported on Business Activity Statements.

Eligible employees are:

- ◆ currently employed by the eligible employer (including those stood down or re-hired);
- ◆ were employed by the employer at 1 March 2020;
- ◆ are a full-time, part-time, or long-term casuals (a casual employed on a regular and systematic 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 years of age at 1 March 2020, with the exception of full time students who are 17 years old and younger and who are not financially independent;
- ◆ 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;
- ◆ are not in receipt of JobKeeper Payment from another employer.

Employees receiving Parental Leave Pay from Services Australia are not eligible for the JobKeeper Payment. However, employees on parental leave from their employer will be eligible. Employees receiving workers compensation will be eligible for the JobKeeper Payment if they are working, for example on reduced hours, but will generally not be eligible if they are not working.

Businesses with employees

Employers can register their interest by applying for the JobKeeper Payment via the Business Portal using

myGovID or their registered tax agent from 30 March 2020 until 31 May 2020.

Employers will need to identify eligible employees for JobKeeper Payments and must provide monthly updates to the ATO through the Business Portal or your registered tax agent. This is not a retest of your eligibility, but rather an indication of how your business is progressing under the scheme. An employer that elects to participate is required to include all eligible employees in the scheme. A business owner who is a permanent employee of another employer is only eligible for the JobKeeper Payment from that employer.

Participating employers will be required to ensure eligible employees receive a minimum \$1,500 per fortnight, before tax. It will be up to the employer if they want to pay superannuation or any additional wage paid because of the JobKeeper Payment. The first payment will be received by employers from the ATO in the first week of May.

Businesses without employees

Self-employed businesses can register their interest in applying for JobKeeper Payment via the Business Portal using myGovID, or their registered tax agent from 30 March 2020.

Businesses without employees will need to provide an ABN for their business, nominate an owner to receive the payment and provide that owner's TFN and provide a declaration as to recent business activity. They will need to provide monthly updates to the ATO through the Business Portal or your registered agent.

A business owner who is permanent employee of another employer is only eligible for the JobKeeper Payment from that employer.

For further information about the JobKeeper Payment please refer to the ATO website <https://www.ato.gov.au/General/JobKeeper-Payment/Employers/>

For more updated information regarding Coronavirus news, updates and advice from Government agencies, please refer to the following websites:

https://www.australia.gov.au/?gclid=EAIaIQobChMI6sK719uM6QIVS4iPCh2PxATYEAAAYASAAEgLLdfD_BwE

<https://www.business.gov.au/Risk-management/Emergency-management/Coronavirus-information-and-support-for-business>

<https://www.ato.gov.au/general/new-legislation/the-australian-government-s-economic-response-to-coronavirus/>