

# Coronavirus Tax Update

Government Coronavirus Stimulus and  
Incentive Summary #2

Covid-19

CORONAVIRUS

Here at, AH Jackson & Co, Chartered Accountants (AHJ), we value our clients and understand that the current widespread coronavirus outbreak may result in cash flow constraints within your business and personal life. In addition to the previous update on the Federal and Queensland State Government stimulus packages available, please find the summary of Federal Government Economic Stimulus Package #2 announced on 22 March 2020 as follows:

## Federal Government Economic Stimulus Package #2

### 1. Boosting Cash Flow for Employers

To assist businesses to manage cash flow challenges and help retain their employees, the Government has announced the following measures to boost cash flow:-

#### 1.1 Tax free cash flow assistance payment by way of credit of PAYG withholding

This package is applicable for:

- Small and medium business entities with an aggregated annual turnover under \$50 million (prior year turnover) and who employ;
- Active Eligible employers established prior to 12 March 2020

##### Cash flow assistance amount

- **Delivered over two (2) phases:**

**Period I:** March 2020 to June 2020; (also known as "Initial Payment")

**Period II:** July 2020 to October 2020 (also known as "Additional Payment")

- Receive payment equal to 100% of PAYG Withholding on Wages (Increased from 50%), up to a maximum payment of \$100,000 over both phases (Maximum of \$50,000 per period);
- Minimum payment of \$20,000 over both phases (\$10,000 per period) (Increased from \$2,000) for an employer who pays salary and wages even if they are not required to withhold tax;

##### Timing for payment

- Payment will be delivered by the ATO as an automatic credit in ATO integrated account from 28 April 2020 upon lodgement of their activity statement;
- If the entity is in a refund position, the ATO will deliver the refund within 14 days

##### How to get the payment/credit

**Quarterly lodgers** will be eligible to receive the payment/credit as follows:

- *Initial payment:* For the quarter ending March 2020 and June 2020 lodgements (Up to \$50,000);
- *Additional payment:* For the Quarter Ending June 2020 and September 2020. Each quarterly additional payment will be equal to 50% of the initial payment (up to \$50,000)

**Monthly lodgers** will be eligible to receive the payment/credit as follows:

- *Initial payment:* For the March 2020, April 2020, May 2020 and June 2020 lodgements, with 300% of PAYGW in March activity statement;
- *Additional payment:* For the June 2020, July 2020, August 2020 and September 2020 lodgements. Each additional payment will be equal to 25% of initial Payment (i.e. up to 25% \$50,000)

Summary of eligible payment for quarterly lodger

Condition	Period	Eligible Credit Amount	Lodgement Date
PAYGW is less than \$10,000 for the March 2020 Quarter	<b>Initial Payment</b>		
	Jan to March 2020	\$10,000	28 April 2020
	April to June 2020	Excess of \$10,000 for March & June 2020 Qtr PAYGW not exceeding \$50,000	28 July 2020
	<b>Additional Payment</b>		
	April to June 2020	\$5,000 – if total less than \$10,000 ( OR 50% of Total initial Payment)	28 July 2020
	July to September 2020	\$5,000 – if total less than \$10,000 ( OR 50% of Total initial Payment)	28 October 2020
PAYGW is greater than \$10,000 but less than \$50,000 for the March 2020 Quarter	<b>Initial Payment</b>		
	Jan to March 2020	Equal to PAYGW amount but not exceeding \$50,000	28 April 2020
	April to June 2020	Actual PAYGW but not exceeding \$50,000 in total for March & June 2020	28 July 2020
	<b>Additional Payment</b>		
	April to June 2020	( 50% of Total initial Payment)	28 July 2020
	July to September 2020	( 50% of Total initial Payment)	28 October 2020
PAYGW is greater than \$50,000 for each Quarter	<b>Initial payment</b>		
	Jan to March 2020	\$50,000	28 April 2020
	April to June 2020	Nil	28 July 2020
	<b>Additional Payment</b>		
	April to June 2020	\$25,000- ( 50% of Total initial Payment)	28 July 2020
	July to September 2020	\$25,000- ( 50% of Total initial Payment)	28 October 2020

To ensure our clients benefit from all the available and eligible concessions on a timely basis, we are looking to prepare/review your BAS for the upcoming period at your earliest convenience and will lodge with the ATO on your behalf as soon as practically possible.

Summary of eligible payment for monthly lodger

Condition	Period	Eligible Amount	Date
March 2020 PAYGW is less than \$3,333	<b>Initial payment</b>		
	March 2020	\$10,000 (i.e. 300% of Monthly PAYGW)	21 April 2020
	April 2020	Actual but not exceeding total of \$50,000 for March & April	21 May 2020
	May 2020	Actual but not exceeding total of \$50,000 for March, April & May	22 June 2020
	June 2020	Actual but not exceeding total of \$50,000 for March, April, May & June	21 July 2020
	<b>Additional Payment</b>		
	June 2020	25% of total initial Payment	21 July 2020
	July 2020	25% of total initial Payment	21 August 2020
	August 2020	25% of total initial Payment	21 September 2020
	September 2020	25% of total initial Payment	21 October 2020
March 2020 PAYGW is greater than \$3,333 but less than \$16,667	<b>Initial payment</b>		
	March 2020	300% of Monthly PAYGW	21 April 2020
	April 2020	Actual but not exceeding total of \$50,000 for March & April	21 May 2020
	May 2020	Actual but not exceeding total of \$50,000 for March, April & May	22 June 2020
	June 2020	Actual but not exceeding total of \$50,000 for March, April, May & June	21 July 2020
	<b>Additional Payment</b>		
	June 2020	25% of total initial Payment	21 July 2020
	July 2020	25% of total initial Payment	21 August 2020
	August 2020	25% of total initial Payment	21 September 2020
	September 2020	25% of total initial Payment	21 October 2020
March 2020 PAYGW is greater than \$16,667	<b>Initial payment</b>		
	March 2020	300% of Monthly PAYGW not exceeding-\$50,000	21 July 2020
	April 2020	Nil	21 August 2020
	May 2020	Nil	21 September 2020
	June 2020	Nil	21 October 2020
	<b>Additional Payment</b>		
	June 2020	25% of total initial Payment	21 July 2020
	July 2020	25% of total initial Payment	21 August 2020
	August 2020	25% of total initial Payment	21 September 2020
	September 2020	25% of total initial Payment	21 October 2020

## **1.2 Supporting apprentices and trainees - Wage subsidy from 1 January 2020 to 30 September 2020**

### Eligibility and support

- Employers with less than 20 full-time employees may be entitled to apply for a Government funded wage subsidy amounting to 50% of an apprentice's or trainee's wage for up to nine months from 1 January 2020 to 30 September 2020.
- The apprentice or trainee must have been in training at 01 March 2020;
- Will be eligible if re-engaged with an eligible out of trade apprentice or trainee;
- Reimbursed to employers up to maximum of \$21,000 per eligible apprentice or trainee (i.e \$7,000 per quarter).

### How and when to access

- To check eligibility, please contact an Australian Apprenticeship Support Network (AASN) provider. Please find the link below to find the nearest AASN provide [https:// www.australianapprenticeships.gov.au/search-aasn](https://www.australianapprenticeships.gov.au/search-aasn)
- Eligible employers can register for the subsidy from early April 2020;
- Final claims for payment must be lodged by 31 December 2020.

## **2.0 Supporting the flow of credit - Coronavirus SME Guarantee Scheme**

The government has announced a Coronavirus SME Guarantee Scheme in order to support businesses in meeting their working capital requirements. The Government expects, this scheme to enhance the lender's willingness and ability to provide credit to SMEs in order to access additional funding for the upcoming months. Key features of the scheme are as follows:

- SMEs are defined as those business with turnover of up to \$50 Million;
- Under the scheme, the Government will provide a guarantee of 50% to SME lenders for new unsecured loans to be used for working capital;
- Maximum loan of \$250,000 per borrower;
- The loan will be for up to 3 (three) years, with an initial six month repayment holiday;
- Loans will be in the form of unsecured finance.
- The scheme will commence by early April 2020 and remain until 30 September 2020.

In addition, the Government is providing an exemption from responsible lending obligations for lenders providing credit to existing small business customers for six months.

### How and when to access

Please contact your bank and financial institution to access the loan under SME guarantee scheme.

## **3.0 Temporary relief for financially distressed businesses**

The government has announced the following measures to ensure business/business owners and directors have a safety net to ensure they can operate while facing temporarily financial distress as a result of Coronavirus.

### **3.1 Temporary Higher Thresholds and More Time to Respond to Demands from Creditors**

- A temporary increase in the threshold from its current level of \$5,000 to \$20,000 at which creditors can issue a statutory demand on a company and
- A temporary increase in time for companies from 21 days to six months to respond to statutory demands they receive. The extension will give more time to consider repayment arrangements before they could be forced into bankruptcy.
- When a debtor declares an intention to enter voluntary bankruptcy by making a declaration of intention to present a debtor's petition there is a period of protection when unsecured creditors cannot take further action to recover debts. This period will be temporarily extended from 21 days to six months.
- This will give debtors more time to consider the options that are best for them.
- This will apply for six months.
- However, Creditors, will still have the right to enforce debt against companies or individuals through the courts.

### **3.2 Temporary Relief From Directors' Personal Liability for Trading While Insolvent**

To make sure that companies have confidence to continue to trade through the Coronavirus health crisis with the aim of returning to viability when the crisis has passed, government is providing following relief:

- Directors will be temporarily relieved of their duty to prevent insolvent trading with respect to any debts incurred in the ordinary course of the company's business;
- Directors will not have personal liability that would otherwise be associated with the insolvent trading;
- Temporary relief from personal liability for insolvent trading will apply with respect to debts incurred in the ordinary course of the company's business;
- However, cases of dishonesty and fraud will still be subject to criminal penalties. Any debts incurred by the company will still be payable by the company.

## **4.0 Support for Individuals and Households**

### **4.1 Income Support for Individuals**

The Government is temporarily expanding the eligibility to income support payments and establishing a new, time-limited Coronavirus supplement to be paid at a rate of \$550 per fortnight. This supplement will be paid to both existing and new recipients of the eligible payment categories as follows. These are time bound and would apply for the next six months.

#### Eligible Payment categories

The income support payment categories eligible to receive the Coronavirus supplement are:

- Jobseeker Payment (and all payments progressively transitioning to Jobseeker Payment; those currently receiving Partner Allowance, Widow Allowance, Sickness Allowance and Wife Pension)
- Youth Allowance Jobseeker
- Parenting Payment (Partnered and Single)
- Farm Household Allowance
- Special Benefit recipients

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

How to apply

Eligible individuals can apply directly to Centrelink via the myGov website: [www.my.gov.au](http://www.my.gov.au)

**4.2 Income Support for Households**

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 available to people who are eligible payment recipients and concession card holders at any time from 12 March 2020 to 13 April 2020 inclusive.
- The **second payment** will be available to people who are eligible payment recipients and concession card holders on 10 July 2020.

A person can be eligible to receive both a first and second support payment. However, they can only receive one \$750 payment in each round of payments, even if they qualify in each round of the payments in multiple ways.

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.

*Timing of Payment*

	<b>Timing</b>
First Payment	Paid automatically from 31 March 2020
Second Payment	Paid automatically from 13 July 2020

For further details about eligibility, please visit to <https://treasury.gov.au/coronavirus/households>

**4.3 Temporary early access to Superannuation**

Individuals affected by the Coronavirus, can access their superannuation up to \$10,000 in 2019-20 and a further \$10,000 in 2020-21.

Eligibility

To apply for early release you must satisfy any one or more of 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 per cent or more; or
  - If you are a **sole trader** — your business was suspended or there was a reduction in your turnover of 20 per cent or more.

People accessing their superannuation will not need to pay tax on any amounts released and the money they withdraw will not affect Centrelink or Veterans' Affairs payments.

How to apply

Eligible individuals can apply directly to the ATO through the myGov website: [www.my.gov.au](http://www.my.gov.au) for early release. As a part of the application individuals are required to certify that they meet the eligibility criteria.

Timing

Individuals will be able to apply for early release of your superannuation from mid-April 2020.

**4.4 Temporary reduction in superannuation minimum drawdown requirements**

The Government is temporarily reducing superannuation minimum drawdown requirements for account-based pensions and similar products by 50 per cent for the 2019-20 and 2020-21 income years.

The objective is to ensure that retirees with account-based pensions and similar products are not required to sell investment assets to fund minimum drawdown requirements.

**Contact us**

Further, if you would like to discuss any of the above measures or the financial impact you are currently facing in general please feel free to email or call (07) 3253 1500.



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