

Economic Stimulus – Coronavirus Vsn 3

Updates 23rd March

The Below information has been further updated (Vsn 3) to include

- Jobseeker information
- ATO allow up to 6 month deferral on payments
- ATO process is to call them for the concessions
- Action Plan – further details and references
- Sole Traders – Specifically called out in Government support

UPDATED Government Program as of 22 March, 2020

Details as announced as of 22 March 2020, Prior to Legislation being presented.

Narrative in **RED** are the significant changes to previously announced provisions

UPDATE: PAYGW credit of up to \$100k for employers (Previously \$25k) paid in two allotments

It is not law yet! It is extremely likely to become law.

Both sides of Parliament have indicated their support for these measures.

Sole Traders and Self Employed are considered eligible for Jobseeker payment and the special fortnightly payment. Note: the ATO initiative below to stop paying PAYGI provides a cashflow timing benefit.

Awaiting: Trust Beneficiaries – We are informed there is an announcement coming but not today.

Summary: Government – Treasury Initiatives

Businesses with turnover below \$500m

1/ Instant Asset write off up to \$150k per asset – Only until 30 June 2020

2/ 50% instant depreciation for “certain” assets – until 30 June 2021

Employers (including NFPs) with turnover below \$50m

3/ Credit on BAS for **100%** of PAYGW up to **\$100k**

Employers of Apprentices or Trainees with less than 20 Employees

4/ Subsidy of 50% of wages for 9 months to max of \$21k per apprentice

Regional Support

5/ \$1b funding made available to support regions on a case by case basis

Individuals

6/ Payments of one or **two** amounts of \$750 for Jobseeker (Newstart) recipients and other Social Security Recipients

7/ \$550 per fortnight payment to new and existing Job Seeker Payments and other recipients including Sole Traders whose income has dropped (details awaiting but 20% drop was announced)

8/ Upon loss of Job: Income Support for Job Seekers with a waiver of the Asset test and no waiting period.

9/ Access to Superannuation of \$10k before June 30 & another \$10k after

Sole Traders in business

*7/ \$550 per fortnight payment to Sole Traders whose income has dropped by 20% or more

In Addition to the Jobseeker payment

Lending Support for Business

10/ Lending / Borrowing Capacity increased

11/ Banks deferring repayments for 6 months (subject to detail)

12/ Unsecured loans upto \$250k

Struggling Businesses

13/ Directors personal liability relief

14/ Longer times before Liquidation action

Increase the thresholds before a creditor can instigate liquidation action:

- Amounts over \$20k
- Outstanding for more than 6 months.

ATO supporting business – no law required

Businesses to apply for the below initiatives by contacting the ATO on 1800 806 218

Registered Agents contact the ATO “Agent Disaster Infoline” on 1800 700 724

Case by Case discussion with the ATO to be eligible

- a. Up to 6 month deferral on payments
- b. Convert to Monthly BAS for GST
- c. PAYG Instalments (Income Tax) can be varied to Nil
- d. Remit penalties and interest imposed sine 23 Jan 2020.
- e. Low interest Payment Plans

NOTE: There is no discretion available for Super Payments. Super must be paid as per normal.

We expect the law will include provisions for misuse or contrived arrangements to take advantage of these “concessions” when the business would not ordinarily have such arrangements.

Details

1/ Instant Asset Write Off

If the business has turnover last year of less than \$500m

For Assets

- purchased after 12th March 2020 and
- installed ready for use before 30 June 2020 and
- Cost less than \$150k (GST Exclusive)
- New or Second Hand
- Each individual asset, ie 3 purchases at the same time will be considered 3 separate purchases.

A **short window** for instant write-off before 30 June 2020 at which time the cost of acquisition for Instant Write Off reduces to \$1000. (Currently small business (turnover less than \$10m) has a \$30k write-off threshold).

Note the effect is a **quicker tax deduction**. All such assets must be business assets eligible for normal depreciation rules. The Asset would have been written off eventually. This measure allows the business to obtain a tax deduction for the full amount at the time of purchase.

Note as it is only a tax deduction the cash benefit is simply a reduction in the amount of Income Tax that would otherwise have been paid i.e. for companies with a tax rate of 30%, a purchase of \$100k (GST Excl) may save \$30k off the tax bill. The Business will still have to fund the full purchase of \$100k in the short term and the net of tax amount of \$70k in the long-term.

If the business is not profitable then, any losses will normally be carried forward to offset future profits.

Bookkeeping for Instant Asset Write Off

- Allocate the purchase to the Plant & Equipment (or relevant) Asset account.
- Ensure the correct date of Purchase is recorded
- Claim any GST as per normal
- Ensure that the Asset is “Installed and ready for use” by 30 June 2020
- Advise the Tax Agent that it is an Asset purchased within the “Instant Write Off” provisions, provide the government fact sheet.

Unknown

- There has been no mention of a change to the Motor Vehicle Cost Limit which would normally restrict the total amount of depreciation and the GST claimable on the acquisition of a motor vehicle.

We expect that the current instant write off provisions will apply

[ICB Assets & Depreciation Resources](#)

[ATO Depreciation Webpage](#)

[Motor Vehicles \(Depreciation Cost Limit & GST\)](#)

2/ 50% Instant Depreciation

If the business has turnover last year of less than \$500m

For Assets

- purchased after 12th March 2020 and
- installed ready for use before 30 June **2021** and
- Div 40 Assets (normally available for Depreciation)
- Unlimited
- **Not** Second Hand
- This does not apply to assets that have been instantly written off.

A **15 month period** for allowing an instant 50% depreciation claim in addition to the normal depreciation claim for acquisitions ready for use before 30 June 2021.

Note again that the effect is a **quicker tax deduction**. If the business is not profitable then, any losses will normally be carried forward to offset future profits.

An \$500k asset may have been acquired and normally depreciated at say 15% in the first year for a claim of \$75,000. With this concession the business would claim 50% deduction of \$250k and also 15% of the balance of \$250k being \$37,500k for a total claim of \$287,500.

Bookkeeping for Instant Asset Write Off

- Allocate the purchase to the Plant & Equipment (or relevant) Asset account.
- Ensure the correct date of Purchase is recorded
- Claim any GST as per normal
- Ensure that the Asset is “Installed and ready for use” by 30 June 2020
- Advise the Tax Agent that it is an Asset purchased within the “Backing Business Incentive” provisions – Provide the Government fact sheet.

Unknown

- The information refers to “certain” assets which as yet is not defined.

3/ Credit on BAS for **100%** of PAYGW up to **\$100k**

This is the provision is badly reported as Cash for Business.

It is a credit to the Integrated Client Account (in two or more instalments) that could produce a refund but really it is a reduction in amounts that would otherwise have been paid to the ATO as PAYGW.

It does not change payroll nor does it have any consequence on the employee.

It is to be paid in TWO different allotments

- The first in accordance with the BAS lodgements as described below, maximum of \$50k
- The second will be equal to the total claimed as below but paid later by 28th October to businesses that remain active

Minimum amount for an employer is **\$10k**

Maximum amount is \$100k over the two allotments

The ATO will calculate the credit based on the lodged BAS and automatically allocate the credit to the ATO Account of the employer. **Government announced that there is no NEW form to be lodged.**

Business will be able to retain the cash that they would have paid to the ATO and in some circumstances receive a refund.

Gross wages remain a tax deductible expense.

The Credit from the ATO is non-assessable special income.

If the **employer** has turnover last year of less than \$50m

- Maximum credit over the 6 months will be \$100,000.
- Minimum credit of \$20,000 but there must still be employment.
- 100% of the PAYG amount that would otherwise be payable reduces the amount due to the ATO. Excess credit can be refunded.

Allotment 1 - How to complete the BAS

Scenario 1 – less than \$10k PAYGW

If the employer has wages but PAYGW of less than \$10,000 on either the Monthly or Quarterly March BAS then

- Calculate BAS as per normal
- Reduce the amount to pay to the ATO, due to other obligations such as GST, by the \$10k.
- Pay any amount still due.

- Or, Request the Refund from the ATO for the balance of Credit. However, await further information from the ATO of any further credit claim.

Scenario 2 - Quarterly PAYGW on the BAS

- March 2020 BAS
 - o Produce the BAS as normal, the total on the BAS will be as normal
 - o Calculate **100%** of the amount of PAYGW for the quarter, or the maximum of \$50k = "A"
 - o Advise the Business to pay the BAS Amount less "A", if in credit request a refund
- and the June 2020 BAS
 - o Produce the BAS as normal, the total on the BAS will be as normal
 - o Calculate **100%** of the amount of PAYGW for this quarter, or the maximum of \$50k = "B"
 - o Reduce this calculated amount "B" by the amount claimed in March Quarter "A" = "C"
 - o Advise the Business to pay the BAS Amount less "C"

Scenario 3 - Monthly PAYGW on a BAS

Note that this applies if the BAS is Monthly or Quarterly – ie the PAYGW is monthly

- March 2020 (Monthly)
 - o Produce the BAS as normal, the total on the BAS will be as normal
 - o Calculate **300%** of the amount of PAYGW for March, or the maximum of \$50k = "D"
(Note you take the March PAYGW amount and multiply by 3)
 - o Advise the Business to pay the BAS Amount less "D"

(This system uses the March PAYGW amount as a proxy for each of the 3 months in the Quarter)
- Then for each of April, May & June 2020 Monthly BAS
 - o Produce the BAS as normal, the total on the BAS will be as normal
 - o Calculate **100%** of the amount of PAYGW for this month, or the maximum of \$50k = "E"
 - o Reduce this calculated amount by the aggregate of the "D" for March and any previous month "F" amounts = "F" for this month
 - o Advise the Business to pay the BAS Amount less "F"

(Refer ICB Excel Worksheet)

The amount of credit for each applicable BAS can be calculated as above. However we cannot foresee any method of advising the ATO of the amount of credit effectively without it being a separate message to the ATO. We anticipate the ATO can calculate the amount of credit itself so that this will be automatically processed. We will advise when this administration is known.

An employer may receive a refund of cash due to this incentive, however for many it will be a reduction in the BAS amount to pay which frees up money that would otherwise have been paid to the ATO.

Second Allotment – Credit by the ATO

The ATO will then credit the Activity Statement account of the employer with a second allotment amount that is the total the employer was able to claim under the first allotment.

Monthly Lodgers will receive another 4 credit amounts each being 25% of the Allotment 1 amounts as a credit following lodgment of each monthly activity statement for June, July, August and September, 2020.

Quarterly Lodgers will receive another 2 credit amounts each being 50% of the Allotment 1 amounts as a credit following lodgment of each quarterly activity statement for June and September 2020.

(There is conflicting information in the Government fact sheets about allotment 1 for June Quarter and Allotment 2 for June Quarter. It appears the Quarterly lodge will receive 2 separate credits for the June quarter being the second component of Allotment 1 and the first component of allotment 2)

Bookkeeping for PAYGW Credit

- Process Payroll as normal
- Prepare your BAS as normal
- Reduce the amount to pay by the client to the ATO for the BAS, by the amount of the PAYGW credit
- Pay any balance as per normal.
- We expect the amount of credit to be notified to you by the ATO or will be posted to the ATO Account.
- If the ATO Account will be in net Credit ie a refund due back to the business then apply for the refund to be paid.
- The accounting entry to account for the calculated credit
 - o Debit: PAYGW Payable (or BAS Control account)
 - o Credit: Special Non Assessable Income account
 - o Notation: Govt Economic Stimulus PAYGW Credit

Remember the amount of the credit is GST Exclusive, non-reportable and non assessable.

Unknown

- The details of how this will be administered by the ATO.

4/ Subsidy of 50% of wages for 9 months to max of \$21k

For Employers of Apprentices or Trainees with less than 20 employees

50% of the Wages for the 9 month period 1/1/20 to 30/9/20

Paid in 3 instalments of upto \$7k to a maximum of \$21k

The Government is supporting small business to retain their apprentices and trainees. Eligible employers can apply for a wage subsidy of 50 per cent of the apprentice's or trainee's wage for 9 months from 1 January 2020 to 30 September 2020. Where a small business is not able to retain an apprentice, the subsidy will be available to a new employer that employs that apprentice. Employers will be reimbursed up to a maximum of \$21,000 per eligible apprentice or trainee (\$7,000 per quarter).

Support will also be provided to the National Apprentice Employment Network, the peak national body representing Group Training Organisations, to co-ordinate the re-employment of displaced apprentices and trainees throughout their network of host employers across Australia.

The apprentice or trainee must have been in training as of 1 March 2020.

Subsidy is also available to a new apprentice or trainee that replaces a departing apprentice or trainee.

Administered by the Australian Apprenticeship Support Network Providers. Speak to your provider.

Further information

- www.dese.gov.au
- www.australianapprenticeships.gov.au

5/ \$1b funding made available to support regions on a case by case basis

Government will be administering this.

We are awaiting further information.

Individuals

Income support for individuals

Over the next six months, the 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 will be paid to both existing and new recipients of Jobseeker Payment, Youth Allowance Jobseeker, Parenting Payment, Farm Household Allowance and Special Benefit.

Expanding the eligibility criteria for JobSeeker payments to support sole traders and self employed if their income is negatively affected by the economic impact of the Coronavirus. Sole Traders will be encouraged to keep their business operating but maybe able to access income support. Income testing will apply which allows individuals to earn upto \$1000 per fortnight before losing access to the payment.

Payments to support 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 made from 31 March 2020 and the second payment will be made from 13 July 2020. Around half of those that benefit are pensioners. These payments will help to support confidence and domestic demand in the economy. The second payment will not be made to those eligible for the Coronavirus supplement.

Reducing social security deeming rates

On 12 March, the Government announced a 0.5 percentage point reduction in both the upper and lower social security deeming rates. The Government will now reduce these rates by another 0.25 percentage points.

As of 1 May 2020, the upper deeming rate will be 2.25 per cent and the lower deeming rate will be 0.25 per cent. The reductions reflect the low interest rate environment and its impact on the income from savings. The change will benefit around 900,000 income support recipients, including around 565,000 Age Pensioners who will, on average receive around \$105 more of the Age Pension in the first full year the reduced rates apply.

6/ Individuals - two payments of \$750 for Social Security, veteran, support recipients and eligible concession card holders

- The **first payment** (announced on 12 March 2020) 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.

It will be paid automatically. No need to do anything unless you are applying for the first time to become eligible.

If you are eligible for the \$550 per fortnight payment you will not receive the second \$750 aswell.

Update your details online through Centrelink online account using myGov.

[Services Australia Webpage – detailed information](#)

7/ Sole Traders – Jobseeker entitlement and \$550 per fortnight payment when income has dropped (details awaiting)

Further details are required however it looks promising. The Prime Ministers announced that if income drops by 20% or more then these provisions apply.

New special payment of \$550 per fortnight to new and existing recipients.

Eligible Recipients:

- Jobseeker Payment (was Newstart)
- Youth Allowance Jobseeker
- Parenting Payment
- Farm Household and
- Special benefit recipients

Jobseeker Payments expanded to include

- Permanent employees who are stood down or lose employment
- Sole traders
- Self-employed
- Casual workers
- Contract workers

who meet the income tests as a result of the economic turndown

Reduced requirements and administration

- Asset testing waived
- Income testing still applies to other payments

- No need for Employment Separation Certificates
- No need for an interview

No waiting time

Not eligible if you are receiving leave payments or income protection insurance.

Prefer online applications: New applicants will need to call (but not necessarily visit) Services Australia (from April). Applicants to setup or utilise their myGov account (note this is not myGovID).

Sole Traders and Self Employer will make a declaration as to business has been suspended or Turnover reduced.

Services Australia will be applying normal fraud detection and recovery of any overpayment processes.

Announcements indicated this would also be available to Sole traders with the drop in income and Employees who have lost their jobs, casual, part time or full time.

Services Australia Webpage information

We'll temporarily expand eligibility for JobSeeker Payment and Youth Allowance for job seekers.

We'll give you access if you're:

- a permanent employee who has been stood down or lost your job
- a sole trader, self-employed, a casual or contract worker whose income has reduced
- caring for someone who's affected by coronavirus.

We'll waive asset testing from 27 April for 6 months, except for Farm Household Allowance and Special Benefit.

Income testing will still apply.

8/ Individuals - loss of Job: Double Income Support for Job Seekers with a waiver of the Asset test and no waiting period.

Refer item #8 above and also the Treasury Fact Sheet – Income Support for Individuals

9/ Individuals - Access to Superannuation

The Government is allowing individuals affected by the Coronavirus to access up to \$10,000 of their superannuation in 2019-20 and a further \$10,000 in 2020-21. Individuals will not need to pay tax on amounts released and the money they withdraw will not affect Centrelink or Veterans' Affairs payments.

Details on the relevant Treasury Fact Sheet

Borrowing

10/ Lending / Borrowing capacity increased

The Reserve Bank has reduced the Interest Rates

Government provided more funds into the Lending system.

Government relaxed the “responsible lending obligations” for lenders for 6 months. This applies to any credit or extension of credit.

11/ Banks deferring repayments for 6 months

Banks are in negotiation with Government and initiatives include

- Deferring loan repayments
- Waiving fees and charges
- Helping with debt consolidation
- Waiving penalties for early withdrawal of term deposit
- Deferring credit card payments and increasing emergency limits

Contact your bank on their emergency hotline – [Contact Details here](#)

You can also phone the National Debt Helpline on 1800 007 007 or visit the [National Debt Helpline website](#).

12/ Unsecured Loans of \$250k

Government in a 50/50 co-operation with the banks to provide new unsecured loans upto \$250k to be used as working capital.

Government are guaranteeing repayment of 50% of the loan.

- 3 year loans
- Maximum amount of \$250k
- Unsecured loan ie no assets required to support – it is a cashflow loan
- Still subject to the banks (or other lenders) credit assessment processes.
- Government prefers it be a drawdown facility ie used if needed
- Must be applied for by 30 September, 2020

Apply through your bank – [Contact Details](#)

13/ Directors Personal Liability Relief

Relief to Directors personal liability if the business has traded insolvent for the next 6 months

14/ Longer times before Liquidation action

Increase the threshold before a creditor can instigate liquidation action to \$20k for more than 6 months.

The Government is temporarily increasing the threshold at which creditors can issue a statutory demand on a company and to initiate bankrupt proceedings against an individual as well as temporarily increasing the time companies and individuals have to respond to statutory demands they receive. The package also includes temporary relief for directors from any personal liability for trading while insolvent, and providing temporary flexibility in the *Corporations Act 2001* to provide targeted relief from provisions of the Act to deal with unforeseen events that arise as a result of the Coronavirus health crisis.

ATO supporting business – no law required

“The ATO will work shoulder-to-shoulder with businesses to assist them through this difficult period and do what we can to ease the pressure.

“Once you contact us, we’ll tailor a support plan for your needs and circumstances.”

Businesses to apply for these initiatives by contacting the ATO on 1800 806 218

Registered Agents contact the ATO “Agent Disaster Infoline” on 1800 700 724

Case by Case discussion with the ATO to be eligible.

Business that are impacted by the COVID-19

[ATO Webpage](#)

a. Up to 6 month deferral on payments

Deferring, by up to six months, the payment date of amounts due through the business activity statement (including PAYG instalments), income tax assessments, fringe benefits tax assessments and excise.

The principle will be:

- i. that the ATO forms still need to be lodged by the due date (unless otherwise deferred). Contact with the ATO is advised.
 - ii. the normal due date for payment may be extended by up to 6 months
 - a. March Quarterly BAS Lodge by 28th May now due for payment 28th October*
 - b. March Monthly BAS Lodge 21st April – payment due 21st October
 - c. April Monthly BAS – Lodge 21st May – Payment due 21st November
 - d. May Monthly BAS – Lodge 21st June – Payment due 21st December
 - e. June Monthly BAS – Lodge by 21st July – Payment due 21st January
 - f. June Quarterly BAS – Lodge by 28th August – Payment due by 21st February*
- * Quarterly payment date extension to be confirmed as business normal date or agent date.

b. Convert to Monthly BAS for GST

Allowing businesses on a quarterly reporting cycle to opt into monthly GST reporting in order to get quicker access to GST refunds to which they may be entitled.

Businesses with turnover more than \$20m must report monthly, no change. Others may normally report quarterly but now choose to report monthly as from 1 April.

If you convert to monthly it is for a minimum of 12 months.

This monthly reporting would apply to GST and the PAYGW cycle does not need to change from quarterly, if applicable. If you may go monthly for GST but remain quarterly for PAYGW

FTX Credits would also be claimable monthly.

Can convert to monthly as from 1 April 2020.

This measure would suit businesses with GST refunds.

Apply to convert to monthly through the normal online services forms.

c. PAYG Instalments (Income Tax) can be varied to Nil

To be discussed with the business tax agent

This measure allows businesses (including sole traders) to vary Pay As You Go (PAYG) instalment amounts to zero for the March 2020 quarter. Businesses that vary their PAYG instalment to zero can also claim a refund for any instalments made for the September 2019 and December 2019 quarters.

This is a cashflow timing benefit. The amount of tax (if any) will still be payable as a result of lodging the income tax return. The return of instalments already paid will mean they are NOT available to offset the tax payable on the tax return. This provides the person or business with cash now that otherwise had been paid into the ATO.

Notify on the next quarterly BAS to reduce to Nil. Credit will apply and then apply for refund if still in credit.

d. Remit penalties and interest imposed since 23 Jan 2020.

To have any penalties or interest removed and you have been impacted then you must contact the ATO to apply.

e. Low interest Payment Plans

Working with affected businesses to help them pay their existing and ongoing tax liabilities by allowing them to enter into low interest payment plans.

Contact the ATO to discuss entering a low interest payment plan.

Superannuation Guarantee

NOTE: There is no discretion available for Super Payments. Super must be paid as per normal.

We have submitted to Government that the SG Amnesty period should be extended and cover all amounts up to and including the end of this impacted period.

Other Significant Announcements

Impacting business (an extract of things noted)

- a. All non-essential travel should be cancelled
- b. Noting Various states have in effect closed their borders or will so as of 23rd March
- c. Work related activities that are essential
- d. Work from home encouraged where applicable
- e. Social Distancing in all environments, work, shopping centres etc.

Fair Work Ombudsman has updated their information in respect to the impacts of the Coronavirus

[Fairwork Website](#)

Sole Traders (Summary)

1. Refund of previously paid Instalments (An ATO administrative measure)
Any PAYGI instalments paid as a result of the September 2019 and December 2019 Quarterly Activity Statements can be credited and potentially refunded.
2. If income reduced by 20% then eligible for Jobseeker support and the Supplement of \$550 per fortnight.
3. Asset writeoff provisions apply
4. Working capital Unsecured loans up to \$250k (Subject to reduced bank assessment requirements)

Action Plan

Extract from article by Kate Carnell (Australian Small Business and Family Enterprise Ombudsman)

1. Perform a Cashflow Budget
2. Talk to suppliers (Their intentions and their supply line)
3. Talk to your lenders about finance repayments – seek deferrals
4. Talk to your Landlord and discuss rental commitments
5. Discuss with the ATO any deferral of lodgements required or additional payment plans
[ATO Coronavirus Webpage](#)
6. Speak with your staff – can you keep them on and how to operate
[Fair Work Ombudsman Website](#) [ICB Guidance](#)
7. Consider doing business differently

Perspective for Bookkeepers

There is far more detail required about what they mean for closing "non-essential" services.

The risk is the person to person contact or environments that may spread the virus due to surface contact. I cannot see that they are going to stop "non-essential" services that are in a non-risk environment.

It makes perfect sense for us to continue our work in this "digital" and "cloud based" world where we can work from anywhere with most services provided remotely.

Resources

[ATO - COVID-19 webpage](#)

[Treasury – Coronavirus webpage](#)

[Prime Ministers Media release](#)

[ICB Membership explained](#)

[Business Support by ICB](#)