

COVID-19 Special Update – Pt 2

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

April 2020

Further Assistance for Businesses

*The purpose of this communication is to provide you with an additional update relating to the **Government's Economic Stimulus Package** in response to the Coronavirus. We also highlight the actions you can be taking now for your business.*

Our office will continue to apply its available resources 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.

The following is a broad summary of further key aspects of the Federal Government's stimulus package together with actions that can be taken.

JobKeeper Payment

The Government announced on 30 March 2020 a 'job keeper allowance' of \$1,500 a fortnight for each employee for a maximum of 6 months. The allowance will be paid to those businesses significantly impacted by the Coronavirus. Under the arrangement, it is a requirement that eligible employers ensure their eligible employees will receive, at a minimum, \$1,500 per fortnight, before tax.

Eligible Employers

- Employers will be eligible for the allowance if their business has a turnover of less than \$1 billion and their turnover will be reduced by more than 30 per cent relative to a comparable period a year ago (of at least a month);

- The employer must have been in an employment relationship with eligible employees as at 1 March 2020.
- Self-employed individuals (businesses without employees) that meet the turnover tests that apply for business, are eligible to apply for the JobKeeper payment.

Eligible Employees

- Employees who are currently employed by the eligible employer (including those stood down or re-hired);
- Were employed by the employer at 1 March 2020;
- Are full-time, part-time, or long-term casuals (a casual employed on a regular basis for longer than 12 months as at 1 March 2020);
- Are at least 16 years of age;
- Are an Australian citizen the holder of a permanent visa, a Protected Special Category Visa Holder, a non-protected Special Category Visa Holder who has been residing continually in Australia for 10 years or more, or a Special Category (Subclass 444) Visa Holder; and
- Are not in receipt of a JobKeeper Payment from another employer.

How to apply for the JobKeeper Payment

- Initially, employers can register their interest for the payment via the ATO website – www.ato.gov.au/Job-keeper-payment from 30 March 2020. Subsequently, eligible employers will be able to apply for the scheme by means of an online application;
- Eligible employers will need to identify eligible employees for JobKeeper payments and must provide monthly updates to the ATO;
- Businesses without employees, such as the self-employed, register their interest and apply for the payment via the ATO website using the same link as above;
- Businesses without employees will need to provide an ABN for their business, nominate an individual to receive the payment and provide that individual's Tax File Number and provide a declaration as to recent business activity.

Timing of Payments

- The JobKeeper Payments scheme will start from 30 March 2020, with the first payment to be received by employers in the first week of May. The scheme will conclude on 30 September 2020.

Further details, including examples, can be found at the government website – Treasury.gov.au

Temporary Relief for Financially-Stressed Businesses

The measures available will act as a safety net to lessen the threat of actions that could unnecessarily push a business into insolvency and force the winding up of the business.

The key features include the following:

- Temporary increase in the threshold at which creditors can issue a statutory demand on a company from \$2,000 to \$20,000
- Temporary increase in the threshold for a creditor to initiate bankruptcy proceedings from \$5,000 to \$20,000
- Temporary relief for directors from personal liability for trading while insolvent, and

- Temporary flexibility in the corporations Act in relation to unforeseen events as a result of the Covid-19 health crisis

ATO Support for Covid-19 effected individuals and businesses

If you are having difficulties in meeting your tax and super obligations because of Covid-19, the ATO is willing to provide support and help. The key support and help measures include:

- Payment deferrals are available for Income Tax, BAS Tax, PAYG Instalments and Fringe Benefits Tax **for up to 6 months.**
- Can vary PAYG instalments for the 2019/2020 year, without fear of penalties or interest charges being applied by the ATO.
- Possible remission of interest and penalties incurred after 23 January 2020.
- Payment arrangements with low interest applying.

The ATO **will not be** providing their help and support automatically. The ATO can be contacted on their Emergency Support Infoline on **1800 806 218**. When seeking assistance, you will need to explain how your business has been adversely impacted by Covid-19. Given the large number of businesses impacted, it is anticipated wait times on the ATO Infoline may be lengthy.

Covid-19 SME Guarantee Scheme (loan guarantee)

Under this scheme, the government will provide a guarantee of 50% to small and medium enterprise lenders for new unsecured loans to be used for working capital. The key features of the scheme:

- Available for businesses with turnover up to \$50 million
- Maximum size of loan - \$250,000
- Loans of up to three years
- Unsecured finance
- Loan subject to the lenders credit assessment processes
- Scheme commences early April 2020

Actions that can be taken for your business

- **Lodge BAS returns as a priority.** The Governments Cash Flow assistance for eligible businesses of up to \$100,000, is based on the PAYG Withholding Tax detailed in the employer BAS returns. As outlined in our Part 1 update, this is automatically calculated by the ATO. Further, on time lodgement of BAS is an essential factor in negotiations with the ATO and in avoiding possible major financial issues.
- **Contact the ATO if you are having difficulty paying your tax obligation by the due date.** The ATO are willing to help businesses with payment deferrals and payment arrangements. You must however contact the ATO to get this help and assistance, as it is not automatically provided. The ATO Hotline number is **1800 806 218**. We suggest you contact the ATO directly and as soon as possible once a debt becomes payable. There may be lengthy wait times and the ATO will require details as to how your business has been impacted by Covid-19.
- **Wages subsidies for apprentices and trainees.** If you engage these types of employees, contact your Australian Apprenticeship Support Network (AASA) provider, to arrange wage subsidy payments.
- **Debtor management.** Review and manage aged debtors to ensure recovery of overdue amounts.
- **Fair Work and employee stand downs.** Where you are required to stand down employees due to either a government forced shut down of your business or due to a reduction in trade, it is important you are aware of your obligations and rights. Refer Australian Government Fair Work website for further details (<https://coronavirus.fairwork.gov.au/>)
- **Engage with key suppliers.** Determine whether the key suppliers for your business are able to maintain supply. If not, consider what alternative supply options are available. Discuss amounts owing and payment arrangements.
- **Engage with your landlord.** Where the making of rental payments is going to be a challenge for the business, it is important to engage early with your landlord. A reduction in rent or a rental holiday period, may be able to be negotiated.
- **Engage with your bank and other financiers to the business.** Banks and other financiers have expressed a desire to help those business adversely impacted by the Covid-19 pandemic. Loan payment deferrals, reduced interest and unsecured loans are some of the support options being made available by banks and other lenders. If meeting the ongoing loan commitments of the business is going to be a challenge, it would be best to talk to your bank now.
- **Cashflow management.** Take care with cashflow management and maintain cash as best as possible.

We are here to assist. Please contact us if you require assistance with any of the above or other matters.

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.