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Arthur Kyriacou & Co.

COVID-19 Summary – March 2020

SUPPORT FOR BUSINESS

Grants for small and medium-sized businesses

Small and medium-sized businesses and not-for-profit entities, with an aggregated annual turnover of less than \$50 million (usually based on their prior year's turnover) that employ people, may be eligible to receive a total payment of up to \$100,000 (with a minimum total payment of \$20,000), based on their PAYG withholding obligations, in the following two stages:

(a) Stage 1 payment – Commencing from the lodgment of activity statements from 28 April 2020, eligible employers that withhold PAYG tax on their employees' salary and wages will receive a tax-free payment equal to 100% of the amount withheld, up to a maximum of \$50,000. Eligible employers that pay salary and wages will receive a minimum (tax-free) payment of \$10,000, even if they are not required to withhold PAYG tax.

The tax-free payment will broadly be calculated and paid by the ATO as an automatic credit to an employer, upon the lodgment of activity statements from 28 April 2020, with any resulting refund being paid to the employer. This means that:

- Quarterly lodgers will be eligible to receive the payment for the quarters ending March 2020 and June 2020; and
- Monthly lodgers will be eligible to receive the payment for the March 2020, April 2020, May 2020 and June 2020 lodgments. However, the payment for the March 2020 activity statement will be calculated as being three times the actual amount withheld.

Note that, the minimum payment of \$10,000 will be applied to an entity's first activity statement lodgment (whether for the month of March or the March quarter) from 28 April 2020.

(b) Stage 2 payment – For employers that continue to be active, an additional (tax-free) payment will be available in respect of the June to October 2020 period, basically as follows:

- Quarterly lodgers will be eligible to receive the additional payment for the quarters ending June 2020 and September 2020, with each payment being equal to 50% of their total initial (or Stage 1) payment (up to a maximum of \$50,000).
- Monthly lodgers will be eligible to receive the additional payment for the June 2020, July 2020, August 2020 and September 2020 activity statement lodgements, with each additional payment being equal to a quarter of their total initial (or Stage 1) payment (up to a maximum of \$50,000).

The ATO will automatically calculate and pay the additional (tax-free) payment as a credit to an employer upon the lodgment of their activity statements from July 2020, with any resulting refund being paid to the employer.

Wages subsidies for apprentices and trainees

Employers with less than 20 full-time employees, who retain an apprentice or trainee who was in training with the employer as at 1 March 2020, may be entitled to Government funded wage subsidies equal to 50% of the apprentice's or trainee's wage paid during the nine months from 1 January 2020 to 30 September 2020.

The maximum wage subsidy over the nine-month period will be \$21,000 per eligible apprentice or trainee.

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.

SME loan guarantee and funding measures

Banks will offer unsecured three-year loans of up to \$250,000 to businesses with a turnover of less than \$50 million.

Fifty percent of the loan value will be underwritten by the Federal Government. Loans will be interest-free for the first six months, interest-only for the next six months and principle and interest for the remaining two years.

Loans will be available through the banks' normal business lending channels. For example:

Commonwealth Bank; NAB; Westpac; ANZ

The RBA has provided a \$90 billion term funding facility for banks to reduce the cost of finance for small and medium-sized businesses. The facility is expected to result in a significant reduction in the interest rate charged in business loans - as little as 4.5 percent per annum. A \$15 billion funding facility for non-bank lenders has also been deployed.

ATO support

The ATO has announced a range of measures to assist affected businesses with their tax obligations, including PAYG payment deferrals and changes to reporting frequency for GST. More details are available on the ATO website.



Instant asset write-off

The Government has increased the instant asset write-off threshold from \$30,000 to \$150,000. It is now available to all businesses with a turnover of up to \$500 million until 30 June 2020.

The Government is also offering an accelerated depreciation schedule for some other assets that do not qualify for an instant write-off.

REGULATORY CHANGES

Insolvency laws

The Government will provide relief from insolvency laws, including by increasing the threshold for a creditor to issue a statutory demand from \$2,000 to \$20,000 and the threshold for a creditor to initiate bankruptcy proceedings from \$5,000 to \$20,000. Companies will now have up to six months to respond to a claim. There will also be a six-month reprieve for Directors personal duty to prevent insolvent trading.

ASIC priorities

Until at least 30 September 2020, the other matters that ASIC will afford priority are where there is the risk of significant consumer harm, serious breaches of the law, risks to market integrity and time-critical matters.

ASIC has immediately suspended a number of near-term activities that are not time-critical.

These include consultation, regulatory reports, and reviews, such as the ASIC report on executive remuneration, updated internal dispute resolution guidance and a consultation paper on managed discretionary accounts. Stakeholders will shortly be notified of deferred consultation and publications relevant to them.

Where warranted, relief or waivers from regulatory requirements will also be provided. ASIC will maintain its enforcement activities and continue to investigate and take action where the public interest warrants us to do so against any person or entity that breaks the law. However, it will focus on action necessary to prevent immediate consumer harm, egregious illegal conduct, and other time-critical matters.



SUPPORT FOR INDIVIDUALS AND HOUSEHOLDS

Superannuation - early superannuation access

People experiencing financial distress will be able to withdraw up to \$10,000 from their superannuation accounts in 2019-20 and another \$10,000 in 2020-21. Withdrawals will be tax-free. Applications can be made through myGov at my.gov.au/

Superannuation - minimum drawdown rates

The minimum drawdown requirements for superannuation will be temporarily reduced by 50 percent for 2019-20 and 2020-21. For example, the minimum rate for under-65s will reduce from four percent to two percent.

Deeming rates

The Government has announced a further reduction of 0.25 percent to the social security deeming rates, following the 0.5 percent reduction announced in early March. From 1 May 2020, the upper deeming rate will be 2.25 percent and the lower deeming rate will be 0.25 percent.

Pension Loans Scheme

The Pension Loans Scheme is a voluntary reverse equity mortgage that can offer support for war veterans a fortnightly income stream to supplement their retirement income. The payments may be made for a short period of time while your income and assets are being rearranged or may be made for an indefinite period.

Increased and accelerated income support

The Government is introducing several income support measures for Australians already receiving certain payments, and new recipients. Although the eligibility for each of the new support payments differs, the Government is expanding eligibility for some payments and making them easier to claim.

First \$750 Economic Support Payment

The first \$750 Economic Support Payment is a one-off payment to those already receiving certain payments, including the Age Pension and those on the Commonwealth Seniors Health Card between 12 March 2020 and 13 April 2020.

Coronavirus Supplement

A temporary fortnightly \$550 Coronavirus Supplement on top of the normal payment, will automatically be paid to eligible income support payment recipients from 27 April for up to six months. New applicants claiming one of the eligible payments, who have their claim approved, will also receive the supplement.

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

- Jobseeker Payment
- Youth Allowance Jobseeker
- Parenting Payment (Partnered and Single)
- Farm Household Allowance
- Special Benefit recipients



Asset testing for these payments will be waived from 27 April for 6 months, except for Farm Household Allowance and Special Benefit. Income testing will still apply. Eligibility criteria for the Jobseeker Payment and Youth Allowance Jobseeker payments will be expanded to provide access to the Coronavirus Supplement to:

- Permanent employees who are stood down or lose their employment;
- Sole traders;
- The self-employed;
- Casual workers; and
- Contract workers

This could also include a person required to care for someone who is affected by the Coronavirus.

Second \$750 Economic Support Payment

Those who are not eligible for the Coronavirus Supplement may get a second \$750 Economic Support Payment, payable from 13 July 2020.

Crisis Payment

A Crisis Payment is available to certain recipients if they need to self-isolate.

Claiming payments

Australians can claim online through myGov using a Centrelink online account, or contact Services Australia.



TIMING OF ASSISTANCES

Date	Support
Immediately, with deductions to be included in 2019-20 tax returns	Increased instant asset write off to \$150,000
Immediately	Temporarily reduced minimum drawdown rates for superannuation for under 65's
Immediately, with deductions to be included in 2019-20 tax returns	Backing business investment — accelerated depreciation
As soon as practicable	Support for Coronavirus-affected regions and communities
From 31 March 2020	First round of \$750 payments to support households
Applications from early-April	Assistance for existing apprentices and trainees
Applications from mid-April 2020	Temporary early release of superannuation
From 27 April 2020	Income support and a Coronavirus supplement
From 28 April 2020	First phase of Boosting Cash Flow for Employers
From 1 May 2020	Increased transfer payments from reduced deeming rates
From 13 July 2020	Second round of \$750 payments to support households
From 21 July 2020	Second phase of Boosting Cash Flow for Employers

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