

Government announces 2nd coronavirus stimulus package

SL	CONTENTS	PAGE
1	<i>Boosting cash flow for employers</i>	2
2	Temporary relief for financially distressed businesses	3
3	Supporting the Flow of Credit	4
4	Early release of superannuation	5

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The Government yesterday released a second, far reaching \$66.1 bn stimulus package that boosts income support payments, introduces targeted changes to the superannuation rules, provides cash flow support of up to \$100,000 for small business employers, and relaxes corporate insolvency laws.

The Prime Minister has warned that there are no “quick solutions” and that business should prepare for 6 months of disruption.

ATO continues its digitisation drive to get prompt compliance from taxpayers including lodgement of 2019 income tax returns, Quarterly BAS and monthly instalment activity statements.

1.0. Boosting cash flow for employers

The Government is enhancing the Boosting Cash Flow for Employers measure it announced on 12 March 2020. The Government is providing up to \$100,000 to eligible small and medium-sized businesses, and not for-profits (NFPs) that employ people, with a minimum payment of \$20,000. These payments will help businesses and NFPs with their cash flow so they can keep operating, pay their rent, electricity and other bills and retain staff.

This measure will benefit around 690,000 businesses employing around 7.8 million people, and around 30,000 NFPs (including charities).

Small and medium-sized business entities with aggregated annual turnover under \$50 million and that employ workers are eligible. NFPs, including charities, with aggregated annual turnover under \$50 million and that employ workers will now also be eligible. This will support employment at a time where NFPs are facing increasing demand for services.

Under the enhanced scheme, employers will receive a payment equal to 100 per cent of their salary and wages withheld (up from the previous announcement of 50%), with the maximum payment being increased from \$25,000 to \$50,000. In addition, the minimum payment is being increased from \$2,000 to \$10,000.

An additional payment is also being introduced in the July – October 2020 period. Eligible entities will receive an additional payment equal to the total of all of the Boosting Cash Flow for Employers payments they have received. This means that eligible entities will receive at least \$20,000 up to a total of \$100,000 under both payments.

- The cash flow boost provides a tax free payment to employers and is automatically calculated by the Australian Taxation Office (ATO). There are no new forms required
- The payment will be delivered by the ATO as an automatic credit in the activity statement system from 28 April 2020 upon employers lodging eligible upcoming activity statements
- Eligible employers that withhold tax to the ATO on their employees' salary and wages will receive a payment equal to 100 per cent of the amount withheld, up to a maximum payment of \$50,000.
- Eligible employers that pay salary and wages will receive a minimum payment of \$10,000, even if they are not required to withhold tax
- The payments will only be available to active eligible employers established prior to 12 March 2020. However, charities which are registered with the Australian Charities and Not-for-profits Commission will be eligible regardless of when they were registered, subject to meeting other eligibility requirements. This recognises that new charities may be established in response to the Coronavirus pandemic.
- This measure is estimated to cost \$31.9 billion over the forward estimates period

2.0 Temporary relief for financially distressed businesses

The economic impacts of the Coronavirus and health measures to prevent its spread could see many otherwise profitable and viable businesses temporarily face financial distress. It is important that these businesses have a safety net to make sure that when the crisis has passed they can resume normal business operations. One element of that safety net is to lessen the threat of actions that could unnecessarily push them into insolvency and force the winding up of the business.

The Government is temporarily increasing the threshold at which creditors can issue a statutory demand on a company and the time companies 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 temporary and targeted relief from provisions of the Act to deal with unforeseen events that arise as a result of the Coronavirus health crisis.

The ATO will tailor solutions for owners or directors of business that are currently struggling due to the Coronavirus, including temporary reduction of payments or deferrals, or withholding enforcement actions including Director Penalty Notices and wind-ups

3.0 Support for immediate cash flow needs for SMEs

The Government, the Reserve Bank of Australia and the Australian Prudential Regulation Authority, have taken coordinated action to ensure the flow of credit in the Australian economy. Timely access to credit is vital for businesses to manage the impacts of the Coronavirus.

Across the economy, many otherwise viable small and medium sized businesses are facing significant challenges due to disrupted cash flow. At the same time, businesses retain fixed obligations including rent, utilities, and employee expenses

Under the Coronavirus SME Guarantee Scheme, the Government will provide a guarantee of 50 per cent to SME lenders to support new short-term unsecured loans to SMEs. The Scheme will guarantee up to \$40 billion of new lending. This will provide businesses with funding to meet cash flow needs, by further enhancing lenders' willingness and ability to provide credit. This will assist otherwise viable businesses across the economy who are facing significant challenges due to disrupted cash flow to meet existing obligations.

4

- SMEs with a turnover of up to \$50 million will be eligible to receive these loans
- The Government will provide eligible lenders with a guarantee for loans with the following terms:
 - Maximum total size of loans of \$250,000 per borrower.
 - The loans will be up to three years, with an initial six month repayment holiday.
 - The loans will be in the form of unsecured finance, meaning that borrowers will not have to provide an asset as security for the loan.

Loans will be subject to lenders' credit assessment processes with the expectation that lenders will look through the cycle to sensibly take into account the uncertainty of the current economic conditions

As part of the loan products available, the Government will encourage lenders to provide facilities to SMEs that only have to be drawn if needed by the SME. This will mean that the SME will only incur interest on the amount they draw down. If they do not draw down any funds from the facility, no interest will be charged, but they will retain the flexibility to draw down in the future should they need to.

The Scheme will commence by early April 2020 and be available for new loans made by participating lenders until 30 September 2020

The Government is providing an exemption from responsible lending obligations for lenders providing credit to existing small business customers. This exemption is for six months, and applies to any credit for business purposes, including new credit, credit limit increases and credit variations and restructures

The RBA has announced a term funding facility for the banking system. Banks will have access to at least \$90 billion in funding at a fixed interest rate of 0.25 per cent

4.0 Early release of superannuation

Individuals in financial distress, able to access up to \$10,000 of their superannuation in 2019-20, and a further \$10,000 in 2020-21. The withdrawals will be tax-free and will not affect Centrelink or Veterans' Affairs payments.

To be eligible to access your superannuation you need to meet 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% or more**; or
 - if you are a **sole trader** — your business was suspended or there was a **reduction in your turnover of 20% or more**

Supplements increased, access extended and eased – for 6 months from 27 April 2020:

- A temporary coronavirus supplement of \$550 will be paid to existing income support recipients (people will receive their normal payment plus \$550 each fortnight for 6 months).
- A second one-off stimulus payment of \$750 will be paid automatically from 13 June 2020 to certain income support recipients (in addition to the payment made from 31 March 2020).
- Eligibility for access to income support eased to include sole traders and the self-employed, and to those caring for someone infected or in isolation.
- Waiting periods and assets tests temporarily waived.