

7 THINGS you need to know about COVID-19

AND HOW IT AFFECTS YOU AND YOUR BUSINESS

1. What is COVID-19?

COVID-19 is a coronavirus strand and severe acute respiratory virus first discovered in December 2019 in Wuhan, China. Since then, the virus has spread to countries all over the world, including Australia, and has been classified as a pandemic by the World Health Organisation.

The spread of the virus is expected to be prolonged over at least the next six months. Governments, both international and domestic, have announced stricter mitigation measures to slow the spread of the virus, which are having significant economic impacts. Since 12 March 2020 the Government has announced and revised a range of economic responses which total to \$189 billion across forward estimates, representing almost 10% of annual GDP.



2. Will the package address business cash flow problems?

The Australian Government is providing support for businesses to manage cash flow challenges and retain employees.

The Boosting Cash Flow for Employers measure announced on 12 March 2020 will be increased to **provide up to \$100,000 for eligible small and medium-sized businesses**. To be eligible employers must have been established prior to 12 March 2020 and have an aggregated annual turnover of less than \$50 million and employ workers.

Employers will receive a payment equal to 100% of their salary and wages withheld, up from the original 50%, with maximum payments being increased from \$25,000 to \$50,000. Minimum payments have also been increased from \$2,000 to \$10,000.

Employers will receive payments from 28 April 2020 from the ATO as automatic credit in the activity statement system upon lodging eligible upcoming activity statements.

Eligible businesses will be provided with an additional payment during July - October 2020. The payment will be equal to the total amount received under the Boosting Cash Flow for Businesses scheme. For monthly and quarterly activity statement lodgers, these payments will be provided as automatic credit in the activity statement system for each lodgement up until October 2020.

The Government has introduced further support for the flow of credit for small and medium enterprises (SME) with the Coronavirus SME

Guarantee Scheme by **providing a guarantee of 50% to participating SME lenders for new unsecured loans that will be used for working capital**. To be eligible, SMEs will have a turnover of up to \$50 million and the loans must comply with the following terms:

- The loan is a maximum 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.

Unlike the Boosting Cash Flow for Employers measure, the SME Guarantee Scheme will still require businesses to repay these loans and approval is subject to regular lending requirements. The Scheme will commence by early April 2020 and be available until 30 September 2020.



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3. Will the stimulus package affect individuals and households?

The stimulus package introduced by the Australian Federal Government aims to assist individuals and households through income support payments and temporary early releases of superannuation.

For unemployed and job-seeking individuals, the Government will be [expanding income support eligibility](#) with a new temporary Coronavirus supplement paid at \$550 per fortnight for the next six months. The new fortnightly payment will be available to both existing and new recipients of the JobSeeker Payment, Parenting Payment, Special Benefit, Youth Allowance Jobseeker and Farm Household Allowance.

Social security, veteran and other income support recipients and concession card holders will receive two separate \$750 payments. The first payment will be made from 31 March 2020. The second payment of \$750 will be made from 13 July 2020, but will exclude those

eligible for the separate Coronavirus supplement. These payments are aimed towards pensioners and will help support domestic demand and improve cash flow within the Australian economy.

Eligible individuals impacted by COVID-19 will also be [granted temporary early access superannuation](#) up to \$10,000 in the current financial year and a further \$10,000 in 2020-21. Individuals will not need to pay tax on withdrawn amounts and any existing welfare payments will not be affected either.

[Superannuation minimum drawdown rates](#) will also be temporarily reduced by 50% for account-based pensions and others similar until 2021. The Government has also [reduced the upper and lower social security deeming rates](#) by a further 0.25 percentage points, with upper at 2.25% and lower at 0.25% which will come into effect on 1 May 2020.

4. Will my business have support to help retain employees?

Businesses employing apprentices will also largely benefit from the Federal Government's stimulus package. As part of the package, 117,000 [apprentices will be supported by the Government](#) with its \$1.3 billion funds in wage subsidies. Employers with apprentices in jobs over nine months will receive the funds and small businesses with 20 or fewer employees can use them to retain

their existing apprentices and hire new ones.

Small businesses will receive a maximum of \$21,000 per apprentice, amounting to a 50% wage subsidy for apprentices or trainees for up to nine months starting from 1 January 2020 to 30 September 2020. In the event that an employer is unable to retain an apprentice, the subsidy will be transferred to a new employer who will employ the apprentice.

5. What support exists for businesses in financial difficulty?

The ATO is showing [greater leniency to tax debt deferment](#) requests from small businesses who are up to date with their tax returns and Business Activity Statements (BAS) and have a plan of when tax payments will likely return to normal. Relief includes temporary reduction of payments or deferrals, or withholding enforcement actions including Director Penalty Notices and wind-ups.

The Government has [relaxed solvency rules](#) by providing temporary relief for company directors from personal liability for insolvent trading, temporarily lifting the threshold at which creditors can issue a statutory demand, and the time companies have to respond to statutory demands they receive.

Bankruptcy provisions have been temporarily relaxed though an increase in the threshold for a creditor to initiate bankruptcy proceedings, an

increase in the time period for debtors to respond to a bankruptcy notice, and extending the period of protection a debtor receives after making a declaration of intention to present a debtor's petition.



6. How is the Government encouraging ongoing business investment?

The stimulus package will increase the [instant asset write-off threshold](#) from the previous \$30,000 to \$150,000. This change will apply for businesses with an aggregated turnover of less than \$500 million from 12 March 2020 until 30 June 2020.

The Government is introducing a [15 month investment incentive to accelerate depreciation deductions](#) and encourage business

investment. Businesses with an annual turnover under \$500 million will be able to deduct 50% of the cost of an eligible asset on installation on top of depreciation rules applying to the balance of the asset's cost. Eligible assets include plant, equipment and specified intangible assets, such as patents acquired after the announcement and first used or installed by 30 June 2021. This measure is expected to support over 3.5 million businesses in lowering taxes paid over the next two years.

7. What's next for your business?

Businesses should consider implementing some structural changes and preventative measures to their workplace to protect the safety of employees and minimise the risk of the coronavirus spreading. Here are some suggestions:

- Allowing employees to work from home and providing them with the resources to do so (e.g. VPN, computers, etc.).
- Becoming more flexible with working hours and dividing employees into different time slots to avoid contagion.
- Providing anti-bacterial agents and encouraging staff to use them to keep themselves and their workspace sanitised.
- Promote frequent and methodical handwashing. Consider putting up posters on how to wash your hands properly.
- Practising social distancing (e.g. no handshaking).
- Reviewing insurances for staff required to travel (domestically and internationally).