

CORONAVIRUS

UPDATED GOVERNMENT ECONOMIC RESPONSE

Colonial
First State

FirstTech Coronavirus Factsheet – Updated 30 March 2020

The Federal Government's economic response to the coronavirus pandemic, including substantial support for households and businesses, [has now largely been legislated](#).

This article discusses these legislated measures, as well as highlighting some announced changes which remain proposed.

Support for individuals / households

Reducing ABP minimum drawdowns

The minimum drawdown requirements for Account-Based Pensions (ABPs) have been reduced by 50 per cent.

The reduction will apply for the current income year (2019-20) and the 2020-21 income year as follows:

Age	Standard minimum	Reduced minimum
< 65	4%	2%
65-74	5%	2.5%
75-79	6%	3%
80-84	7%	3.5%
85-89	9%	4.5%
90-94	11%	5.5%
95+	14%	7%

If a member has already drawn the reduced minimum in the current income year they will not be required to take any additional payments. However, from a practical perspective members may need to contact their fund to confirm they wish to reduce their pension payments accordingly.

Also where a member has already received more than the reduced minimum, they cannot get any pension payments they have received over the reduced minimum back into superannuation - unless they are otherwise eligible to contribute.

While this announcement will allow people to reduce their pension payments to preserve capital this will depend on their ability to meet their ongoing living costs.

In this case, it will be important to take into account the Government's other stimulus measures in relation to additional payments and the reduction in deeming rates that may result in higher social security income support payments.

Reducing TAP minimum drawdowns

The minimum drawdown requirements for term allocated pensions (TAPs) have also been reduced by 50 per cent.

The reduction will apply for the current income year (2019-20) and the 2020-21 income year as follows:

	Standard rules	Reduced minimum rules
Minimum payment	90% of standard payment	45% of standard payment
Maximum payment	110% of standard payment	110% of standard payment

It is important to note that not all superannuation funds' rules allow standard TAP payments to be varied – this should be confirmed with a member's superannuation fund.

Early access to superannuation

From mid-April 2020, eligible individuals will be able to apply to access up to \$10,000 of their preserved / restricted non-preserved superannuation before 1 July

2020. They will also be able to apply to access up to a further \$10,000 from 1 July 2020 to 24 September 2020. Importantly, any part of the \$10,000 amount not accessed in 2019-20 does *not* carry over to increase the \$10,000 threshold for 2020-21.

These withdrawals will be tax-free (non-assessable non-exempt income) and are not treated as income for the purposes of calculating a member's Centrelink or DVA entitlements.

FirstTech comment: Only one application per year

Members are only permitted to make one application each income year.

For example, if a member accessed \$6,000 in May 2020 they will not be permitted to make an additional application to release an extra \$4,000 before the end of the financial year.

Eligibility

To be eligible for early release a member must satisfy any one or more of the following requirements:

- they are unemployed, or
- they are eligible to receive a Jobseeker 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:
 - they were made redundant, or
 - their working hours were reduced by 20 per cent or more, or
 - if they are a sole trader — their business was suspended or there was a reduction in their turnover of 20 per cent or more.

Note – the legislation itself does not specify a method for determining whether working hours or (in the case of a sole trader) turnover has reduced by 20% or more since 1 January 2020. However, the [explanatory memorandum](#) indicates that this requires a comparison between a member's hours or turnover at the time of application, and their usual hours or their turnover prior to 1 January 2020. Examples in the explanatory memorandum use the following for this comparison:

- Hours or turnover in the month of application, and

- Average hours, or average turnover, in the last six months of 2019.

FirstTech comment: non-residents

Australian citizens / permanent residents and New Zealand citizens with Australian superannuation will be eligible for these withdrawals (subject to meeting other eligibility criteria).

The ATO has also clarified that temporary residents will not be eligible – this likely includes former temporary residents (who are not AUS citizens / permanent residents / NZ citizens), as these people appear ineligible for this type of condition of release.

It is unclear at this point whether non-residents who have never been temporary residents of Australia (and are not Australian citizens or permanent residents, or New Zealand citizens) are eligible. This could include:

- Ex-permanent residents who have returned overseas and their residency expired, and who have never been a temporary resident.
- Those who used to be an Australian citizen but gave up their citizenship when they moved permanently overseas, and who have never been a temporary resident.
- Those who have never been an Australian resident of any type but might have contributed to Australian super to take advantage of the concessional tax environment

Source: <https://www.ato.gov.au/Super/APRA-regulated-funds/In-detail/APRA-resources/Coronavirus---early-release-of-superannuation-industry-consultation-24-March-2020/>

How to apply (APRA regulated funds)

Members will be able to apply for the early release of their benefits directly to the ATO through the myGov website: www.my.gov.au. For those who cannot transact online, they will be able to call the ATO, confirm their identity and complete the application over the phone.

On Monday 20 April, the ATO will be deploying the application form for individuals to use for COVID-19 early release of super. From that date, individuals will commence applications.

Once the ATO has processed the application it will issue a determination to the member and a copy to their fund. It will take approximately 1 to 2 business days for the fund to receive notifications about their members.

The Government has confirmed¹ that the member does not need to contact their fund at all during the withdrawal process, and that:

- The ATO will verify and provide the member's bank account details to the fund with the determination, and

¹ <https://ministers.treasury.gov.au/ministers/jane-hume-2019/speeches/address-afr-banking-and-wealth-summit-sofitel-wentworth-sydney>

- AUSTRAC has confirmed that super funds can rely on the ATO's customer verification and will not have to separately verify the member's identity.

The fund must release benefits as soon as practicable upon receiving the determination from the ATO.

FirstTech comment: One application can cover multiple funds

Where a member applies online via MyGov, they will see the balances of all super accounts reported to the ATO.

The ATO has indicated that a member can make one application of up to \$10,000 consisting of withdrawals from multiple funds.

However, as only one application is allowed in each of the two financial years, where a member makes an application and the fund/s chosen have insufficient money to pay the full amount the application, a member cannot submit a second application to withdraw the remaining amount from another fund.

It is therefore important for members to confirm that they have enough money in each fund chosen in the application to ensure that their requested withdrawal amount can be paid.

Source: <https://www.ato.gov.au/Super/APRA-regulated-funds/In-detail/APRA-resources/Coronavirus---early-release-of-superannuation-industry-consultation-24-March-2020/>

(or have lodged a claim during this period and the claim is subsequently granted):

- Age Pension
- Disability Support Pension
- Carer Payment
- Parenting Payment
- Wife Pension
- Widow B Pension
- ABSTUDY (Living Allowance)
- Austudy
- Bereavement Allowance
- Newstart Allowance
- JobSeeker Payment
- Youth Allowance
- Partner Allowance
- Sickness Allowance
- Special Benefit
- Widow Allowance
- Family Tax Benefit (including Double Orphan Pension)
- Carer Allowance
- Pensioner Concession Card (PCC) holders
- Commonwealth Seniors Health Card holders
- Veteran Service Pension; Veteran Income Support Supplement; Veteran Compensation payments, including lump sum payments; War Widow(er) Pension; and Veteran Payment.
- DVA PCC holders; DVA Education Scheme recipients; Disability Pensioners at the temporary special rate; DVA Income support pensioners at \$0 rate.
- Veteran Gold Card holders
- Farm Household Allowance

What about SMSFs?

Separate arrangements will apply for members of self-managed superannuation funds. Further guidance will be available via the ATO website in the near future.

\$750 economic support payments

The Government is providing two separate \$750 economic support payments to social security, veteran and other income support recipients and eligible concession card holders.

- The first payment will be paid automatically from 31 March 2020.
- The second payment will be paid automatically from 13 July 2020.

An individual can be eligible to receive both the first and second payment. However, they can only receive one \$750 payment in each round of payments.

The payment will be exempt from taxation and will not count as income for the purposes of Social Security, Farm Household Allowance and Veteran payments.

Eligibility for the first \$750 payment

To qualify for the first payment, an individual:

- must be residing in Australia, and
- must be receiving one of the following payments, or hold one of the following concession cards, at any time from 12 March 2020 to 13 April 2020, inclusive

FirstTech comment:

Unfortunately an individual who only holds the Low Income Health Care Card is not eligible to receive this lump sum payment.

Please refer to FirstTech factsheet '[Lodge claims before 14 April for \\$750 coronavirus payment](#)' for more information.

Eligibility for the second \$750 payment

To qualify for the second payment, an individual must meet the following criteria on 10 July 2020:

- must be residing in Australia, and
- must be receiving one of the payments or hold one of the concession cards that were eligible for the first payment, except for those who are eligible to receive the Coronavirus supplement.

Please refer to the 'Coronavirus supplement of \$550 per fortnight' section in this article for more information.

Reduction in deeming rates

On 12 March 2020, 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 deeming rates listed in the table below will apply:

Current rate	Rate from 1 May 2020	Single	Pensioner couple (combined)*	Non Pensioner couple (each)^
1.00%	0.25%	First \$51,800	First \$86,200	First \$43,100
3.00%	2.25%	Excess	Excess	Excess

* At least one member receives a pension

^ Neither receives a pension.

The announced reduction in deeming rates has yet to be formally implemented by the Government, however this is expected to be done via legislative instrument in the lead up to 1 May.

Coronavirus supplement of \$550 per fortnight

From 27 April 2020 to 24 September 2020², a Coronavirus supplement of \$550 per fortnight applies to increase the rate of certain social security payments.

This supplement will be paid to both existing and new recipients of the following eligible payment categories:

- Jobseeker Payment³
- Youth Allowance
- Parenting Payment
- Austudy
- ABSTUDY Living Allowance
- Farm Household Allowance
- Special Benefit recipients

Anyone who is eligible for the Coronavirus supplement will receive the full rate of the supplement of \$550 per fortnight. For example, a person who qualifies for only \$10 per fortnight of Jobseeker Payment will have their rate of payment increased by \$550 per fortnight during the period from 27 April to 24 September.

The Coronavirus supplement is taxable.

Note - people that qualify for the Coronavirus supplement will not be eligible for the second \$750 stimulus payment.

Expanded access to income support

For the six month period from 25 March 2020 to 24 September 2020, there will be expanded access to the income support payments listed in the previous section. This means:

Expanded access

From 25 March 2020 to 24 September 2020, temporary alternative qualification options apply for both Jobseeker Payment and Youth Allowance.

Jobseeker Payment

A person will be able to qualify for Jobseeker Payment where they are at least age 22 and under age pension age, satisfy the usual residency requirements and the secretary is satisfied that one of the following applies:

- They became unemployed as a result of the economic effects of the coronavirus, or
- If the person is self-employed or a sole trader, their business was suspended or suffered a reduction in turnover as a result of the economic effects of the coronavirus, or
- Their working hours reduced (including to nil) as a result of the economic effects of the coronavirus, or
- They are in quarantine or self-isolation⁴ (or are caring for an immediate family member or member of their household who is in such quarantine or self-isolation), and as a result their working hours reduced.

Where a person is seeking to claim Jobseeker Payment for a period due to reduced working hours (as a result of the economic impacts of coronavirus or due to quarantine or self-isolation), they must (for the period):

- Not be entitled to a leave payment, or
- Have taken reasonable steps to access any leave payments they are entitled to, or
- Be entitled to a leave payment that is less than it would have otherwise been due to the economic effects of coronavirus, or
- Be entitled to a leave payment that is less than the amount of Jobseeker Payment the person would otherwise be entitled to.

Youth Allowance

A person will be able to qualify for Youth Allowance where they are of Youth Allowance age, satisfy the usual residency requirements and the secretary is satisfied that one of the following applies:

- They became unemployed as a result of the economic effects of the coronavirus, or
- If the person is self-employed or a sole trader, their business was suspended or suffered a reduction in turnover as a result of the economic effects of the coronavirus, or
- Their working hours reduced (including to nil) as a result of the economic effects of the coronavirus, or
- They are in quarantine or self-isolation⁵ (or are caring for an immediate family member or member of their household who is in such quarantine or self-isolation), and as a result their working hours reduced.

Where a person is seeking to claim Youth Allowance for a period due to reduced working hours (as a result of the economic impacts of coronavirus or due to quarantine or self-isolation), they must (for the period):

- Not be entitled to a leave payment, or

² The Minister has the power to extend this cessation date via legislative instrument.

³ This includes all payments progressively transitioning to JobSeeker Payment including those currently receiving Partner Allowance, Widow Allowance, Sickness Allowance and Wife Pension.

⁴ The quarantine or self-isolation must be due to advice or a requirement from the Commonwealth, a state or territory, or a health professional.

⁵ The quarantine or self-isolation must be due to advice or a requirement from the Commonwealth, a state or territory, or a health professional.

- Have taken reasonable steps to access any leave payments they are entitled to, or
- Be entitled to a leave payment that is less than it would have otherwise been due to the economic effects of coronavirus, or
- Be entitled to a leave payment that is less than the amount of Youth Allowance the person would otherwise be entitled to.

Reduced means testing From 25 March 2020 to 24 September 2020, the assets test will not apply to:

- Jobseeker Payment²
- Youth Allowance
- Parenting Payment
- Austudy.

At this stage it appears that there are no changes to assets testing arrangements for Special Benefit or Farm Household Allowance.

Income testing will still apply to the person's other payments, consistent with current arrangements.

FirstTech comment:

It has been acknowledged that where one member of a couple becomes unemployed or is stood down due to the coronavirus pandemic, the inclusion of their partner's income in the income test will in many cases prevent them from qualifying for Centrelink support such as Jobseeker Payment.

While at the time of writing, no changes have been legislated to fix this issue, the Government has indicated that it recognises this problem and plans to take action via legislative instrument to make it easier for more people in this situation to qualify.

Reduced waiting times

- Ordinary waiting period waived

From 12 March 2020 to 24 September 2020, the one week ordinary waiting period is waived for people applying for Parenting Payment, Jobseeker Payment or Youth Allowance.

Under current rules, the ordinary waiting period does not apply to Austudy, Special Benefit, or Farm Household Allowance.

- Liquid assets waiting period waived

From 25 March 2020 to 24 September 2020, the liquid assets waiting period is waived for people applying for Jobseeker Payment, Youth Allowance and Austudy.

People otherwise eligible for these payments but who were serving a liquid asset waiting period at 25 March no longer needed to serve that waiting period.

Under current rules, the liquid assets waiting period does not apply to recipients of Parenting Payment, Special Benefit or Farm Household Allowance.

- Newly arrived residents waiting period waived

From 25 March 2020 to 24 September 2020, the newly arrived residents waiting period (NARWP) will be temporarily waived for:

- Jobseeker Payment⁶
- Youth Allowance
- Parenting Payment
- Austudy
- Special Benefit
- Farm Household Allowance.

From 25 September 2020, those people that were serving a NARWP will continue to serve the remainder of their waiting period, though the time the person was temporarily receiving payments between 25 March and 24 September will count towards their NARWP.

Residency requirements still apply.

- Seasonal work preclusion period waived

From 25 March 2020 to 24 September 2020, the seasonal work preclusion period will be temporarily waived for:

- Jobseeker Payment⁷
- Youth Allowance
- Parenting Payment
- Austudy
- Special Benefit
- Farm Household Allowance.

Note: Income Maintenance Periods and Compensation Preclusion Periods will continue to apply.

Faster claim process

• **Accelerated claim process**

To ensure timely access to payments, new applicants are encouraged to claim through on-line and mobile channels. If applicants do not have internet access, they can claim over the phone.

• **Streamlined application process**

A number of simplified arrangements have been temporarily put in place to make it easier to claim, including allowing new applicants to verify their identity over the phone.

⁶ This includes all payments progressively transitioning to JobSeeker Payment including those currently receiving Partner Allowance, Widow Allowance, Sickness Allowance and Wife Pension.

In addition, a number of verification requirements have temporarily been removed such as Employment Separation Certificates, proof of rental arrangements and verification of relationship status⁷.

- **Flexible Jobseeking arrangements**

To alleviate the impact of high demand on government services and provide certainty, mutual obligation requirements have been temporarily suspended until 27 April 2020⁸. This date may be further extended.

Notwithstanding the temporary suspension of mutual obligation requirements, the Government has made the following changes to mutual obligation requirements when requested by a job-seeker or job service provider to minimise face to face contact⁹:

- Jobseekers may request meetings take place via phone or via an online channel (eg, Skype).
- Jobseekers will be able to complete activities such as online training, creating job plans, writing a CV and preparing job applications online.
- Job Plans will be adjusted to a default requirement of four job searches a month (or fewer, at provider discretion) to reflect the softening labour market conditions.
- Work for the Dole and other activities delivered in group settings that cannot be delivered online will be suspended until further notice.
- Jobs Fairs and other large events will be postponed.

Income support recipients who cannot meet their mutual obligation requirements due to isolation or quarantine can contact Services Australia to seek a major personal crisis exemption, which can be granted without providing evidence (eg, a medical certificate)⁸.

Students in Australia receiving Youth Allowance who are unable to attend studies due to coronavirus would be taken to have a reasonable excuse for not meeting study activity requirements. Impacted individuals must notify Services Australia of their circumstances⁸.

Sole traders and that become eligible for the Jobseeker Payment will automatically meet their mutual obligation requirements during this period by continuing to operate their business⁸.

Job seekers are encouraged to stay job ready, connected to their employment services provider and up to date on potential job opportunities in their local area.

JobKeeper Payment announced

The Government has announced that a new wage subsidy called 'Jobseeker Payment' will be introduced.

The JobKeeper Payment is a temporary payment designed to help businesses affected by the Coronavirus to cover the costs of their employees' wages, so that more employees can retain their job and continue to earn an income.

The JobKeeper Payment is proposed to commence from 30 March 2020 and will apply for a period of six months.

The JobKeeper Payment involves an employer paying at least \$1,500 per fortnight to eligible employees, and receiving a \$1,500 subsidy per eligible employee from the ATO.

JobKeeper Payment is also available to eligible self-employed individuals who do not have employees. In this case, the ATO will pay the individual directly.

Employers who pay the JobKeeper Payment to eligible employees from 30 March, are proposed to receive the first subsidy from the ATO (backdated to 30 March) in the first week of May. Payments from the ATO are made monthly, in arrears.

See FirstTech Factsheet 'Coronavirus - [JobSeeker Payment announced](#)' for more information.

At the time of writing this proposal has not been legislated.

Support for business

Expanding instant asset write-off

The instant asset write-off was available to businesses with aggregated turnover of less than \$50 million. It allowed eligible businesses to claim an immediate tax-deduction for the cost of eligible depreciating assets valued at less than \$30,000 (per asset).

The Government has now expanded the instant asset write-off for assets first used (or installed ready for use) from 12 March 2020 to 30 June 2020 by:

- increasing the threshold from \$30,000 to \$150,000, and
- expanding the businesses who can access the instant asset write-off to those with an aggregated turnover of less than \$500 million.

The instant asset write-off can apply to both new and second hand eligible depreciating assets. Further information about the instant asset write-off [can be found on the ATO website](#).

It is important to note that under existing legislation, from 1 July 2020 the instant asset write-off will revert to only

⁷ <https://www.dss.gov.au/about-the-department/coronavirus-covid-19-information-and-support#exp>

⁸ <https://ministers.dese.gov.au/senator-hon-michaelia-cash/covid-19-mutual-obligations-arrangements-extended>

⁹ <https://www.dss.gov.au/about-the-department/coronavirus-covid-19-information-and-support#exp>

being available to small businesses (less than \$10 million in aggregated turnover) and to a threshold of only \$1,000.

Accelerated depreciation deductions for new assets

The Government has also provided more generous depreciation deductions for businesses with aggregated turnover of less than \$500 million, who purchase eligible *new* depreciating assets acquired after the Government's announcement and first used or installed ready for use by 30 June 2021.

Under this incentive, an immediate deduction of the following amount applies in the income year in which the eligible asset is first used or installed ready for use, with existing depreciation rules applying thereafter:

- For small businesses with aggregated turnover of less than \$10 million using simplified depreciation rules, those assets over the instant asset threshold are added to the general small business pool. The business can deduct an amount equal to 57.5% (rather than 15%) of the business portion of the cost of the new assets in the income year they are added to the pool. In later years, the asset will be depreciated as part of the general small business pool rules.
- For other businesses with aggregated turnover of less than \$500 million not using simplified depreciation rules, the business can deduct 50% of the cost of the depreciating asset, plus the usual depreciation that would apply (after offsetting the 50% decline in value).

Existing depreciation rules then apply in future financial years.

Where the asset purchased instead qualifies for the instant asset write-off (which as discussed above is significantly increased and expanded until 30 June 2020), the instant asset write-off will apply instead and 100% of the cost of the asset can be claimed as a deduction in the first income year.

Cash flow boost payments for employers

The Government will provide an estimated 690,000 eligible small and medium business employers and an estimated 30,000 not-for-profit employers (including charities) with cash flow assistance ('cash flow boost' payments) of between \$20,000 and \$100,000.

The cash flow boost payments will be delivered as:

- a first cash flow boost series of payments totalling between \$10,000 and \$50,000, and
- a second cash flow boost series of payments, equal to the total of the first payments (ie, a further \$10,000 to \$50,000).

Eligibility

A small or medium business or not-for-profit entity is one with less than \$50 million in aggregated turnover in the previous income year (or most recent year in which an income tax assessment has been made by the Commissioner), or an entity that the Commissioner is reasonably satisfied is a small or medium entity during the payment periods.

All business structures (who are otherwise eligible) can qualify for the cash flow boost payments, including companies, sole traders, partnerships and trusts.

To be eligible for one or more of the first cash flow boost payments, a small or medium entity must either be a registered charity, or if a business, must:

- have held an ABN on 12 March 2020, and
- either derived assessable business income in 2018-19 or made one or more supplies for consideration in the course of an enterprise it carried on within Australia in tax periods commencing after 1 July 2018 and ending before 12 March 2020, and
- have not engaged in a scheme for the sole or dominant purpose of obtaining or increasing the first cash flow boost payments.

No further eligibility requirements apply to qualify for the second cash flow boost payments.

First cash flow boost payments

The first cash flow boost payments will be made as a credit in the activity statement system starting from April 2020, with eligible entities that withhold tax from their employees' salaries receiving a payment of 100% of the amount withheld, up to \$50,000 in total.

Eligible entities that pay staff but are not required to withhold tax will still qualify for a minimum payment of \$10,000.

Where an eligible entity lodges an activity statement and due to this payment is in a refund position, the ATO will deliver the refund within 14 days.

Where an eligible entity lodges its activity statements quarterly, it will be eligible for this payment in the March 2020 and June 2020 quarters.

Where an eligible entity lodges its activity statements monthly, it will be eligible for this payment for the monthly lodgments of March, April, May and June 2020. However, in this case the payment for March will be calculated at 300% (instead of 100%) to provide equity between quarterly and monthly lodgers.

A minimum payment rule of \$10,000 also applies to the first payment received (quarterly or monthly). This means that if the first payment would otherwise be calculated as less than \$10,000, the eligible entity will receive a first payment of \$10,000. However, any excess paid as a result of the minimum payment rules then reduces subsequent payments.

Example:

George runs an eligible small business and withholds \$8,000 in tax from employees' salaries in the March 2020 quarter and \$5,000 in tax from employees' salaries in the June 2020 quarter.

Due to the minimum payment rule, George would receive a first payment for the March 2020 quarter of \$10,000 (instead of \$8,000). However, George would then receive a payment of only \$3,000 (instead of \$5,000) for the June 2020 quarter.

Second cash flow boost payments

The second cash flow boost payments will be made that (combined) match the total of the first cash flow boost payments.

The second cash flow boost payments are again delivered as a credit in the activity statement system. Where an eligible entity lodges an activity statement and due to this payment is in a refund position, the ATO will deliver the refund within 14 days.

The following tables summarise the second cash flow boost payments for eligible entities.

Entity is quarterly lodger	
Quarter	Payment amount
June 2020 quarter (lodged by 28 July 2020)	50% of total of initial payments
September 2020 quarter (lodged by 28 October 2020)	50% of total of initial payments

Entity is monthly lodger	
Month	Payment amount
June 2020 (lodged by 21 July 2020)	25% of total of initial payments
July 2020 (lodged by 21 August 2020)	25% of total of initial payments
August 2020 (lodged by 21 September 2020)	25% of total of initial payments
September 2020 (lodged by 21 October 2020)	25% of total of initial payments

Example of cash flow boost payments: quarterly lodger

ABC Co is an eligible medium business which withholds \$22,000 in tax from employees' salaries in the March 2020 quarter and \$18,000 in tax from employees' salaries in the June 2020 quarter.

First cash flow boost payments

Upon lodging its activity statement for the March 2020 quarter (due 28 April 2020), ABC Co will receive a payment of \$22,000 ($\$22,000 \times 100\%$). Upon then lodging its activity statement for the June 2020 quarter (due 28 July 2020), it will be entitled to a payment of \$18,000 ($\$18,000 \times 100\%$).

If the sum of both payments would exceed \$50,000, the payments would instead be capped at \$50,000. However, the payments for ABC Co total \$40,000.

Second cash flow boost payments

ABC Co will receive the following second payments – each equal to 50% of the total of the first payments.

- \$20,000 for June 2020 quarter (lodged by 28 July)
- \$20,000 for September 2020 quarter (lodged by 28 October)

In total, ABC Co will therefore receive \$80,000 in cash flow boost payments.

Example of cash flow boost payments: monthly lodger

XYZ Co is an eligible medium business which withholds the following in tax from employees' salaries:

- \$13,000 for March 2020
- \$12,000 for April 2020
- \$10,000 for May 2020
- \$12,000 for June 2020.

First cash flow boost payments:

Upon lodging its activity statement for March 2020 (due 21 April 2020), XYZ Co will receive a payment of \$39,000 ($\$13,000 \times 300\%$). Upon then lodging its activity statement for April 2020 (due 21 May 2020), it will be entitled to a payment of \$11,000 due to the \$50,000 cap on total payments (as the calculated amount of $\$12,000 \times 100\%$ would lead to the \$50,000 cap being exceeded).

As the \$50,000 cap is reached in April 2020, no further first cash flow boost payments would then apply for May 2020 or June 2020.

Second cash flow boost payments

XYZ Co will receive the following second payments – each equal to 25% of the total of the first payments.

- \$12,500 for June 2020 (lodged by 21 July)
- \$12,500 for July 2020 (lodged by 21 August)
- \$12,500 for August 2020 (lodged by 21 September)
- \$12,500 for September 2020 (lodged by 21 October)

In total, XYZ Co will therefore receive the maximum \$100,000 in cash flow boost payments.

These cash flow boost payments are delivered as a credit in the activity statement. The ATO will deliver any refund within 14 days.

Supporting apprentices and trainees

Small businesses with less than 20 full time employees who retain an apprentice or trainee can apply for a wage subsidy of 50% of the wages paid to the apprentice / trainee during the 9 months from 1 January 2020 to 30 September 2020.

To qualify, the apprentice or trainee must have been in training with the eligible small business at 1 March 2020. A cap of \$21,000 applies to the amount of subsidy that can be provided, per eligible apprentice / trainee (\$7,000 per quarter).

In addition, employers of any size, and group training organisations, can apply for the subsidy where they re-engage an eligible out-of-trade apprentice or trainee.

Temporary relief for financially distressed businesses

The Government has also legislated the following temporary measures to help protect otherwise viable

businesses that face temporary financial distress due to the coronavirus pandemic.

Higher thresholds and more time to respond to creditor demands

From 25 March 2020 to 24 September 2020, the following changes apply to situations where creditors issue a statutory demand on a company under the Corporations Act (note, a creditor issuing a statutory demand is a common way for a company to enter liquidation):

- An increased threshold (ie, amount owed) at which a creditor can issue a statutory demand on a company from \$2,000 to \$20,000, and
- An increased timeframe that a company has in which to respond to a statutory demand from 21 days to six months.

To assist individuals, from 25 March 2020 to 24 September 2020 personal insolvency laws are changed as follows:

- An increased minimum amount of debt required in order for a creditor to initiate bankruptcy proceedings against a debtor from \$5,000 to \$20,000, and
- An increased timeframe that a debtor has in which to respond to a bankruptcy notice from 21 days to six months.
- Where a debtor declares an intention to enter voluntary bankruptcy, an increased period of protection during which unsecured creditors cannot take further action to recover debts from 21 days to six months.

These temporary changes do not impact on a creditor's right to enforce debts against companies or individuals through the courts.

Directors' liability for trading while insolvent

Directors are normally personally liable where a company trades while insolvent.

However, from 25 March 2020 to 24 September 2020, the Government has removed this liability by relieving directors of their duty to prevent insolvent trading.

This relief only applies in respect of debts incurred in the ordinary course of a company's business during this period, and the Government points out that cases of fraud or dishonesty may be subject to criminal penalties.

Relief for non-compliance with some Corporations Act provisions

The impact of the coronavirus pandemic may make it practically very difficult for some businesses to comply with all requirements of the Corporations Act.

To allow businesses to make quick decisions and deliver regulator certainty during a time when parliamentary sittings could be disrupted, the Treasurer has been provided with the power to temporarily amend provisions of the Corporations Act to provide relief from, or modifications to, certain provisions so that businesses can meet their obligations.

The Treasurer only has this power from 25 March 2020 to 24 September 2020, and any relief or modifications made

would only apply for up to six months from the date it is made.

Supporting credit flow to small and medium businesses

50% Government guarantee on eligible SME loans

To provide lenders with incentive to continue providing credit to small and medium businesses, the Government will implement a 'coronavirus SME guarantee scheme'.

Under the scheme, the Government will guarantee 50% of the value of new unsecured loans for working capital made by lenders to eligible small and medium businesses (less than \$50 million in turnover).

To qualify for the guarantee, lenders must comply with the following:

- A maximum loan size of \$250,000 per borrower,
- A maximum loan term of 3 years, with an initial six month repayment holiday, and
- The loans will be unsecured (ie, borrowers will not have to provide assets as security).

This scheme is expected to commence in early April 2020 and be available for new loans made by participating lenders until 30 September 2020.

Note that the above details have been announced by the Government but were not specifically included in the legislation that passed parliament – with these details instead effectively determined by the responsible Minister.

More efficient access to credit for small business

To enable small businesses to access credit more quickly and efficiently, the Government has also indicated that it will temporarily exempt lenders providing credit to small businesses from responsible lending obligations.

This exemption will apply for six months and applies to any credit for business purposes (including new credit, credit limit increases, or variations and restructures in existing credit). This announcement was also not specifically dealt with in the legislation that passed parliament.

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