

PALMER & ASSOCIATES

CERTIFIED PRACTISING ACCOUNTANTS

Economic Packages

The outbreak of the Coronavirus has caused challenging times for all of us and we intend to keep in contact with you and provide updates on all the government's economic response relating to the Coronavirus Epidemic. We will be available to answer any of your queries, so please do not hesitate to contact us.

Below is a summary of the package announced so far:

Support for Individuals and households

Income support for individuals

- Over the next six months, the Government is temporarily expanding eligibility to income support payments and establishing a new, time-limited Coronavirus supplement to be paid at a rate of \$550 per fortnight. This will be paid to both existing and new recipients of Jobseeker Payment, Youth Allowance Jobseeker, Parenting Payment, Farm Household Allowance and Special Benefit.
- Payments to support households. This income support will be available from 27 April 2020.
- The Government is providing two separate \$750 payments to social security, veteran and other income support recipients and eligible concession cardholders. The first payment will be made from 31 March 2020 and the second payment will be made from 13 July 2020. Around half of those that benefit are pensioners. The second payment will not be made to those eligible for the Coronavirus supplement. The second round of payments will be available from 13 July 2020.

Reduction of social security deeming rates

- On 12 March, 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 upper deeming rate will be 2.25 per cent and the lower deeming rate will be 0.25 per cent. The reductions reflect the low interest rate environment and its impact on the income from savings.

Support for Businesses

Boosting Cash Flow for Employers

- The Government is providing up to \$100,000 to eligible small and medium-sized businesses that employ people, with a minimum payment of \$20,000. These payments will help businesses with their cash flow so they can keep operating, pay their rent, electricity and other bills and retain staff.
- Under the scheme, employers will receive a payment equal to 100 per cent of their tax from salary and wages withheld, 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. This phase will begin from 28 April 2020.
- An additional payment is also being introduced in the July — October 2020 period and will begin from 13 July 2020. 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.

Support for Apprentices and Trainees

- Eligible employers can apply for a wage subsidy of 50 per cent of the apprentice or trainee's wage for 9 months from 1 January 2020 to 30 September 2020. Where a small business is not able to retain an apprentice, the subsidy will be available to a new employer that employs that apprentice. Employers will be reimbursed up to a maximum of \$21,000 per eligible apprentice or trainee (\$7,000 per quarter).
- Support will also be provided to the National Apprentice Employment Network to co-ordinate the re-employment of displaced apprentices and trainees throughout their network of host employers across Australia. Applications for this assistance will be available from early April 2020.

Temporary relief for financially distressed businesses

- The economic impacts of the Coronavirus and health measures to prevent its spread will see many otherwise profitable and viable businesses temporarily face financial distress. 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 to initiate bankrupt proceedings against an individual as well as temporarily increasing the time companies and individuals have to respond to statutory demands they receive.
- The ATO will work with business owners and directors that are struggling due to the Coronavirus and may offer temporary reduction of payments or deferrals or withholding enforcement actions including director penalty notices and wind-ups.

Instant Assets Write-off

- The Government is increasing the small/medium business instant asset write-off threshold from \$30,000 to \$150,000 until 30 June 2020. We note that an instant write-off may not be the best strategy for all businesses and that depreciating an asset over a number of years may be the best option for some. Please note that the luxury car limit still applies.

- The Government is also introducing a time-limited 15 month investment incentive (through to 30 June 2021) to support business investment and economic growth over the short term, by accelerating depreciation deductions. Businesses with a turnover of less than \$500 million will be able to deduct 50 per cent of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset's cost.
- These measures are effective immediately.

Support for Coronavirus affected regions

- The Government will set aside \$1 billion to support regions most significantly affected by the Coronavirus outbreak. These funds will be available to assist during the outbreak and the recovery. This measure will be implemented as soon as possible.

Quick and efficient access to credit

- The Government is cutting red tape by providing a temporary exemption from responsible lending obligations for lenders providing credit to existing small business customers. This reform will allow small businesses get access to credit quickly and efficiently.

Cash-flow support for Small/Medium Enterprises

- To assist otherwise viable businesses across the economy who are facing significant challenges due to disrupted cash flow, 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.

Reserve Bank of Australia – reducing the cost of credit

- The RBA 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. This will reinforce the benefits of a lower cash rate by reducing funding costs for banks, which in turn will help reduce interest rates for borrowers. To encourage lending to businesses, the facility offers additional low-cost funding to banks if they expand their business lending, with particular incentives applying to new loans to SMEs.

Reducing social security deeming rates

- On 12 March, 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 upper deeming rate will be 2.25 per cent and the lower deeming rate will be 0.25 per cent. The reductions reflect the low interest rate environment and its impact on the income from savings. The change will benefit around 900,000 income support recipients, including around 565,000 Age Pensioners who will, on average receive around \$105 more of the Age Pension in the first full year the reduced rates apply.

Superannuation

Temporary early release of superannuation

- The Government is allowing individuals affected by the Coronavirus to access up to \$10,000 of their superannuation in 2019-20 and a further \$10,000 in 2020-21. Individuals will not need to pay tax on amounts released and the money they withdraw will not affect Centrelink or Veterans' Affairs payments. Applications for this assistance will be available from mid April 2020.

Temporarily reducing superannuation minimum drawdown rates

- As most superannuation funds have been hit hard by the economic downturn, The Government is temporarily reducing superannuation minimum drawdown requirements for account-based pensions and similar products by 50 per cent for 2019-20 and 2020-21. This measure will benefit retirees with account-based pensions, reducing the need to sell investments.
- We will shortly be sending out updated Pension reminder letters to all our Self-managed Superannuation clients that reflect this adjustment.

Our aim is to provide relevant information to inform and help create opportunities for our clients. 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 of the information's applicability to their particular circumstances. If you require further information regarding the contents of this newsletter please do not hesitate to contact our office.