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The Hon. Josh Frydenberg MP
Treasurer
House of Representative
Parliament House
PO Box 6022
CANBERRA ACT 2600

Via email: josh.frydenberg.mp@aph.gov.au

cc: Mr Neville Power, Chairman National COVID-19 Commission
Ms Maryanne Mrakovcic, Deputy Secretary Revenue Group, Treasury
Ms Charlotte Tressler, Division Head, Coronavirus Business Liaison Unit, Treasury

Dear Treasurer

CPA Australia's recommendations for additional support for businesses significantly impacted by further restrictions on their operations

CPA Australia represents the diverse interests of more than 166,000 members working in over a 100 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest

Many businesses face a significant threat to their survival with the imposition of further restrictions in Greater Melbourne by the Victorian Government. This threat will no doubt also lead to widespread job losses. While current business support measures such as the JobKeeper Payment will limit job cuts and business closures, their effectiveness will be severely tested over the coming weeks.

CPA Australia is of the view that more temporary government support is needed to assist business and society impacted by these further restrictions to address the COVID-19 public health crisis. We have also written to the Victorian Government proposing additional temporary support measures for business at the State level.

It should be noted that accountants will be critical to the business sector over the coming weeks. Businesses are far more likely to turn to their accountant than any other source to guide them through the current crisis and beyond. Therefore, we stand ready to assist the government in designing effective policy responses.

Below are our recommendations for additional support the Federal Government could extend to businesses significantly impacted by the further restrictions announced by the Victorian Government. Some of these recommendations are adapted from the Federal Government's support for bushfire affected businesses earlier in the year:

A \$10,000 grant for small business

As with the bushfire recovery grant for small business, the State and Federal governments could jointly fund \$10,000 grants for small business in selected local government areas to which Stage 4 restrictions apply.

It is important that the grant be open to all small businesses, including sole traders and those that operate through partnerships or trusts. Some of the current support measures exclude these businesses.

The conditions for accessing the grant should be modified from a 40 per cent decline in turnover to a 30 per cent decline in turnover. Moreover, we do not recommend that receiving JobKeeper should be a condition for receiving the grant. This would allow the grant to flow to businesses that did not apply for JobKeeper due to cashflow concerns.

The grant conditions should be designed to allow new businesses in the declared areas, and businesses outside those areas, to receive the grant if they can prove significant hardship.

Small business concessional loans

As with the bushfire concessional loans for small business, the State and Federal governments could jointly fund concessional loans to viable small business in selected local government areas to which Stage 4 restrictions apply where those businesses can demonstrate they have been significantly impacted by COVID-19.

As with the bushfire concessional loans, there should be no repayments or interest for the first two years, and a concessional rate for the remaining term of the loan.

The applications should be administered through the same process as the bushfire concessional loans, with the eligibility criteria based on that for the bushfire concessional loans with appropriate modifications.

Deliver a BizKeeper boost to significantly impacted businesses

All small to medium-sized businesses (SMEs) and not-for-profit organisations (NFPs) in selected local government areas to which Stage 4 restrictions apply should receive a supplemental amount of \$10,000 to \$50,000 as credits in the activity statement system for their June 2020 activity statements.

Unlike the Cash Flow Boost, we recommend that this boost applies to ALL SMEs and NFPs in the declared areas that have lodged a June 2020 activity statement. As such, we suggest it be called BizKeeper.

We recommend that the BizKeeper boost be equal to 100 per cent of total liabilities in the June BAS (GST, PAYG instalments, PAYG withholding tax and other taxes), up to a maximum of \$50,000. The minimum credit should be \$10,000, even if the amount required to be paid is zero or the business is in a refund position.

The credit should be applied to reduce any outstanding liabilities arising from the activity statement, with any excess credit being refunded to the business.

Bringing forward income tax cuts for individuals

Bringing forward income tax cuts potentially will provide a boost to the economy by giving taxpayers more disposable income. This may be more effective if the cuts are retrospectively applied from 1 July 2020. As many small businesses are unincorporated, they would directly benefit from such tax cuts.

Immediate tax relief could also be delivered through retrospectively increasing the low and middle income tax offset (LMITO) for the 2019-20 income year. Eligible taxpayers would get an immediate boost when their 2019-20 tax return is processed.

Reducing or removing government fees

Many State and Territory governments have either reduced or waived fees they impose on business to assist them through COVID-19. However, to date the Federal Government has not reduced its fees on business.

To increase money available to small business, the Federal Government should announce the reduction or removal of the various fees it imposes on business, especially small business. For example, the Government should reduce or preferably remove:

- fees imposed under ASIC's industry funding model, including fees imposed on Australian Financial Services License holders and self-managed superannuation fund auditors
- fees imposed by the Tax Practitioners Board on tax practitioners, and
- the fee imposed for ASIC registry searches.

Encouraging business to access professional advice

The ability of small businesses to access professional advice goes to the heart of business managing through the crisis, business recovery and adapting business for the new environment. For those unable to afford professional advice, the risks of business failure are likely to be higher.

To support small business through the Stage 4 restrictions, and ultimately recovery and transform, we recommend the introduction of a small business voucher or grant that can be redeemed for professional advice. Potentially, such professional advice should hasten economic recovery and jobs creation.

Government business advisory services and financial counselling services do not have the capacity or capability to service the significant number of businesses in need of advice. Nor is it possible to expand their capability and capacity in the short-term. To deliver the professional advice needed to many tens of thousands of businesses it is important for the government to leverage existing private sector advice providers.

[Australian Taxation Office research](#) has found that such existing private sector advisory providers, especially accountants, are many times more accessed and used than government as a source of business advice. While there is still an important role for government to play in encouraging and supporting business, the effectiveness of government action is considerably greater if governments encourage small businesses to consult with their professional adviser, rather than providing the advice themselves.

Creating jobs

One of the great challenges emerging from COVID-19 is how to create jobs, especially for younger, less experienced workers. Past experience shows that it can be some time after a recession finishes before youth unemployment and long-term unemployment comes down.

We also expect that there will be spikes in unemployment when stimulus measures cease and other government, banking and landlord support is withdrawn.

While education and training are essential, there needs to be jobs for such people once they complete their training. As an interim measure, the government should consider increasing the size of its workforce, especially in roles that younger people can fill. As an example, in Singapore's most recent supplementary budget, it announced that the public sector is creating 15,000 jobs in 2020 by bringing forward its hiring in areas such as early childhood education, health and long-term care, as well as filling short-term needs related to COVID-19. The Federal Government should consider bringing forward its planned hires.

If you have any queries on this submission, please do not hesitate to contact Gavan Ord,
Manager Business and Investment Policy on 0419 547 782 or gavan.ord@cpaaustralia.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G Pflugrath', written in a cursive style.

Dr Gary Pflugrath CPA
Executive General Manager, Policy and Advocacy
CPA Australia