

# MANAGING THROUGH COVID-19

## AUSTRALIAN GOVERNMENT'S ECONOMIC RESPONSE

### SUMMARY OF THE AUSTRALIAN GOVERNMENT'S ECONOMIC RESPONSE TO COVID-19

*Updated 9 August 2020*

The Australian Government, the Reserve Bank of Australia and the Australian Bankers Association have announced a range of measures to support the economy, business and employment during the COVID-19 health crisis. Below is a summary of those measures as at 1 August 2020:

#### SUPPORT FOR BUSINESS

##### JobKeeper payment

Under the JobKeeper Payment, businesses and not for profits significantly impacted by COVID-19 will be able to access a government wage subsidy of \$1500 per fortnight per eligible employee and business participant up to 27 September 2020.

Under the proposed extension to JobKeeper, the payment will be reduced to \$1200 per fortnight from 28 September 2020 to 3 January 2021 (\$750 per fortnight for those who worked on average less than 20 hours per week in the four weeks before either 1 March 2020 or 1 July 2020, whichever is higher).

From 4 January 2021 to 28 March 2021, the fortnightly payment will be further reduced to \$1000 (and \$650 per fortnight for those who worked on average less than 20 hours per week in the four weeks before either 1 March 2020 or 1 July 2020, whichever is higher).

Employers (including not-for-profits) will be eligible for the subsidy if, at the time of applying:

- their business has an aggregated turnover of less than \$1 billion (for income tax purposes) and they estimate their turnover has **declined or will likely decline by at least 30 per cent** relative to a comparable period 12 months prior (of at least a month); or
- their business has a turnover of \$1 billion or more and they estimate their turnover has **declined or will likely decline by at least a 50 per cent** relative to a comparable period a year ago (of at least a month)
- if they are an ACNC-registered charity (other than universities and schools) and they estimate their turnover has **declined or will likely decline by at least a 15 per cent** relative to a comparable period a year ago (of at least a month).

It is important to note that until 27 September, eligible businesses only need to satisfy this requirement once. That is, you do not need to retest your turnover each month, however, businesses receiving JobKeeper are required to tell the ATO each month of their current and future turnover.

From September 28, businesses and not-for-profits will be required to reassess their eligibility with reference to their **actual GST turnover** for the September quarter. They will need to demonstrate that they have met the relevant decline in turnover test (being the same as the above) in that quarter only to be eligible for the payment from 28 September 2020 to 3 January 2021.

From 4 January 2021, businesses and not-for-profits will need to further reassess their **actual GST turnover** to be eligible for the JobKeeper Payment. They will need to demonstrate that they have met the relevant decline in turnover test (being the same as above) for the December quarter only to remain eligible for the payment from 4 January 2021 to 28 March 2021.

The JobKeeper Payment will continue to remain open to new recipients, provided they meet the eligibility requirements.

To receive the JobKeeper Payment, employers must:

- Register an intention to apply for the scheme with the ATO online
- Assess that they have or will experience the required turnover decline listed above (from 28 September, they must show an actual decline in turnover, projected turnover will not be accepted)
- Provide information to the ATO on the number of eligible employees engaged as at 1 March 2020 and those currently employed by the business (including those stood down or rehired).
- Ensure each eligible employee and business participant receives at least \$1500 per fortnight before tax. Employees earning more than \$1500 before tax per fortnight, will continue to receive their regular income, with the employer receiving \$1500 per fortnight as a subsidy. Employees ordinarily receiving less than \$1500 per fortnight before tax, must be paid \$1500 per fortnight by their employer (note the changes in subsidy from 28 September).
- Notify all eligible employees that they are receiving the JobKeeper Payment.
- Continue to provide information to the ATO on a monthly basis, including the number of eligible employees employed by the business.

Eligible employees are people who:

- are currently employed by the eligible employer (including those stood down or re-hired)
- were employed by the employer at 1 July 2020 (prior to 3 August 2020, the employee was required to be employed as at 1 March 2020)
- were full-time, part-time, or long-term casuals (a casual employed on a regular basis for longer than 12 months as at 1 July 2020 - prior to 3 August 2020, the casual was required to be employed on a regular basis for longer than 12 months as at 1 March 2020)
- were aged 18 years or older at 1 July 2020 (employees aged 16 or 17 can also qualify for fortnights before 11 May 2020, and continue to qualify after that if they are independent or not undertaking full time study).
- are an Australian citizen, the holder of a permanent visa, a Protected Special Category Visa Holder, a non-protected Special Category Visa Holder who has been residing continually in Australia for 10 years or more, or a Special Category (Subclass 444) Visa Holder; and
- are not in receipt of a JobKeeper Payment from another employer (only the primary employer nominated by the employee can claim the JobKeeper Payment).

It will be up to the employer if they want to pay superannuation on any additional wage paid because of the JobKeeper Payment.

Businesses without employees, such as the self-employed, can also apply for the JobKeeper Payment with the ATO. Such businesses will need to provide an ABN for their business, nominate an individual to receive the payment and provide that individual's Tax File Number and provide a declaration as to recent business activity. People who are self-employed will need to provide a monthly update to the ATO to declare their continued eligibility for the payments.

Payments will be made to the employer monthly in arrears by the ATO.

CPA Australia have produced [a short graphical summary of JobKeeper Extension](#).

## **Cash Flow Boost for employers**

Employers with an aggregated annual turnover of under \$50 million (based on prior year turnover) will receive payments of between \$20,000 to \$100,000 from the government to help with cash flow.

There will be two components to the payment. The first stage will be for the March and June quarters. Employers will receive a payment equal to 100 per cent of the taxes withheld on salary and wages, with the maximum payment being \$50,000. Where an employer (both for profit businesses and not-for-profits) is not required to withhold any tax on salary and wages, the minimum payment is \$10,000.

The second component will be for the July to September quarter. Eligible entities will receive an additional payment equal to the total payment received under the first stage. This means that eligible entities will receive anywhere between \$20,000 to \$100,000 in total payments from the government.

The payment will be delivered as a credit in the activity statement system from 28 April 2020 upon businesses lodging their activity statements. Where this puts the business in a refund position, the ATO will deliver the refund within 14 days.

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 (ACNC) will be eligible regardless of when they were registered. To qualify for the additional payment, the entity must continue to be active.

The Government have not announced an extension to the Cash Flow Boost.

## **Temporary relief for financially distressed businesses**

The Government has implemented a short-term safety net to lessen the threat of actions that could push companies into insolvency.

The measures run from 25 March 2020 to 24 September 2020 and include:

- a temporary increase to the threshold at which creditors can issue a statutory demand on a company under the *Corporations Act 2001* from \$2000 to \$20,000
- a temporary extension to the statutory timeframe for a company to respond to a statutory demand from 21 days to six months.
- a temporary increase to the threshold at which creditors can initiate bankruptcy proceedings against a debtor who is not incorporated from \$5,000 to \$20,000.
- a temporary extension to the period that a debtor has to respond to a bankruptcy notice from 21 days to six months.
- a temporary extension to the period under which an unsecured creditor cannot take further action to recover debts when a debtor declares an intention to enter voluntary bankruptcy from 21 days to six months.
- giving directors temporary relief from personal liability for insolvent trading with respect to any debts incurred in the ordinary course of the company's business. This relief will not apply to egregious cases of dishonesty and fraud.

The Government have not announced an extension to this temporary relief.

## **Increasing the instant asset write off**

The government has increased the threshold for the instant asset write off from \$30,000 to \$150,000 and expanded access to businesses with an aggregated annual turnover of up to \$500 million (up from \$50 million). The increase will be available from 12 March to 31 December 2020 for new or second-hand assets first used or installed ready for use by 31 December 2020.

## **Accelerated depreciation**

The government has introduced accelerated depreciation deduction for eligible assets acquired from 12 March 2020 and first used or installed by 30 June 2021. Eligible taxpayers will receive a deduction of 50 per cent of the cost of the eligible asset on installation, with existing depreciation rules applying to the balance.

Eligible businesses are those with an aggregated turnover up to \$500 million. Eligible assets are those that can be depreciated under Division 40 of the Income Tax Assessment Act 1997 (that is plant, equipment and specified intangible assets, such as patents), but does not apply to second-hand Division 40 assets, or buildings and other capital works depreciable under Division 43.

## **Apprentice and trainee wage subsidy**

The government initially offered small employers a wage subsidy of 50 per cent of an apprentice's or trainee's wage from 1 January to 30 September 2020, capped at \$7,000 each quarter per each eligible apprentice or trainee.

From 1 January to 30 June, only businesses with less than 20 full-time staff will be eligible, however employers of any size and Group Training Organisations that re-engage an eligible out-of-trade apprentice or trainee will be eligible for the subsidy. To be eligible during this period, the apprentice or trainee must have been in training with the small business as at 1 March 2020.

From 1 July 2020 to 31 March 2021, eligibility is expanded to businesses with fewer than 200 employees, including those using a Group Training Organisation, who retain an Australian Apprentice engaged as at 1 July 2020. Payments will be made until 31 March 2021. Final claims for payment must be lodged by 30 June 2021.

## **Government credit guarantee for unsecured SME borrowing**

The Government has established the Coronavirus SME Guarantee Scheme, whereby it will provide a guarantee to SME lenders of 50 per cent for new unsecured loans. SMEs with a turnover of up to \$50 million will be eligible to receive these loans.

Eligible lenders are offering guaranteed loans up to 30 September 2020 on the following terms:

- the 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 are to be used for working capital
- the loans will be in the form of unsecured finance.

From 1 October 2020 to 30 June 2021, eligible lenders will offer loans on the same terms, with the following changes:

- the loans can be used for a broader range of business purposes, including to support investment
- the maximum size of the loans will be \$1 million per borrower.
- the loans can be up to five years
- whether there will be a six month repayment holiday will be at the discretion of the lender
- the loan can be either unsecured or secured (excluding commercial or residential property).

Loans will be subject to lenders' credit assessment processes.

## **Commercial and residential tenancies relief**

The State and Territory governments have implemented a moratorium on evictions until September 2020 for commercial and residential tenancies in financial distress who are unable to meet their commitments due to COVID-19.

Each state and territory has legislated a requirement for landlords to provide a rent relief to their commercial tenants whose turnover has been significantly impacted by COVID-19. The reduction should be commensurate with the tenants reduction in turnover.

State and territory governments have not announced an extension to the rent relief scheme beyond September.

## **Making it easier for small businesses to access new credit, credit limit increases, and credit variations and restructures**

The Government will exempt lenders from the responsible lending obligations until October in relation to the credit they extend to their existing small business customers, provided there is an existing borrowing relationship and some proportion of that credit is used for business purposes.

The exemption will apply to new credit, credit limit increases and credit variations and restructures.

Contact your lender for further information.

## **Assistance to small business from banks**

Businesses with total business loan facilities of up to \$10 million can defer repayments for loans attached to their business for six months until October 2020. During this period banks will not enforce business loans for non-financial breaches of the loan contract (such as changes in valuations).

The conditions on accessing this deferral are:

- for commercial property landlords, they provide an undertaking to the bank that for the period of the interest capitalisation, they will not terminate leases or evict current tenants for rent arrears as a result of COVID-19
- the customer has advised that its business is affected by COVID-19
- the customer was current in terms of existing facilities 90 days prior to applying
- interest is capitalised – meaning either the term of the loan is extended or payments are increased after the deferral period.

At the end of the six month deferral period, businesses that can restart paying their loans will be required to do so. Customers with reduced incomes and ongoing financial difficulty due to COVID-19 will be contacted as they approach the end of their deferral period, to ensure that wherever possible they can return to repayments through a restructure or variation to their loan.

If these arrangements are not in place at the end of a six month deferral, customers will be eligible for an extension of their deferral for up to four months. Customers will be expected to work with their bank during this extra time to find the best solution for them. A deferral extension of up to four months will not be automatic, it will be provided to those who genuinely need some extra time.

## **Support from the Reserve Bank of Australia to encourage more lending by banks**

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

## **Support for smaller lenders**

The Government, through the Australian Office of Financial Management (the AOFM) will invest up to \$15 billion into the markets used by smaller lenders to support their lending. The AOFM will be using the money to purchase residential mortgage backed securities from smaller lenders, as well as assets that support small business lending and consumer lending.

## SUPPORT FOR INDIVIDUALS

### **Increased income support for individuals**

The Government is temporarily expanding eligibility to income support payments and establishing a new Coronavirus supplement, to be paid at a rate of \$550 per fortnight. This supplement will be paid to both existing and new recipients of the eligible payment categories. This increase will end on 24 September 2020.

From 25 September to 31 December 2020, the Supplement amount will be \$250 per fortnight.

The income support payment categories eligible to receive the Coronavirus supplement are:

- Jobseeker Payment
- Youth Allowance
- Parenting Payment (Partnered and Single)
- Austudy
- ABSTUDY Living Allowance
- Farm Household Allowance
- Special Benefit
- Eligible New Enterprise Incentive Scheme
- Department of Veterans' Affairs Education Schemes

For the period of the Coronavirus supplement, there will be expanded access to those income support payments, including for:

- permanent employees who are stood down or lose their employment
- sole traders
- the self-employed
- casual workers
- contract workers.

From 25 September 2020 until 31 December 2020, the income free area for JobSeeker Payment and Youth Allowance (other) will increase from \$106 per fortnight for JobSeeker Payment and \$143 per fortnight for Youth Allowance (other) to \$300 per fortnight for both.

Asset testing for JobSeeker Payment, Youth Allowance JobSeeker and Parenting Payment will be waived until 24 September 2020. Income testing will still apply to the person's other payments, consistent with current arrangements.

The one-week Ordinary Waiting Period will be waived until 31 December 2020.

People will not be permitted, and will need to declare that they are not, accessing employer entitlements (such as annual leave and/or sick leave) or Income Protection Insurance, at the same time as receiving Jobseeker Payment and Youth Allowance Jobseeker.

The process for claiming such payment will be accelerated and the application process will be streamlined.

From 4 August 2020, if a job seeker refuses an offer of suitable employment – without a reasonable excuse – they may have their payment cancelled, and may need to wait for four weeks before they can reapply for income support.

## **Temporary early access to superannuation**

The Government has allowed eligible individuals to apply online through myGov to access up to \$10,000 of their superannuation before 1 July 2020. They may also be able to access up to a further \$10,000 from 1 July 2020 until 31 December 2020.

To apply for early release, you must satisfy any one or more of the following requirements:

- you are unemployed
- you are eligible to receive a job seeker payment, youth allowance for jobseekers, parenting payment, special benefit or farm household allowance (access to such support payments will be fast-tracked under the Coronavirus supplement)
- on or after 1 January 2020
  - you were made redundant; or
  - your working hours were reduced by 20 per cent or more; or
  - if you are a sole trader — your business was suspended or there was a reduction in your turnover of 20 per cent or more.

People accessing their superannuation will not need to pay tax on amounts released and the money they withdraw will not affect Centrelink or Veterans' Affairs payments.

People will need to apply directly to the ATO through the myGov website. Applicants will need to certify that they meet the above eligibility criteria. The ATO will make a determination as to their eligibility, and if eligible, they will advise the relevant super fund to make the payment direct to recipient.

Separate arrangements will apply for members of a self-managed superannuation fund. Please contact the ATO for further information.

## **\$1500 COVID-19 pandemic leave payment**

The government is offering Victorians workers who are required to self-isolate and who have used up or have no entitlement to sick leave, including casuals, a \$1500 payment. Victorians receiving JobKeeper and JobSeeker payments and a similar self-isolation payment from the Victorian Government are ineligible for the payment.

People on short-term visas will also be able to apply for the payment.

According to Social Services Minister Anne Ruston, to be eligible you'll need to:

- be 17 or older
- live and work in Victoria
- be required to self-isolate (or be the primary carer of someone under 16 who needs to self-isolate)
- have been likely to work during the 14 day period
- have exhausted any sick leave or pandemic leave entitlements your employer provides.

## **Temporary reduction in superannuation minimum drawdown requirements**

The government has temporarily reduced superannuation minimum drawdown requirements for account-based pensions and similar products by 50 per cent for the 2019-20- and 2020-21-income years.

Age	Current default minimum drawdown rates	Proposed drawdown rates for 2019-20 and 2020-21
Under 65	4%	2%
65 to 74	5%	2.5%
75 to 79	6%	3%
80 to 84	7%	3.5%
85 to 89	9%	4.5%
90 to 94	11%	5.5%
95 and over	14%	7%

### **Reduction to the social security deeming rates**

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.

### **Direct payment to individuals**

The government will provide two separate payments of \$750 to around 6.5 million social security, veterans and other income support recipients and eligible concession card holders residing in Australia.

The first payment will be between 12 March 2020 to 13 April 2020. The second payment will be made on 10 July 2020.