



Goldsborough

Financial Services

The Government recently announced several stimulus measures in response to the economic impact of the Coronavirus that effect super, tax and social security. The key changes include a new time-limited condition of release of super, tax concessions for small businesses and additional payments for certain social security recipients.

Parliament passed these measures on Monday, 23 March 2020.

Furthermore, the Prime Minister, Scott Morrison has announced the Federal Budget will be delayed until 6 October 2020, stating it is not sensible to forecast the economy – and thus the economic impacts of any proposed changes – at this time.

Super measures

Access to lump sums from super

Effective: mid-April 2020

Eligible people may access up to \$10,000 of their super before 1 July 2020. A further \$10,000 can be accessed from 1 July 2020 for approximately three months (the exact timing will depend on the passing of the legislation).

To be eligible to access lump sums from super, a person must be:

- unemployed
- eligible for a Jobseeker payment, Youth Allowance for job seekers, Parenting Payment (including the single and partnered payments), special benefit or farm household allowance
- on or after 1 January 2020:
 - made redundant
 - had their working hours reduced by 20% or more
 - be a sole trader and had their business suspended or there was a reduction in business turnover of 20% or more.

These payments are tax-free and not treated as income under the Centrelink income test.

Steps to follow to apply for the lump sum:

1. Contact the super fund to ensure it has the person's current bank account details and proof of identity documents.
2. The person applies for the lump sum through their myGov account.
3. If eligible, the Australian Taxation Office (ATO) will issue a determination to the person and also provide a copy to the super fund.
4. The super fund pays the lump sum to the person's bank account. There is no need for the person to apply to the super fund.

What is the impact of the measure?

This measure will provide some cash flow to those affected sole traders and employees who are on reduced hours or who are stood down because of the COVID-19 crisis.

Reduced minimum pension payments

Effective: 2019/20 and 2020/21 financial years

The minimum pension payments required from account-based pensions and similar products will be reduced by 50%:

Age	Default minimum drawdown rates (%)	Reduced by 50% in 2019/20 and 2020/21 income years (%)
Under 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 and older	14	7

What is the impact of the measure?

Pensioners who invest in growth investments may crystallise smaller capital losses as they may dispose of a smaller proportion of their investments to meet minimum pension payments. This may allow any remaining growth investments to potentially grow in value when the markets recover.

Centrelink Measures

Two \$750 tax-free lump sum payments for eligible people

Effective date: 12 March 2020

Up to two, separate, tax-free \$750 lump sum payments may be paid to people who receive one of the following payments or who hold any of the following concession cards, as shown in Table 1 below. A person who holds more than one of these will only receive a maximum of two lump sums. A person can only receive one \$750 payment in each round of payments even if they qualify for each round of payment in multiple ways. For example, someone receiving Carer Payment and Carer Allowance may receive a first payment of \$750 and a second payment of \$750, but they won't receive four lots of \$750.

Those who are eligible for the Coronavirus Supplement will only receive the first lump sum payment and will not be eligible for the second lump sum.

Eligibility criteria to receive \$750 tax free lump sums

To be eligible for these payments the person must be residing in Australia.

The first payment will be paid from 31 March 2020. Those who lodged a claim for an eligible payment or concession card at any time between 12 March 2020 to 13 April 2020, which is subsequently approved, will also receive the first payment.

The second payment will be made from 13 July 2020.

Table 1: The following are eligible payments and concession cards:

Eligible for up to 2 x \$750 lump sums	May receive the first lump sum but will receive the Coronavirus Supplement instead of the second lump sum
<ul style="list-style-type: none">• Age pension• Disability support pension• Carer Payment• Widow B Pension• ABSTUDY (Living Allowance)• Austudy• Bereavement Allowance• Newstart Allowance	<ul style="list-style-type: none">• Parenting Payment• Wife Pension• Jobseeker Payment• Youth Allowance Jobseeker• Partner Allowance• Sickness Allowance• Special Benefit• Widow Allowance• Farm Household Allowance

Eligible for up to 2 x \$750 lump sums

May receive the first lump sum but will receive the Coronavirus Supplement instead of the second lump sum

- Family Tax Benefit (includes Double Orphan Pension)
- Carer Allowance
- Pensioner Concession Card holders
- Commonwealth Seniors Health Card holders
- Veterans Service Pension; Veteran Income Support Supplement
- Veteran Compensation Payments (includes lump sum payments)
- War Widow pension, and Veteran Payment
- DVA Pensioner Concession Card holders
- Disability Pensioners at the temporary special rate
- DVA income support pensioners at \$0 rate
- DVA Gold Card holders

The payments will not be treated as income for Social Security, Department of Veterans' Affairs (DVA) and Farm Household Allowance purposes.

What is the impact of the measure?

This means a single person may receive up to \$1,500 and couples may receive up to \$3,000 from the first and second payments.

Coronavirus Supplement

Effective: 27 April 2020

The Government will expand access to income support payments which will provide access to the Coronavirus Supplement. The Coronavirus Supplement is a \$550 fortnightly payment for a time-limited period of six months which will be paid to eligible beneficiaries, see Table 1 above. Eligible beneficiaries will receive the full rate.

To provide more access to income support payments other arrangements during the time-limited six-month period include:

- Waiving the asset test for Jobseeker Payment, Youth Allowance Jobseeker, and Parenting Payment.
- The income test will continue to apply to the other payments the person receives.

- The one-week ordinary waiting period, liquid assets waiting period, seasonal work preclusion period and newly arrived residents waiting period will not apply during this period. These waiting periods will be waived for those currently serving these waiting periods.
- Income maintenance periods and compensation preclusion periods will continue to apply as payments received by the person are treated as income.

Those who are receiving employer entitlements, such as sick leave or annual leave, and those receiving income protection insurance, may not receive Jobseeker Payment and Youth Allowance Jobseeker. New applicants are encouraged to lodge claims for eligible payments online through their myGov accounts for faster processing. Applications can also be done by phone.

Reduced deeming rates

Effective: 1 May 2020

The upper deeming rate for income in excess of the income threshold will reduce from 3% to 2.25%, and the lower deeming rate from 1% to 0.25%.

Deeming thresholds	Single
Single	\$51,800
Couple	\$86,200

What is the impact of the measure?

As the coronavirus situation is expected to last for most of the remainder of this year, many pensioners and income support recipients will experience a significant reduction in the value of their investments which are assessed under Social Security, DVA and Aged Care assets tests. This decline in value, combined with the reduction of deeming rates from 1 May 2020, is expected to make more people eligible for the Age Pension or income support. Many people who are currently receiving part pensions and less than the full rate of income support may receive increased entitlements.

Tax Measures

Increasing the instant asset write-off

Effective date: announcement (23 March 2020) until 30 June 2020

The instant asset write-off threshold is set to increase from \$30,000 to \$150,000 until 30 June 2020.

Eligibility criteria to receive the instant asset write-off:

- Must be a small business with aggregated annual turnover of less than \$500 million (increased from \$50 million).
- The eligible asset must not exceed a value of \$150,000.

From 1 July 2020, this threshold reduces to \$1,000 (for businesses with less than \$10 million turnover)

The measure applies to new or second assets first used, or installed ready for use, between 12 March 2020 until 30 June 2020 (inclusive). Certain assets are excluded, for example, horticultural plants and capital works deductions.

The threshold applies on a per asset basis, so eligible businesses can immediately write-off multiple assets.

What is the impact of the measure?

Expanding the threshold will mean an additional 5,300 businesses who employ around 1.9 million Australians will be able to access this concession for the first time

Clients should confirm the entitlement to the tax deduction with their accountant.

ATO relief for tax obligations

The ATO will provide relief for certain tax obligations for taxpayers impacted by the coronavirus outbreak on a case-by-case basis. Similar relief was provided to bushfire victims. Relief includes the ability to defer payment of certain taxes for up to six months and allowing businesses to vary Pay as you go (PAYG) instalment amounts to zero for the March 2020 quarter.

Miscellaneous measures

Boosting cash flow for employers

Effective date: From March 2020

The Government has announced a maximum payment of \$100,000 and a minimum payment of \$20,000 to eligible small and medium businesses, not-for-profits and charities, to help with cash flow to keep operating, pay their bills and retain employees.

Eligibility criteria to receive small and medium business payment to help with cashflow:

- small to medium businesses which held an Australian Business Number (ABN) on 12 March 2020 and carried on a business in the 2018/19 financial year (or made supplies for consideration in the course of an enterprise carried on after 1 July 2018 and before 12 March 2020) and has not engaged in a scheme for the sole or dominant purpose of seeking to gain or increase entitlement to the first cash flow boost
- not-for-profit organisations and charities registered at any time; and
- aggregated annual turnover under \$50 million, based on prior year turnover; and
- make a payment of salary or wages that is subject to PAYG withholding obligations, whether or not any amount is actually withheld, in the relevant period.

The payments will be delivered in two tranches:

1. First cash flow boost. Payments equal to 100% of tax withheld from salary and wages up to a maximum total payment of \$50,000. Eligible employers will receive a minimum total payment of \$10,000, even if they are not required to withhold tax.
2. Second cash flow boost. Additional payments to be introduced in the July to October period, equal to the total of all first cash flow boost payments received. The maximum total payment is \$50,000 and the minimum total payment is \$10,000.

Delivery of payments

The ATO will deliver payments as automatic credits to the entity upon lodgement of their business activity statement. If this places the entity in a refund position, the ATO will deliver the refund within 14 days. No new forms are required.

Payments are tax free to the employer.

What is the impact of the measure?

Eligible small and medium businesses, not-for-profits and charities, which employ staff and withhold tax from their wages can plan to receive cash refunds of 100% of the tax withheld up to \$50,000 (or a minimum of \$10,000) until July 2020 and up to \$50,000 (or a minimum of \$10,000) from July to October 2020. Eligible employers should ensure they lodge their business activity statements (BAS) on time as payments are delivered as a cash refund within 14 days of the lodgement date.

Supporting apprentices and trainees

Effective: 1 January 2020 to 30 September 2020

Eligible employers can apply for a wage subsidy of 50% of the apprentice's or trainee's wage paid during the 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. 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, the peak national body representing Group Training Organisations, to co-ordinate the re-employment of displaced apprentices and trainees throughout their network of host employers across Australia.

Eligibility criteria for wage subsidy:

- Employ fewer than 20 full-time employees who retain an apprentice or trainee.
- The apprentice or trainee must have been in training with a small business as at 1 March 2020.
- Employers of any size as well as Group Training Organisations that re-engage an eligible out-of-trade apprentice or trainee will be eligible for the subsidy.
- Employers will be able to access the subsidy after an eligibility assessment is undertaken by an Australian Apprenticeship Support Network (AASN) provider.
- Employers can register for the subsidy from early April 2020. Final claims for payment must be lodged by 31 December 2020.

Temporary relief for financially distressed businesses

Effective: Not disclosed

The following relief measures will be implemented for 6 months:

- An increase in the threshold (from \$2,000 to \$20,000) at which creditors can issue a statutory demand on a company and the time (21 days to 6 months) companies must respond to statutory demands they receive.
- An increase in the threshold for a creditor to initiate bankruptcy proceedings (\$5,000 to \$20,000), an increase in the time period (21 days to 6 months) for debtors to respond to a bankruptcy notice, and extending the period of protection (21 days to 6 months) a debtor receives after making a declaration of intention to present a debtor's petition (this is the period during which unsecured creditors cannot take further action to recover debts).
- Relief for directors from any personal liability for trading while insolvent with respect to any debts incurred in the ordinary course of the company's business.
- Due to the health measures implemented, it may be difficult for businesses to meet all their obligations under the Corporations Act. The Treasurer will be granted the power to provide targeted relief for companies from provisions of the Corporations Act 2001 to deal with

unforeseen events that arise as a result of the Coronavirus health crisis. Any instrument made under this power will apply for up to six months from the date it is made.

For owners or directors of a business who are currently struggling due to the Coronavirus, the ATO will tailor solutions for their circumstances, including temporary reduction of payments or deferrals, or withholding enforcement actions including Director Penalty Notices and wind-ups.

[More information](#)

If you have any questions, or would like more information, please contact your Goldsbrough Adviser on 08 8378 4000

Disclaimer

The information in this article been prepared by Goldsbrough Financial Services ABN 89 064 640 142, AFSL 225330, based on information that is believed to be accurate and reliable at the time of publication.