

# Artesian Overview:

## Australian Government Incentives in Response to COVID-19

### 1 Federal

#### 1.1 Cash payment

- An increase from the first package, small and medium business and not-for-profit (including charities) employers with aggregated annual turnovers of under \$50m will be eligible for tax-free payments of up to \$100,000 per employer. The first payment (capped at \$50,000) will be made after 28th April and the second payment (also capped at \$50,000) after 28 July 2020. This is the single largest measure in this package and represents approximately \$31.9b.
- SMEs with aggregated annual turnovers of under \$50m employers will now receive two payments equal to 100 per cent of their PAYG withheld on salary and wages with each maximum payment increased from \$25,000 under the first package) to \$50,000, for a total maximum payment of \$100,000.
- Eligible businesses that pay salary and wages but are not required to withhold tax will receive a minimum payment of \$20,000, up from \$2000 in the first package. The payment will be available from 28 April 2020 and, as stated in the previous stimulus update, will be paid as a credit to the business upon lodgement of their activity statements.
- The payments are tax free, there will be no new forms and payments will flow automatically through the ATO.

#### 1.2 SME Guarantee Scheme

- The Government commits to underwrite \$20b worth of loans as a 50 per cent guarantee to support lending of up to \$40 billion to SMEs from bank and non-bank lenders.
- Starting in early April, this will apply to eligible loans for businesses with annual turnovers of up to \$50 million and will include an upfront six month freeze on repayments.
- The loans will be unsecured but used only for working capital purposes and will apply to loans granted within six months from April 1, 2020. New and existing bank customers will be able to apply for loans up to \$250,000 over three years.

#### 1.3 Temporary relief for financials distressed business

- Temporary increase to the threshold at which a creditor can take action to initiate insolvency or bankruptcy from \$2000 to \$20,000 and giving companies and individuals six months instead of 21 days to respond.
- Relief for directors for personal liability when the company is trading while insolvent.
- The Corporations Act 2001 will be amended to provide temporary and targeted relief for companies to deal with unforeseen events that arise as a result of the coronavirus.
- This relief will be provided over the next six months.
- ASIC has also released guidance on AGMs and reporting for listed entities.

## 1.4 Rent relief

- State and Territory governments have all agreed to look at relief for commercial and residential tenants for the next 6 months. {more information expected to be released in near future}

## 1.5 Solvency safety net

- A safety net has been put in place to protect businesses in temporary financial distress as a result of the pandemic by lessening the threat of actions that could unnecessarily push them into insolvency and force the winding up of the business. These include:
  - A temporary 6 month increase to the threshold at which creditors can issue a statutory demand on a company from \$2,000 to \$20,000.
  - The time a company has to respond to statutory demands will increase from 21 days to 6 months.
  - For 6 months, directors will be provided with temporary relief from personal liability for trading while insolvent.
  - Debts incurred will still be payable by the business. Only those debts incurred in the ordinary course of the business will be subject to the safety net measures.

## 1.6 Temporary relief from Corporations Act requirements

- The Treasurer has been given a temporary instrument-making power to amend the Corporations Act to provide relief or modifications to specific compliance obligations. ASIC has announced measures for those companies with a 31 December financial year that need to hold their AGMs by 31 May 2020, providing a two month no action period and enabling hybrid virtual AGMs.

# 2 State Level – NSW

## 2.1 Payroll tax waiver/reduction

- Payroll tax waived for the next 3 months (Apr-Jun).
- Reduced payroll tax from 1 July 2020 by increasing the payroll tax threshold to \$1M.

## 2.2 Waiver of fees and charges

- \$80m to waive a range of fees and charges for small businesses including bars, cafes, restaurants and tradies.

# 3 State Level – South Australia

## 3.1 Construction focussed stimulus

- \$22m in “eco-tourism” initiatives.

- \$15m boost regional health projects.
- \$5m for regional aged-care facilities and other upgrades across the state.

## 4 State Level – Victoria

### 4.1 Payroll tax refund and deferral

- SME's with payroll of less than \$3m will receive full payroll tax refunds for the 2019-20 financial, which are intended to start being paid next week. No action required by business except to make sure their payroll tax lodgements are up-to-date.
- SME's with payroll of less than \$3m can defer any payroll tax for the first three months of the 2020/21 financial year until 1 January 2020.

### 4.2 Payment to Government's suppliers

- The Government will pay all outstanding supplier invoices within five business days – releasing up to \$750 million into the economy earlier.

### 4.3 Business support fund

- \$500m to establish a Business Support Fund. The fund will support the hardest-hit sectors, including hospitality, tourism, accommodation, arts and entertainment, and retail.

## 5 ATO

### 5.1 Cashflow measures

- Deferring by up to four months the payment date of amounts due through the business activity statement (including PAYG instalments), income tax assessments, fringe benefits tax assessments and excise.
- Allow businesses on a quarterly reporting cycle to opt into monthly GST reporting in order to get quicker access to GST refunds they may be entitled to.
- Allowing businesses to vary Pay As You Go (PAYG) instalment amounts to zero for the March 2020 quarter. Businesses that vary their PAYG instalment to zero can also claim a refund for any instalments made for the September 2019 and December 2019 quarters.
- Working with affected businesses to help them pay their existing and ongoing tax liabilities by allowing them to enter into low interest payment plans.

## 5.2 Waiver of interest and penalties

- Remitting any interest and penalties, incurred on or after 23 January 2020, that have been applied to tax liabilities.

Employers will still need to meet their ongoing super guarantee obligations for their employees.

# 6 AUSINDUSTRY

## 6.1 R&D Tax Incentives

- Despite negative press over the past 3 years concerning the behaviour of the scheme administrators in conducting heavy audit tactics to either reclaim or reduce benefits paid out, the recent Ombudsman's report has now quelled this behaviour and claimants can now feel more secure in proceeding with making sound claims. As the benefit is delivered in the form of either cash refund or a tax offset to be netted off taxes owed, it's a tremendous cash flow boost. As such we encourage all potential claimants to make claims without the fear of audit risk taking up your time and efforts to survive. The cut-off date for end June 2019 financial year claims is normally 10 months after the year end being the end of April 2020 but AusIndustry today extended the deadline to end September 2020. This is a great time to work with an R&D tax agent to pull your current 18/19 and 19/20 claims together. 19/20 financial claims can also be lodged from 1st July onward. All R&D companies should consider fast-tracking your claim preparation and contemporaneous record keeping requirements to ensure compliant claims.

## 6.2 Export Market Development grants:

- When the GFC occurred in 2007 the then Labor Government decided to pay out 100% of all claims as part of their stimulus package to assist industry. This very same initiative is now being lobbied for by exporters and may form part of the next tranche of announcements made to further assist industry. You may wish to consider preparing your documentation to claim from the 1st July as the earlier lodgements are made the quicker you will get paid.