

Federal Government Coronavirus Stimulus Packages: Tax Support For Businesses

The Federal Government has so far announced two targeted stimulus packages to assist Australian businesses and individuals to deal with the impact of COVID-19 or coronavirus.

The measures have the potential to provide significant cash flow benefits to businesses in the short term funded predominantly through the tax system.

Here are the measures that apply to businesses and how they can claim the benefits:

Expansion of instant asset write-off

The Government has increased the instant asset write off threshold from \$30,000 per asset to \$150,000 per asset, and extended access to the write off to all businesses with an aggregated annual turnover of less than \$500 million.

This measure will apply to all purchases made from 12 March 2020 to 30 June 2020.

Note that this tax break is not an immediate cash hand-out, but rather is a deduction that reduces taxable profit. Therefore, taxable business will only obtain the cash flow benefit when they lodge the 2020 tax return, although they can vary the March and June 2020 quarters PAYG tax instalments to obtain an immediate cash flow benefit.

Business investment incentive – accelerated depreciation deductions

Where asset purchases are not eligible under the above instant asset write off provisions, an additional 50% of the asset cost will be deductible in the year of purchase. Existing depreciation rules would continue to apply to the balance of the asset's cost.

Business with an aggregated annual turnover of less than \$500 million will be able to access this investment incentive for assets acquired from 12 March 2020 to 30 June 2021.

Like the instant asset write-off, this take break is not an immediate cash hand-out and therefore can only be claimed as a deduction through the tax system.

PAYG withholding support for SME employers & not-for-profits

SME employers and eligible not-for-profit organisations (including charities) with an annual aggregated turnover of less than \$50 million which employ workers will have access to a tax credit of up to \$50,000 of the PAYGW declared in the April and June 2020 activity statements. Similar rules apply for SME's and not-for-profits that lodge activity statements monthly.

A minimum credit of \$10,000 will apply even if there is no requirement to deduct PAYGW.

An additional credit will apply in the July – October 2020 period, where eligible entities will receive an additional amount equal to the total of all credits they have received up to the six period ending 30 June 2020. Accordingly, eligible businesses and not-for-profits will receive a total credit ranging from a minimum of \$20,000 up to a maximum of \$100,000.

These credits will be automatically applied to the business or instalment activity statement and any refund will reportedly be paid within 14 days of lodging the activity statement.

Business owners who operate through companies or trusts may consider paying themselves an additional salary or bonus rather than taking a dividend or trust distribution in order to take advantage of this measure. Note on-costs including payroll tax, workcover and the superannuation guarantee will apply.

Cash payments to SME employers - subsidies for apprentices and trainees

Small businesses with less than 20 full-time employees that employ apprentices and trainees can apply for a wage subsidy of up to 50% of an apprentice's or trainee's wages for the 9-month period from 1 January 2020 to 30 September 2020.

The subsidy will also be available to new employers who retain apprentices of another small business where that other small business could not. However, it is not clear whether the new employer also needs to be a small business for tax purposes.

Small businesses will need to register a claim for the subsidy before 31 December 2020 and satisfy an assessment by an Australian Apprenticeship Support network provider.

While the subsidy only covers the period to 30 September 2020, this may result in a significant cash flow saving to a business looking to make an investment in certain skilled workers.

ATO concessions

The ATO has announced a number of specific concessions that may be available to businesses impacted by the coronavirus including:

- deferring (by up to four months) the payment date of amounts due through the BAS (including PAYG instalments), income tax assessments, fringe benefits tax assessments and excise;
- allowing businesses on a quarterly reporting cycle to opt into monthly GST reporting to get quicker access to GST refunds;
- allowing businesses to vary PAYG instalment amounts to zero for the April 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;
- remitting any interest and penalties, incurred on or after 23 January 2020, that have been applied to tax liabilities; and
- working with affected businesses to help them pay their existing and ongoing tax liabilities by allowing them to enter into low interest payment plans.

Importantly employers still need to meet their ongoing super guarantee obligations for their employees.

Temporary early release of superannuation

Certain individuals affected by the coronavirus can access up to \$10,000 of their superannuation in 2019-20 and a further \$10,000 in 2020-21. Individuals will not pay tax on amounts released and the money they withdraw will not affect Centrelink or Veterans' Affairs payments. The criteria for accessing super early is that any one of the following conditions need to be satisfied:

1. You are unemployed.
2. You are eligible to receive a Jobseeker payment, Youth Allowance for jobseekers, Parenting Payment (which includes the single and partnered payments), special benefit or Farm Household Allowance.
3. You were made redundant on or after 1 January 2020.
4. Your working hours were reduced by 20 per cent or more on or after 1 January 2020.
5. If you are a sole trader, your business was suspended, or there was a reduction in your turnover of 20 per cent or more on or after 1 January 2020.

Individuals eligible for early release can apply directly to the ATO through the myGov website, where they will need to certify that the above eligibility criteria are satisfied.