

CLIENT NEWSLETTER

FOX & RYNNE

SPECIAL EDITION

BOOSTING CASH FLOW FOR EMPLOYERS

The Government is providing up to \$100,000 to eligible small and medium sized businesses, and not-for-profits (including Charities) that employ people, with a minimum payment of \$20,000. These payments will help business' and not-for-profits' cash flow so they can keep operating, pay their rent, electricity and other bills and retain staff.

Under the enhanced scheme, employers will receive a payment equal to 100 per cent of their salary and wages withheld (up from 50 per cent), with the maximum payment being increased from \$25,000 to \$50,000. In addition, the minimum payment is being increased from \$2,000 to \$10,000.

An additional payment is also being introduced in the July – October 2020 period. Eligible entities will receive an additional payment equal to the total of all of the *Boosting Cash Flow for Employer's* payments they have received. This means that eligible entities will receive at least \$20,000 up to a total of \$100,000 under both payments. This additional payment continues cash flow support over a longer period, increasing confidence, helping employers to retain staff and helping entities to keep operating.

The cash flow boost provides a tax free payment to employers and is automatically calculated by the Australian Tax Office (ATO). There are no new forms required.

ELIGIBILITY – BOOSTING CASH FLOW FOR EMPLOYERS PAYMENTS

Small and medium sized business entities and NFPs with aggregated annual turnover under \$50 million and that employ workers will be eligible. Eligibility will generally be based on prior year turnover.

The payment will be delivered by the ATO as an automatic credit in the Activity Statement system from 28 April 2020 upon employers lodging eligible upcoming activity statements.

Eligible employers that withhold tax to the ATO on their employees' salary and wages will receive a payment equal to 100 per cent of the amount withheld, up to a maximum payment of \$50,000.

Eligible employers that pay salary and wages will receive a minimum payment of \$10,000, even if they are not required to withhold tax.

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 will be eligible regardless of when they were registered, subject to meeting other eligibility requirements. This recognizes that new charities may be established in response to the Coronavirus pandemic.

ELIGIBILITY – ADDITIONAL PAYMENT

To qualify for the additional payment, the entity must continue to be active.

The additional support will be delivered as an automatic credit on the Activity Statements June 2020 to September 2020.

Examples of how the payments will work are at treasury.gov.au/coronavirus

SUPPORT THROUGH CENTRELINK

The government will establish a new \$550 fortnightly coronavirus supplement payment.

Permanent employees who are stood down or lose their employment, sole traders, the self-employed, casual workers and contract workers will be able to access the new coronavirus supplement under expanded access to the JobSeeker Payment, formerly known as Newstart.

The supplement will also be paid to both existing and new recipients of the JobSeeker Payment, Youth Allowance jobseeker, Parenting Payment, Farm Household Allowance and Special Benefit.

REDUCED DEEMING RATES

As of 1 May 2020, the upper deeming rate will be 2.25% and lower deeming rate will be 0.25%. The reductions reflect the low interest rate environment and its impact on the income from savings.

This reduction will see an increased entitlement being paid to those who have income tested entitlements.

PAYMENTS TO SUPPORT HOUSEHOLDS

Two payments of \$750 will be made to social security, veteran and other income support recipients and eligible concession card holders. The first payment will be made from 12 March 2020 through to 13 April 2020. The second payment will be made available to those who are eligible on 10 July 2020. The payment will be exempt from taxation and will not be included in means testing.

SUPERANNUATION SYSTEM SUPPORT**TEMPORARY EARLY RELEASE OF SUPERANNUATION**

Employees who have been made redundant, or those who have their working hours reduced by 20 per cent or more, or sole traders whose businesses have been suspended or see a reduction in turnover by 20 per cent or more will also now be allowed to access up to a further \$10,000 from 1 July 2021 for approximately three months.

Eligible individuals will be able to apply online through MyGov to access up to \$10,000 of their superannuation before 1 July 2020, and be able to access up to a further \$10,000 from 1 July 2020 for approximately three months.

TEMPORARY REDUCTION MINIMUM SUPER PENSION DRAWDOWN

The government will also reduce the minimum drawdown requirements for account-based pensions and similar products by 50 per cent for the 2019-20 and 2020-21 income years.

The measure, similar to the approach taken in the 2008 global financial crisis, will benefit retirees by reducing the need to sell investment assets to fund minimum drawdown requirements.

CORONAVIRUS SMALL & MEDIUM ENTERPRISE (SME) GUARANTEE SCHEME

The coronavirus SME Guarantee Scheme will provide support for these businesses. Under the Scheme, the Government will provide a guarantee of 50 per cent to SME lenders for new unsecured loans to be used for working capital. This will enhance these lenders' willingness and ability to provide credit, which will result in SMEs being able to access additional funding to help support them through the upcoming months.

SMEs with a turnover of up to \$50 million will be eligible to receive these loans.

The government will provide eligible lenders with a guarantee for loans with the following terms:

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 will be in the form of unsecured finance, meaning that borrowers will not have to provide an asset as security for the loan.

Loans will be subject to lender's credit assessment processes with the expectation that lenders will look through the cycle to sensibly take into account the uncertainty of the current economic conditions.

EXEMPTION FROM RESPONSIBLE LENDING

There is an exemption from responsible lending obligations for lenders providing credit to existing small business customers. This exemption will last for 6 months, and applies to any credit for business purposes, including new credit, credit limit increases and credit variations and restructures. This temporary exemption will help small businesses get access to credit quickly and efficiently.

REDUCING THE COST OF CREDIT

The Reserve Bank of Australia is providing a funding facility for the banking system. This will provide \$90 billion of funding at a fixed interest rate of 0.25% per annum. To encourage business lending, there will be additional low cost funding for those banks expanding their business lending. This measure was announced in conjunction with further easing to monetary policy which reduced the target cash rate to 0.25%.

TAXATION SYSTEM SUPPORT**DELIVERING SUPPORT FOR BUSINESS INVESTMENT**

The Government is backing businesses to invest to help the economy withstand and recover from the economic impact of the Coronavirus. The two business investment measures in this package are designed to assist Australian Businesses and economic growth in the short term, and encourage a stronger economic recovery following the Coronavirus outbreak.

INCREASING THE INSTANT ASSET WRITE-OFF

From 12 March 2020, the Government is increasing the instant asset write-off threshold from \$30,000 to \$150,000 and expanding access to include businesses with aggregated annual turnover of less than \$500 million (up from \$50 million) until 30 June 2020. In 2017-18 there were more than 360,000 businesses that benefited from the current instant asset write-off, claiming deductions to the value of over \$4 billion.

BACKING BUSINESS INVESTMENT

The Government is introducing a time limited 15 month investment incentive (through to 30 June 2021) to support business investment and economic growth over the short term, by accelerating depreciation deductions. Businesses with a turnover of less than \$500 million will be able to deduct 50 per cent of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset's cost.

This will apply to new assets costing more than \$150,000 (net) installed prior to 30 June 2020, it will then apply to new assets costing over \$1,000.00 (net) installed prior to 30 June 2021.

PAYROLL TAX

The Queensland Government has announced payroll tax relief whereby the last two months payments will be refunded and the next 3 months will be waived. This is a late announcement and we will source further details.

WAGES SUBSIDIES FOR APPRENTICES AND TRAINEES

Employers with less than 20 full-time employees, who retain an apprentice or trainee who was in training with the employer as at 1 March 2020, may be entitled to Government funded wage subsidies equal to 50% of the apprentice's or trainee's wage paid during the nine months from 1 January 2020 to 30 September 2020. The maximum wage subsidy over the nine-month period will be \$21,000 per eligible apprentice or trainee.

Employers can register for the subsidy from early April 2020. Final claims for payment must be lodged by 31 December 2020. Employers will be able to access the subsidy after an eligibility assessment is undertaken by an Australian Apprenticeship Support Network ('AASN') provider.

Fox & Rynne Accountants COVID-19 Update

We at Fox & Rynne value providing excellent service to all our clients, and throughout this pandemic we are going to continue this high level of service.

Our priority is the health of our clients, our staff and our communities. We are constantly implementing new procedures and safety measures throughout this ever evolving situation. We are following Government guidelines and precautions are being taken, whilst making sure we can continue business as usual.

During this time we ask the following:

Please use phone and/or email as your primary form of communication when contacting us.

If you do need to come into our offices, please let us know if you are feeling unwell, have travelled overseas in the last 14 days OR have been in contact with someone who has been overseas in the last 14 days.

If coming into our offices please note that social distancing is required.

Should you become unwell within 14 days of seeing us, please advise our office immediately.

We understand that this is a very trying time for our communities but we are here to provide support, assistance and advice.

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