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**BANYAN CONSULTING**

**Client Information Newsletter – Government Stimulus Package**

# Government Coronavirus Stimulus Package



The Federal Government has announced its Coronavirus Stimulus Package designed to bolster the Australian economy as the illness continues to spread. The Prime Minister, Scott Morrison said the stimulus package would have three priorities: keep people in work, keep businesses open and ensure the economy bounces back when the spread of the disease abates.

The \$17.6 billion package is focused on keeping small businesses afloat and keeping their employees in work. The support will target the most affected sectors and communities and includes cash grants of up to \$25,000 for small businesses, \$750 one-off payments for potential consumers and a significant temporary extension to the instant asset write-off scheme. There will also be administrative relief for some tax obligations, including potential deferrals, on a case-by-case basis.

According to Prime Minister, Scott Morrison, legislation is set to be drafted this week and while the measures are intended to be temporary, they have the potential to be extended, if required.

Some key measures of the package include:



### **Instant Asset Write-Off Extension**

In a bid to encourage investment, the Prime Minister has also pledged to significantly extend the instant asset write-off for small and medium-sized businesses. Currently, the tax write-off is available to businesses with a turnover of up to \$50 million, for purchases of up to \$30,000. That will be extended to include companies with turnover of up to \$500 million and purchases of up to \$150,000. The extension will apply until June 30, 2020.

The announcement is silent on the interaction with other depreciation measures. In particular, it is unknown how this measure interacts with the limits on depreciation of "luxury cars". As such the purchase of a \$150,000 car may not come under these measures. Further details will be released when information becomes available.

### **Accelerated Depreciation for Larger Assets**

For assets costing more than \$150,000 purchased prior to 30 June 2021 (and assets costing more than \$30,000 upon expiry of the above expanded instant

asset write-off), the Federal Government has announced an accelerated depreciation scheme. Once installed for use, a business with an aggregated turnover of less than \$500 million can immediately claim a 50% depreciation deduction on the asset. The remaining balance will then be depreciated as per the regular depreciation rules applicable to the business



### **Grants of up to \$25,000 for Small**

#### **Businesses**

One of the most significant offerings for small business is a grant payout of up to \$25,000 for small-to-medium businesses with employees. Businesses with turnover of up to \$50 million, that employ staff in the period between January 1, 2020 and June 30, 2020 will be eligible for the funding.

The payments will be tax free and equal to 50% of employee's PAYG withholding amount on your March and June quarterly BASs. If you lodge monthly, it will apply to the March to June BAS (with March's withholding amount multiplied by 3 then 50% to make up for January and February). This will be done until you reach the \$25,000 cap.

The funds will be delivered as a credit in the activity statement system, so you will pay a reduced amount upon lodgement (For example, if your March quarter PAYG withholding is over \$50,000, you can simply pay \$25,000 less than the overall net amount payable on your BAS, and the subsequent credit

will match the difference). If your credit amount would put you into a refund position, payments of refunds will commence after 28 April 2020.

Those that pay wages but are not required to pay tax are likely to receive a minimum payment of \$2,000.

TIP: If you don't pay wages for principals, and you wouldn't get the full \$25,000 benefit, pay some PAYG withholding for principals for March to June and get 50% of it back as a tax free windfall.

## **Examples;**

### **Sarah's Construction Business**

Sarah owns and runs a building business and employs 8 construction workers on average full-time weekly earnings who each earn \$89,730 per year. In the months of March, April and June for the 2019-20 income year, Sarah reports withholding of \$15,008 for her employees on each Business Activity Statement (BAS).

Under the Government's changes, Sarah will be eligible to receive the payment on lodgment of each of her BAS. Sarah's business receives:

- A payment of \$22,512 for the March period, equal to 150 per cent of her total withholding.
- A payment of \$2,488 for the April period, before she reaches the \$25,000 cap.
- No payment for the May period, as she has now reached the \$25,000 cap.
- No payment for the June period, as she has now reached the \$25,000 cap.

### **Sean's Hairdresser Salon**

Sean owns a hairdresser's salon on the Gold Coast. He employs one apprentice who earns \$37,970 per year and two stylists who both earn \$44,260 per year. In the March and June 2020 quarterly BAS, Sean reports withholding of \$4,570 for his employees.

Under the Government's changes, Sean will be eligible to receive the payment on lodgment of his BAS.

Sean's business will receive:

- A payment of \$2,285 for the March quarter, equal to 50 per cent of his total withholding.
- A payment of \$2,285 for the June quarter, equal to 50 per cent of his total withholding.
- Sean's business will receive a total payment of \$4,570.
- Sean may also benefit from the assistance for existing apprentices and trainees measure.

### **Tim's Courier Run**

Tim owns and runs a small paper delivery business in Melbourne, and employs two casual employees who each earn \$10,000 per year. In the March and June 2020 quarterly BAS, Tim reports withholding of \$0 for his employees as they are under the tax-free threshold.

Under the Government's changes, Tim will be eligible to receive the payment on lodgment of his BAS.

Tim's business will receive:

- A payment of \$2,000 for the March quarter, as he pays salary and wages but is not required to withhold tax.
- No payment for the June quarter, as he has already received the minimum payment and he has no withholding obligation.

If Tim begins withholding tax for the June quarter, he would need to withhold more than \$4,000 before he receives any additional payment.

### **Additional measures to assist Small Businesses cash flow**

The Australian Taxation Office (ATO) has also announced in the wake of the government's stimulus package that a flexible approach will be adopted in the way it handles taxpayers' affairs over the coming months such as;

- Up to a four-month deferral of the payment date of amounts due through the business activity statement, including PAYG instalments, income tax assessments, fringe benefits tax assessments and excise;
- Businesses will be allowed to vary pay-as-you-go (PAYG) instalment amounts to zero for the April 2020 quarter
- The ATO will also look to remit any interest and penalties, incurred on or after 23 January 2020, that have been applied to tax liabilities, and allow affected businesses to pay their existing and ongoing tax liabilities by allowing them to enter into low-interest payment plans.



### **Keeping Apprentices Employed**

In a bid to keep employees in their roles, the Government has pledged \$1.3 billion to keep 117,000 apprentices and trainees employed at small businesses.

The Government will offer SMEs up to \$21,000 per apprentice - \$7,000 per quarter for the first three quarters of 2020. The businesses will receive \$7,000

per quarter, backdated from the start of the year, until the end of September 2020. Like the grants for employees, the payouts will be equal to 50% of the apprentices' wages.

PM Scott Morrison reportedly said, "We want to ensure that as we go through these difficult months and quarters ahead, that young people and apprentices will be able to continue. As a result, we'll be ensuring that we will provide a wage subsidy which will support 117,000 apprentices right across Australia."

The subsidy will be available to small businesses employing 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 and 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.

Further information is available at:

- The Department of Education, Skills and Employment website at: [www.dese.gov.au](http://www.dese.gov.au)
- Australian Apprenticeships website  
at: [www.australianapprenticeships.gov.au](http://www.australianapprenticeships.gov.au)

For further information on how to apply for the subsidy, including information on eligibility, contact an Australian Apprenticeship Support Network (AASN) provider.



## **Example;**

David's Plumbing is a small business that employs 10 people, including two full-time Australian Apprentices.

Taylor is a first year Australian Apprentice, aged 20, undertaking a Certificate III qualification. She commenced her apprenticeship with David's Plumbing on 6 February 2020. Taylor receives a weekly wage of \$532.89.

Lisa is a third year Australian Apprentice, aged 29, undertaking a Certificate IV qualification. She commenced her apprenticeship with David's Plumbing on 18 November 2017. She receives a weekly wage of \$772.71.

David's Plumbing are eligible for *Supporting Apprentices and Trainees* which pays 50 per cent of the apprentices' wages that have been paid by David's Plumbing since 1 January 2020.

David's Plumbing will receive:

- \$9,059 subsidy for employing Taylor for 6 February 2020 to 30 September 2020; and
- \$15,068 subsidy for employing Lisa for 1 January 2020 to 30 September 2020.

## **One-Off Payments**

The Government has confirmed it will provide one-off \$750 tax free payments to people on Newstart and to pensioners to boost the economy and encourage spending.



## Targeted Sector Support



Finally, the government will commit \$1 billion to support businesses in sectors that have been severely impacted such as travel and tourism. This support will include waiving fees and charges for business operating in the Great Barrier Reef Marine Park, and in other national parks, plus assistance in identifying new export markets and supply chains. There will also be a push to promote domestic tourism, the government says.

### What do I do next ...

With June 30 rapidly approaching, the window appears short to take full advantage of these announced measures. We can assist with any specific questions regarding these measures and how they apply to your business. For any further information, please [make an appointment](#) to speak with us.