

MARTIN & ORR

A C C O U N T A N T S

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In response to the developing Coronavirus (COVID-19, SARS-CoV-2) situation, Prime Minister Scott Morrison has now unveiled a \$66.1 billion support package, just 10 days after he announced an initial \$17.6 billion package that included an upgraded Instant Asset Write-Off and SME Cash Boost.

SME cash payments

The second stimulus package will now build on the initial tax-free cash payments to small and medium businesses, rising to up to \$100,000, with a minimum payment of \$20,000, up from the previously announced \$25,000 maximum and \$2,000 minimum limits.

The measure, which will be available to entities with aggregated annual turnover under \$50 million that employ workers, has also now been extended to not-for-profits and charities.

The enhanced scheme will be delivered in two phases:

In the *first phase*, employers will be set to receive a first payment equal to 100 per cent of their salary and wages withheld, up to a maximum of \$50,000, when businesses lodge their activity statements for the 28 April and 28 July quarterly due dates.

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

In the *second phase*, an additional payment equal to the first payment will be made after businesses lodge their BAS by the 28 July and 28 October quarterly due dates.

For example, a business that receives \$50,000 for the period up to June will subsequently receive another \$50,000 for the period up to September upon lodgement of their BAS.

Monthly BAS lodgers will receive the first payment for the March 2020, April 2020, May 2020 and June 2020 lodgements, with a 300 per cent calculation in the March activity statement to provide the same treatment as quarterly lodgers.

The second payment for monthly BAS lodgers will be released once they lodge their June 2020, July 2020, August 2020 and September 2020 lodgements.

All entities are required to be active to receive the payment, with the measure set to benefit around 690,000 businesses employing around 7.8 million people, and around 30,000 NFPs.

The expanded scheme is estimated to cost \$31.9 billion over the forward estimates period.

Temporary insolvency relief

Directors will now be temporarily relieved of their duty to prevent insolvent trading with respect to any debts incurred in the ordinary course of the company's business, with the measure set to run for six months.

According to Treasury, egregious cases of dishonesty and fraud will still be subject to criminal penalties. Any debts incurred by the company will still be payable by the company.

Further, the government will increase the current minimum threshold for creditors issuing a statutory demand on a company under the *Corporations Act 2001* from \$2,000 to \$20,000 for six months.

The statutory time frame for a company to respond to a statutory demand will also be extended temporarily from 21 days to six months.

Likewise, the threshold for the minimum amount of debt required for a creditor to initiate bankruptcy proceedings against a debtor will temporarily increase from its current level of \$5,000 to \$20,000.

The time a debtor has to respond to a bankruptcy notice will be temporarily increased from 21 days to six months.

Sole trader support

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 payment, Parenting Payment, Farm Household Allowance and Special Benefit payment.

The payments, set to commence from 27 April, are expected to cost the budget \$14.1 billion.

Access to 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 \$20,000 of their superannuation.

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.

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.

Deeming rates for pensioners will also be reduced by another 0.25 of a percentage point.

To date, \$189 billion has now been thrown to stop the economic fallout of the coronavirus crisis, including the first \$17.6 billion package, the Reserve Bank of Australia and the government's \$105 billion pledge to the banks, and the latest \$66 billion stimulus package.

Government support for SME credit:

The Reserve Bank of Australia has published a Fact Sheet on the Government's proposal to provide a guarantee of 50% to support new short term unsecured loans to SMEs. This will provide businesses with funding to meet cash flow needs, by further enhancing lenders' willingness and ability to provide credit. You can access this Fact Sheet through the following link: [Reserve Bank SME Credit Support Fact Sheet](#).

Please contact us if you wish to discuss how the points raised in this **Practice Update** specifically affect you.

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