

CORONAVIRUS STIMULUS PACKAGE: WHAT IT MEANS FOR YOU



PERPETUAL PRIVATE INSIGHTS

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On 22 March 2020, the Australian Federal Government announced its second economic stimulus package aimed at supporting individuals and businesses through the coronavirus (COVID-19) pandemic. This builds on the first financial package which was announced on March 12, 2020.

Over the coming months, individuals, households, not-for-profits and small businesses face unprecedented uncertainty as the pressure on the economy and essential services intensifies.

Here, we provide a snapshot of the stimulus measures – and what they mean for:

- [Individuals and households](#)
- [Small-to-medium businesses](#)
- [Not-for-profit organisations](#)

Individuals and households

Income support for individuals

Over the next six months, the Government is temporarily expanding eligibility to income support payments and establishing a new, time-limited Coronavirus supplement to be paid at a rate of A\$550 per fortnight. This will be paid to both existing and new recipients of Jobseeker Payment, Youth Allowance Jobseeker, Parenting Payment, Farm Household Allowance and Special Benefit.

Payments to support households

The Government is providing two separate A\$750 payments to social security, veteran and other income support recipients and eligible concession card holders. The first payment will be made from 31 March 2020 and the second payment will be made from

13 July 2020. The second payment will not be made to those eligible for the Coronavirus supplement.

Temporary early release of superannuation

The Government has announced that individuals in financial stress as a result of the Coronavirus to access up to \$10,000 of their superannuation in 2019-20 and a further \$10,000 in 2020-21.

Eligible individuals will be able to apply online through myGov for access of up to \$10,000 of their superannuation before 1 July 2020. They will also be able to access up to a further \$10,000 from 1 July 2020 for approximately another three months (exact timing will depend on the passage of the relevant legislation). After the ATO has processed the application, they will notify the superannuation fund to release the payment. Eligible individuals do not apply to the superannuation fund directly.

Members will not need to pay tax on amounts released and the money they withdraw will not affect Centrelink or Veterans' Affairs payments.

To apply for early release you must satisfy any one or more of the following requirements:

- You are unemployed; or
- You are eligible to receive a job seeker payment, youth allowance for jobseekers, parenting payment (which includes the single and partnered payments), special benefit or farm household allowance; or
- On or after 1 January 2020: - you were made redundant; or - your working hours were reduced by 20 per cent or more; or - if you are a sole trader – your business was suspended or there was a reduction in your turnover of 20 per cent or more.

You will be able to apply for early release of your superannuation from mid-April 2020.

Temporarily reducing superannuation minimum drawdown rates

The Government is temporarily reducing minimum drawdown rates for account based pensions by 50 per cent for 2019-20 and 2020-21. This measure will benefit retirees by providing them with more flexibility as to how they manage their superannuation assets.

The old and new rates are shown in the table below.

| Age | Old rates | New rates |
|----------|-----------|-----------|
| Under 65 | 4% | 2% |
| 65-74 | 5% | 2.5% |
| 75-79 | 6% | 3% |
| 80-84 | 7% | 3.5% |
| 85-89 | 9% | 4.5% |
| 90-94 | 11% | 5.5% |
| 95+ | 14% | 7% |

Note: these changes are subject to the relevant legislation being passed

Pension payments may be reduced by completing the following form:

- [WealthFocus Pension Plan](#)
- [Select Pension Plan](#)

Reducing social security deeming rates

On 12 March, the Government announced a 0.5 percentage point reduction in both the upper and lower social security deeming rates. The Government will now reduce these rates by another 0.25 percentage points. As of 1 May 2020, the upper deeming rate will be 2.25 per cent and the lower deeming rate will be 0.25 per cent.

Support for small businesses

Boosting Cash Flow for Employers (enhanced)

The Government is now providing up to A\$100,000 to eligible small and medium-sized businesses, and not-for-profits (NFPs) that employ people, with a minimum payment(s) of A\$20,000. The payment(s) will be made via a credit in the Activity Statement System.

Small and medium-sized business entities and NFPs with aggregated annual turnover under \$50 million and that employ workers

are eligible.

Under the enhanced scheme, employers will receive payment equal to 100% of their salary and wages withheld (up from 50%), with the maximum being increased from A\$25,000 to A\$50,000. In addition, the minimum payment is being increased from A\$2,000 to A\$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 Employers payments they have received.

This means that eligible entities will receive at least A\$20,000 up to a total of A\$100,000 under both payments.

Temporary relief for financially distressed businesses

The Government is temporarily increasing the threshold at which creditors can issue a statutory demand on a company and to initiate bankrupt proceedings against an individual as well as temporarily increasing the time companies and individuals have to respond to statutory demands they receive.

The package also includes temporary relief for directors from any personal liability for trading while insolvent, and providing temporary flexibility in the Corporations Act 2001 to provide targeted relief from provisions of the Act to deal with unforeseen events that arise as a result of the Coronavirus health crisis.

The ATO will tailor solutions for owners or directors of business that are currently struggling due to the Coronavirus, including temporary reduction of payments or deferrals, or withholding enforcement actions including Director Penalty Notices and wind-ups.

Supporting the flow of credit

Support for immediate cash flow needs for SMEs

Under the Coronavirus SME Guarantee Scheme, the Government will provide a guarantee of 50% to SME lenders to support new short-term unsecured loans to SMEs. This offer will be available from 1 April 2020 and be available for new loans until 30 September 2020. The maximum that can be borrowed under the guarantee facility will be \$250,000 on terms up to three years.

Quick and efficient access to credit for small business

The Government is providing a temporary exemption from responsible lending obligations for lenders providing credit to existing small business customers.

Reserve Bank of Australia — Supporting the flow and reducing the cost of credit

The Reserve Bank of Australia (RBA) announced a package on 19 March 2020 that will attempt to put downward pressure on borrowing costs for households and businesses.

Boosting support for businesses, including not-for-profits

Under the 'Boosting cash flow for employers' measure, not-for-profits and small-to-medium enterprise (SME) businesses can now receive a tax-free cash payment of up to A\$100,000 with a minimum payment of A\$20,000. In order to be eligible for this cash flow support, organisations must employ staff and their aggregated annual turnover cannot exceed A\$50 million. This will support employment activities at a time where NFPs are facing increasing demand for services.

Note: The Government first announced the *Boosting Cash Flow for Employers* measure in March; it initially provided up to \$25,000 to business, with a minimum payment of \$2,000 for eligible organisations. It has now enhanced this measure as part of the second economic response package and the stimulus has been extended to not-for-profit organisations including charities.

How it works

- Under the enhanced 'Boosting Cash Flow for Employers' measure, employers will receive a payment equal to 100% of their salary and wages withheld; the minimum payment is A\$10,000 up to a maximum payment of A\$50,000.
- The payments will be delivered by the Australian Tax Office as a credit on activity statements from late April.
- An additional payment is being introduced in the July-October 2020 period.
- When the two payments are combined, under the Boosting Cash Flow for Employers measure eligible NFPs can receive at least A\$20,000 up to a total of A\$100,000.

The Boosting Cash Flow for Employers measure is designed to incentivise businesses to retain more staff and continue operating. The government expects 690,000 businesses employing 7.8 million people and 30,000 not-for-profits will be eligible for measures in the stimulus package.

More information on initial payments from March - June 2020

The ATO will deliver payments as a credit in the business activity statement system, starting with those due on 28 April 2020. Quarterly lodgers will receive the payment for the quarters ending March 2020 and June 2020, while monthly lodgers will be eligible to receive the payment for the March 2020, April 2020, May 2020 and June 2020 lodgements.

For monthly lodgers the payment will be calculated at a 300% rate in their March 2020 activity statement (up from 150% in tranche one of the Government's stimulus package). So an eligible monthly remitter withholding A\$15,000 PAYG in both their March and April BAS would be eligible to receive A\$45,000 for the March period, with the A\$5,000 balance being received for the April period and no payment in the May period as they have reached the A\$50,000 cap.

Eligible businesses that are not required to withhold tax will receive a minimum payment of A\$10,000 (up from \$2,000) for the March quarter. This would also assist many not-for-profit entities.

For more information on these measures, please visit the government page on ['Boosting cash flow for employers'](#).

Example of how this payment can help a NFP organisation

Case study: Help for the homeless

Help for the Homeless, a registered charity, runs an op-shop to support its programs and employs five part time workers with average income of \$30,000 per year. It reports total withholding of \$3,510 for its employees for each quarterly Business Activity Statement (BAS).

Under the government's changes, Help for the Homeless will be eligible to receive the payment on lodgement of its BAS as it is a charity.

Help for the Homeless receives:

- A credit of \$10,000 for the March quarter, the minimum payment.
- An additional payment of \$5,000 for the June quarter (equal to 50% of the \$10,000 received under the 'Boosting Cash Flow for Employers' measure).
- An additional payment of \$5,000 for the September quarter (equal to 50% of the \$10,000 received under the 'Boosting Cash Flow for Employers' measure).

Overall, under the Government's enhanced *Boosting Cash Flow for Employers* measure, Help for the Homeless will receive \$20,000. Under the previously announced *Boosting Cash Flow for Employers* measure, NFPs were not eligible for the support.

A cohesive service offering: Fordham & Perpetual

[Need help?](#)

Fordham specialises in helping business and not-for-profit organisations with understanding the financial impact of emergent issues on their mission and goals. If your Board needs support in modelling the impact of COVID-19 or in understanding how to access stimulus package benefits, we can assist.

We can also generate reports that include actuals to date with future budgets to illustrate where the organisation will land at the end of the year. We can assist in building forecasts and integrate financial and non-financial information into reports. These reports can be customised to your organisation through a collaborative review process.

If you'd like help in these areas, please contact Fordham Bookkeeping Service on 03 9611 6667 or email [Rachna D'mello](mailto:Rachna.D'mello@fordhamgroup.com.au)

➤ FURTHER READING - COVID-19

Visit our COVID-19 Insights Hub for economic and market updates to keep you informed as the situation evolves.

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