

CLIENT

UPDATE

23 MARCH 2020

DEALING WITH CORONAVIRUS: GOVERNMENT ANNOUNCES ADDITIONAL STIMULUS PACKAGE

On 22 March 2020, the Federal Government announced its second stimulus package to protect the Australian economy from the economic impact of the coronavirus. The second set of economic responses are primarily targeted at SMEs and individuals.

Contents

1. Boosting cash flow for employers
2. Temporary relief for financially distressed businesses
3. Support for immediate cash flow needs for SMEs
4. Income support for individuals
5. Payments to support households
6. Temporary early release of superannuation
7. Temporarily reducing superannuation minimum drawdown rates
8. Reducing social security deeming rates

Boosting cash flow for employers

The Government is enhancing the Boosting Cash Flow for Employers measure it announced on 12 March 2020. The Government is providing up to \$100,000 to eligible small and medium sized businesses, and not for-profits (NFPs) that employ people, with a minimum payment of \$20,000. These payments will help businesses and NFPs with their cash flow so they can keep operating, pay their rent, electricity and other bills and retain staff.

This measure will benefit around 690,000 businesses employing around 7.8 million people, and around 30,000 NFPs (including charities).

Small and medium-sized business entities with aggregated annual turnover under \$50 million and that employ workers are eligible. NFPs, including charities, with aggregated annual turnover under \$50 million and that employ workers will now also be eligible. This will support employment at a time where NFPs are facing increasing demand for services.

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 (in addition to the March - June 2020 period payments). 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 \$20,000 up to a total of \$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 the time companies 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 temporary and 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.

Support for immediate cash flow needs for SMEs

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 lenders' 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.

As part of the loan products available, the Government will encourage lenders to provide facilities to SMEs that only have to be drawn if needed by the SME. This will mean that the SME will only incur interest on the amount they draw down. If they do not draw down any funds from the facility, no interest will be charged, but they will retain the flexibility to draw down in the future should they need to.

The Scheme will commence by early April 2020 and be available for new loans made by participating lenders until 30 September 2020.

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 \$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 \$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. Around half of those that benefit are pensioners. This payment will help to support confidence and domestic demand in the economy.

To be eligible for the second payment, you must be residing in Australia and be receiving one of the payments or holding one of the concession cards that were eligible for the first payment, except for those who are receiving an income support payment that is eligible to receive the Coronavirus supplement.

Temporary early release of superannuation

The Government is allowing individuals affected by the Coronavirus to access up to \$10,000 of their superannuation in 2019-20 and a further \$10,000 in 2020-21. Individuals 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.

Temporarily reducing superannuation minimum drawdown rates

The Government is temporarily reducing superannuation minimum drawdown requirements for account-based pensions and similar products by 50 per cent for 2019-20 and 2020-21. This measure will benefit retirees holding these products by reducing the need to sell investment assets to fund minimum drawdown requirements.

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. The reductions reflect the low interest rate environment and its impact on the income from savings. The change will benefit around 900,000 income support recipients, including around 565,000 Age Pensioners who will, on average receive around \$105 more of the Age Pension in the first full year the reduced rates apply.

Specific details of the above measures, and initial measures, can be located from the following link. Note as of the date of publication these measures are yet to be legislated.