

COVID-19 Stimulus Update



It seems like the COVID-19 goalposts are moving by the minute at the moment, and so is the response of the Federal Government. Over the weekend the Coalition announced new emergency stimulus measures, in addition to those announced little more than a week ago.

More cash through the PAYG Withholding system

[In our last update](#) we explained how the Government planned provide up to \$25,000 tax-free through the PAYG Withholding system for employers with annual turnover of less than \$50 million.

Under that measure, the payment would amount to 50% of the total PAYG withheld from employee wages, with a minimum payment of \$2,000, up to a maximum of \$25,000. The payment(s) would occur automatically when March and June quarterly Activity Statements were lodged, or for March to June for monthly lodgers.

Under the new enhanced scheme, the payment will now amount to 100% of the PAYG withheld, up to a maximum of \$50,000. The minimum payment amount will increase to \$10,000. In addition, for the July to October quarter, employers will receive an additional amount equal to the total they received previously. For example, if a business received the full \$50,000, it would receive an additional \$50,000 - a total of \$100,000. Likewise, the minimum amount an employer will receive will be \$20,000 - \$10,000 for March to June and \$10,000 for July to October. Even eligible employers who are not required to withhold tax for employees will still receive the minimum amount.

Once again, there is nothing an employer needs to do to claim the payment. It will simply be applied as a credit through the Activity Statement system. The measure has also been extended to apply to not-for-profit entities and charities with turnover under \$50 million.

Superannuation

Employees facing financial distress as a consequence of coronavirus restrictions will be eligible to access up to \$10,000 of their superannuation before 1st July 2020, and a further \$10,000 any time within the first three months of next financial year. The amounts withdrawn will be tax free. To be eligible, a person must be unemployed or have experienced a reduction in hours (20 per cent or more). Sole traders who experience a revenue downturn of 20% or more are also eligible. Affected individuals can only make one application per period, and may self-determine the amount to withdraw. That is, they don't have to withdraw the full \$10,000 each time, but cannot re-apply for a further withdrawal in the same period if they choose less than \$10,000. You can read more about the measure, along with the precise eligibility criteria [here](#). Applications can be made through [myGov](#) (when it's working).

On the other hand, those who are already drawing a pension from super may not wish to make large withdrawals at the moment, after recent falls in asset values. To help reduce the impact of the stock market decline on member balances, the minimum pension level for 2019-20 and 2020-21 has been halved. For example, for people under 65 the rate will go from 4% to 2%, while for those aged 65-74 it will be reduced from 5% to 2.5%...and so on.

Underwriting business loans to support the flow of credit

The Federal Government is also encouraging banks and other business lenders to keep issuing loans by offering a guarantee of up to 50 per cent of amounts borrowed. The maximum amount that can be lent under these circumstances is \$250,000, and importantly, the loans will be unsecured, meaning business owners will not have to provide security over any assets. Further, there will also be a 6 month 'holiday' before any repayments are required. Because of the unique conditions of these loans, it's likely that banks will create new products to service them, which should be available by early April.

Various banks have themselves offered relief in different forms too, including (for example) deferred repayments and the waiving of early withdrawal fees on term deposits. Check with your bank to find out what specific assistance they can provide you.

To further assist the ease of access to credit, the Government is exempting lenders providing assistance to small businesses from responsible lending obligations for six months. The RBA has also provided access to almost \$90 billion in funding for lending institutions at a fixed interest rate of 0.25%, while the Australian Prudential Regulation Authority (APRA) announced temporary changes to capital ratio expectations for banks. None of this benefits you directly of course, but demonstrates the multi-pronged attack the Government is using to instil confidence in the provision of credit.

Temporary relief for financially distressed businesses

The Federal Government also announced measures that will reduce the threat of actions that could push businesses further towards failure and ultimately lead to them being wound up.

The threshold at which a creditor can issue a statutory demand for a debt will be increased from \$2,000 to \$20,000 for six months. Statutory demands are often the first step in triggering the liquidation of a business. So too is a failure to respond within the specified period, which automatically allows for the presumption of insolvency, which is why the statutory time-frame to respond will be extended from 21 days to six months.

Similar increases will apply for personal bankruptcy. Currently the minimum debt required to for a creditor to initiate bankruptcy proceedings is \$5,000. This will increase to \$20,000 for six months. As is now the case for for companies, the maximum time to respond to a personal bankruptcy notice will increase from 21 days to six months. This same extension will also apply to the period during which creditors cannot take further action, once a debtor declares an intention to go into voluntary bankruptcy.

Another significant measure announced is that directors will be temporarily relieved from their personal liability to prevent organisations trading while insolvent, for debts incurred in the ordinary course of business. This relief will also be for a period of six months, and will still not apply for acts of fraud or dishonesty, which will continue to attract criminal penalties.

Measures to support apprentices and trainees

This is not a new measure but rather one that didn't make our previous summary. Businesses that employ less than 20 employees and retain an apprentice or trainee will be encouraged to continue to do so through a subsidy of 50 per cent of the trainee's wages, covering the period 1st January to 30th September 2020. The maximum amount that will be paid is \$21,000, at \$7,000 per quarter. If this sounds like it might help, more information is available [here](#).

Individuals

Casual workers and sole traders will be eligible to make superannuation withdrawals if they meet the criteria outlined above.

In addition, those affected by the economic downturn and currently making less than \$1,075 per fortnight will be able to access a 'coronavirus supplement' of \$550 per fortnight for the next 6 months. This is also available for those receiving eligible income support from the Government, and is on top of any amount already being received. 'Eligible' payments include JobSeeker, Youth Allowance, Parenting Payment, Farm Household Allowance and Special Benefit. The payment will occur automatically for those already in the system. If you are an employee or sole trader not already receiving an eligible payment amount, but think your circumstances fit, you will need to register through [myGov](#).

The Government had also previously announced a special one-off stimulus payment of \$750 for eligible households, including those on a pension, family tax benefit or carer's allowance, and holders of a Senior Card. A further payment of the same amount has also been announced, which will be paid on 13th July.

What we're doing

We recognise that the world is in the midst of an unprecedented crisis, and that this in turn is presenting businesses with existential economic challenges.

We firmly believe that the best way forward for those in business is generosity and communication. We're all in this together.

We're here to help you, as we're able. Our office is closed but our phones are open, and we're continuing to offer complimentary calls (rather than face-to-face meetings at this time) to review your situation and work through possible options with you.

Please [contact us](#) to discuss your situation further.

Liability limited by a scheme approved under Professional Standards Legislation.

For further advice or information please contact us. Whilst this newsletter is issued as a guide, no responsibility is accepted by Dewings for loss by any person acting or refraining from acting on the material provided. The information enclosed should not be substituted for professional advice.

This information is not 'financial product advice' as defined by the Corporations Act. Taxation is only one of the matters that you need to consider when making a decision on a financial product. You should consider seeking advice from an Australian Financial Services licensee before making any decisions in relation to a financial product.

You're receiving this email because you are a client or business contact of Dewings and have given us permission to correspond with you by email.

Unsubscribe ldegnan@dewings.com.au from this list.

Our mailing address is:
Dewings
PO Box 170
Fullarton, South Australia 5063
Australia

[Add us to your address book](#)

Copyright (C) 2020 Dewings All rights reserved.

[Forward this email to a friend](#)
[Update your profile](#)

