

COVID-19 HELPING BUSINESSES GET OVER THE BRIDGE

22 MARCH 2020

Federal, State and Territory Governments and revenue authorities are releasing a range of measures aimed at helping businesses last the distance of the COVID-19 bridge.

The rapid fire announcements shows we are still lagging in our policy responses; we should expect more announcements. Some of the measures do not result in immediate benefits, in some cases waiting 18 months before cash benefits start to come home. Others require businesses to spend money they might not have. The question ultimately will be whether these measures are enough.

The focus of this guide is on measures targeted directly at businesses, not at individuals, as the survival of businesses is critical to the continued employment and payment of workers, to keep money flow in the economy and ensure the multiplier-effect works. However, some industries will be affected by measures targeted at individuals. Further, the various Governments are undertaking public expenditure programs, from as simple as hiring additional cleaning staff to large infrastructure projects, not to mention better equipping hospitals and other agencies. These will indirectly flow to businesses in the relevant industries.

Businesses should note that, unless the Federal Government exempts all grants from income tax, some of the grants that have been announced will be subject to income tax, reducing their potential effectiveness.

FEDERAL MEASURES

TABLE A: FEDERAL MEASURES IF YOU SPEND MONEY

WHAT YOU CAN GET	IF YOU ARE ...
<p>Boosting cash flow for employers</p> <p>2 lots of 100% of PAYG withheld from salary and wages on 28 April 2020 and 28 July 2020.</p> <p>This provides an offset against the PAYG withholding tax to be paid to the ATO for the March and June 2020 quarters, and corresponding months for monthly PAYG payers, totalling between \$20,000 and \$100,000.</p> <p>(The announcement is unclear as to whether both payments turn on the March 2020 quarter numbers only. This will be updated once we have reviewed the draft legislation.)</p>	<ul style="list-style-type: none"> + A small or medium sized business (business with an aggregated turnover under \$50 million); or + A not for profit with an aggregated turnover under \$50 million, and employ people. <p><i>Aggregated turnover</i> aggregates turnover of any entity connected with or affiliated with you. These are complex rules, but will in effect exclude entities that operate independently but are commonly controlled from these measures.</p>
<p>Apprentices and trainees</p> <p>50% wage subsidy for apprentices and trainees.</p>	<p>A business with less than 20 employees. The subsidy is up to \$21,000 per apprentice.</p> <p><i>Aggregated turnover</i> aggregates turnover of any entity connected with or affiliated with you. These are complex rules, but will in effect exclude entities that operate independently but are commonly controlled from these measures.</p>
<p>Instant asset write-off</p> <p>Increased from \$30,000 to \$150,000.</p>	<p>A business with no more than \$500 million in turnover, acquiring new or second-hand equipment and installing them ready for use between 12 March and 30 June 2020.</p> <p>This benefit will not flow until businesses lodge their returns in around January 2021 and will not result in a cash refund – only a reduction in tax otherwise payable.</p>
<p>Accelerated depreciation</p> <p>Additional depreciation equal to 50% of the cost of the new equipment, with normal depreciation rules applying to the remainder of the cost, in the first 15 months of an asset’s ownership.</p>	<p>A business that acquires new assets and have them installed ready for use between 12 March 2020 and 30 June 2021.</p> <p>This benefit will not flow until businesses lodge their returns in around January 2021 and January 2022 (when the bulk of the benefit accrues) and will not result in a cash refund – only a reduction in tax otherwise payable.</p>
<p>Reduced interest rates</p> <p>Cash rate down to 0.25%, being passed on by major banks to business borrowers</p>	

This table takes the Government’s policy announcements and modifies them for the detail that the ATO has provided. Some draft legislation has been released and we are working through their impact.

TABLE B: FEDERAL MEASURES IF YOU CANNOT SPEND MONEY

WHAT YOU CAN GET	IF YOU ARE...
<p>Coronavirus SME guarantee scheme</p> <p>The Federal Government will guarantee 50% of new loans issued by eligible lenders, with a maximum guarantee of \$20 billion.</p> <p>(This is linked to the \$90 billion term funding facility for the banking industry – see Table C.)</p>	<p>A small or medium sized business (business with an aggregated turnover under \$50 million) borrowing new money from eligible lenders.</p> <p><i>Aggregated turnover</i> aggregates turnover of any entity connected with or affiliated with you. These are complex rules, but will in effect exclude entities that operate independently but are commonly controlled from these measures.</p>

TABLE C: FEDERAL INDUSTRY-SPECIFIC MEASURES

INDUSTRY	WHAT YOU CAN GET
<p>Aged care-related</p> <p>Workforce support and retention bonuses for workforce in aged care, support for home-care providers, Indigenous aged care providers, Meals on Wheels and My Aged Care Service.</p>	<p>Additional funding totalling \$445 million</p>
<p>Banks</p> <p>Term funding facility focussed on enabling banks to provide lending to small and medium sized businesses. See also Table B.</p>	<p>\$90 billion in facilities.</p>
<p>External-facing sectors</p> <p>Tourism, travel, export, cray-fishing.</p>	<p>\$1 billion regional and community support fund, details to come.</p>

SOME TAX TRAPS AROUND EMPLOYEES

- + Superannuation obligations cannot be deferred – pay as much as you can and interest will be imposed on the rest.
- + You have the same obligations for employees who are stuck overseas – your PAYG withholding and superannuation obligations do not cease.
- + You have the same obligations for foreign employees stuck in Australia – you will have to account for PAYG withholding (except for temporary residents), FBT and superannuation.

FEDERAL MEASURES (CONT)

TABLE D: ATO MEASURES (INCLUDING EXISTING LAW)

WHAT YOU CAN GET	IF YOU ...
<p>6 month deferral Deferral of up to 6 months of various tax obligations, including income tax, PAYG instalments, FBT and excise payments.</p>	<p>Are affected. This is a case by case assessment – contact the ATO on 1800 806 218.</p>
<p>Tailored response for large businesses Customised plan to manage tax administration or technical issues.</p>	<p>Are a public group with turnover of at least \$250 million – contact the ATO on (02) 9685 8735.</p>
<p>GST reporting From 1 April 2020, you can increase the frequency of GST reporting to monthly to get faster access to GST refunds.</p>	<p>Are entitled to refunds of GST and your turnover is less than \$20 million and you are currently reporting quarterly. Note you cannot change back to quarterly for 12 months, so consider whether you will remain in a refund position for that time.</p>
<p>Waiver of penalties and interest for PAYG instalment variations A PAYG instalment variation that can result in refunds for the September 2019 and December 2019 quarters if your revenues are severely affected. The ATO will also waive penalties and interest for varied instalments for the 2019-2020 financial year.</p>	<p>Are a quarterly PAYG instalment payer (those with instalment income of less than \$20 million in the most recent income tax return) by amending your PAYG instalment notice for the March 2020 quarter. A monthly PAYG instalment payer with instalment income of no more than \$500 million in the most recent income tax return must contact the ATO on 137 226.</p>
<p>Remission of interest and penalties generally The ATO will consider remitting interest and penalties incurred after 23 January 2020.</p>	<p>All businesses – contact the ATO.</p>
<p>Low interest payment plans Payment plans for existing and ongoing tax liabilities at a low interest rate.</p>	<p>All businesses – contact the ATO.</p>
<p>Residence of companies and permanent establishments If the only reason for holding board meetings in or from Australia is because of COVID-19, the ATO will not claim you are resident in Australia. If you have an employee in Australia as a result of COVID-19 that would otherwise result in you having a permanent establishment, the ATO will not consider you to have a permanent establishment in Australia.</p>	<p>Are a non-resident company.</p>

WHAT YOU CAN GET	IF YOU ...
<p>Emergency benefits to employees</p> <p>Emergency food, accommodation and transport are exempt from FBT.</p>	<p>Provide fringe benefits that fall within the exemptions in the FBT law. The ATO accepts this will occur in the following examples:</p> <ul style="list-style-type: none"> + Benefits provided to an employee who has been relocated from a high-risk area. + Benefits provided to an employee who has been required to self-isolate. + Temporary emergency meals, food supplies and accommodation for employees stranded overseas due to travel restrictions. + Flights for overseas employees to return to Australia.
<p>Emergency health care for employees</p> <p>Emergency health care can be exempt from FBT in a limited set of circumstances.</p>	<p>Provide healthcare treatment through another employee of yours (or a related company) on your premises (or those of a related company) at the affected employee's worksite or an adjacent location. Ongoing medical or hospital treatment and expenses will not be exempt.</p>
<p>Benefits for working from home</p> <p>Fringe benefits such as a laptop, portable printer or other portable electronic devices to help employees work from home are usually exempt from FBT.</p>	<p>Provide benefits that fall within the exemption.</p>
<p>Minor, infrequent and irregular benefits</p> <p>Minor benefits of less than \$300 and that are infrequent and irregular are usually exempt from FBT.</p>	<p>Provide minor, infrequent and irregular benefits.</p>
<p>Cancelled events</p> <p>No FBT is payable if you paid for them to attend an event that was cancelled, even if they are non-refundable costs.</p>	

STATE AND TERRITORY MEASURES

All information below is based on policy announcements by the various Governments. As such, the phrasing used is often imprecise and inconsistent and it is not always obvious whether the differences are deliberate.

All measures will require legislation to be enacted.

(Note some of these measures may be redundant given the closure of indoor venues with effect from 23 March 2020.)

TABLE E: NSW MEASURES

WHAT YOU CAN GET	IF YOU ARE ...
PAYROLL TAX	
25% reduction in payroll tax for 2019-2020 financial year by requiring no payroll tax payments for March, April and May 2020.	Businesses with total Australian group wages of up to \$10 million for the 2019-2020 financial year.
Payroll tax threshold increased from 1 July 2020 to \$1 million.	All businesses.
FEES AND CHARGES	
Various fees charged to small businesses will be waived.	Details to be provided, but businesses include bars, cafés, restaurants and tradespeople.

TABLE F: QLD MEASURES

WHAT YOU CAN GET	IF YOU ARE ...
PAYROLL TAX	
Payroll tax will be deferred for 6 months (from application). The OSR will work with businesses to create repayment plans. Payments will not be required before 31 July 2020.	All affected businesses by application.
FEES AND CHARGES	
Various fees and charges have been waived or rebated.	Eligible small businesses – details to be provided.
BUSINESS SUPPORT	
Loans (interest free for the first 12 months) up to \$250,000 specifically to retain staff.	All businesses.

TABLE G: VIC MEASURES

WHAT YOU CAN GET	IF YOU ARE ...
PAYROLL TAX	
Full payroll tax refunds for the 2019-2020 financial year. Refund payments are to commence immediately.	Businesses with payroll of less than \$3 million for the 2019-2020 financial year.
Payroll tax for July, August and September 2020 will be deferred until 1 January 2021.	Businesses with payroll of less than \$3 million for the 2019-2020 financial year.
LAND TAX	
Land tax payments that were or would be due in the first half of 2020 will be deferred until after 31 December 2020.	Land owners that have at least 1 non-residential property and taxable landholdings below \$1 million.
DEALINGS WITH GOVERNMENT	
Rent relief may be given for commercial tenants in Government-owned buildings.	Businesses with payroll of less than \$3 million for the 2019-2020 financial year.
The Government will pay all supplier invoices within 5 business days.	Businesses with payroll of less than \$3 million for the 2019-2020 financial year.
FEES AND CHARGES	
The Government will waive liquor licensing fees.	Affected venues and small businesses – details to be provided.
BUSINESS SUPPORT	
Support to businesses.	Hardest hit sectors, including hospitality, tourism, accommodation, arts and entertainment, and retail – details to be provided, but will be run in conjunction with various industry bodies. The aim is to support businesses not eligible for the payroll tax refunds above.

STATE AND TERRITORY MEASURES (CONT)

TABLE H: TAS MEASURES (WITH MORE TO COME)

WHAT YOU CAN GET	IF YOU ARE ...
PAYROLL TAX	
Payroll tax for March, April, May and June 2020 will be waived.	Businesses in the hospitality, tourism and seafood industries.
Payroll tax for March, April and May 2020 will be waived.	Other affected businesses with a payroll of up to \$5 million in Australian wages, by application.
Rebate of payroll tax on wages paid to employees aged up to 24 for 1 year	Businesses that hire new employees aged up to 24 from 1 April 2020.
DEALINGS WITH GOVERNMENT	
Government agencies will be required to pay for goods and services in 14 days.	“Small” businesses (although the policy statement is somewhat ambiguous).
FEES AND CHARGES	
Various fees and licences will be waived for April to June 2020. Others will be discounted and backdated to 1 January 2020 for 1 year.	Businesses in the national parks and wilderness industry, those in the hospitality sector with liquor licences, and those in rock lobster, giant crab and fin fisheries and abalone divers.
BUSINESS SUPPORT	
Funding to general practitioners, pharmacists and other front line health care providers for equipment and capital works.	Front line health care providers.
Loans that are interest free for up to 3 years for purchasing equipment or restructuring business operations.	Businesses with a turnover of less than \$5 million in hospitality, tourism, seafood and export industries.
\$5,000 grants for businesses that hire an apprentice or trainee.	All businesses.

TABLE I: SA MEASURES

WHAT YOU CAN GET	IF YOU ...
No direct measures announced as at 22 March 2020.	

TABLE J: WA MEASURES

WHAT YOU CAN GET	IF YOU ...
PAYROLL TAX	
A cash grant of \$17,500.	Have a payroll between \$1 million and \$4 million. (The grant is the payroll tax payable by a business with a payroll of approximately \$753,000.)
Payroll tax threshold increased from 1 July 2020 to \$1 million.	All businesses.
Deferral of 2019-2020 monthly payroll tax payments until 21 July 2020.	Have no more than \$7.5 million in Australian taxable group wages and have been affected, by application.

TABLE K: ACT MEASURES

WHAT YOU CAN GET	IF YOU ARE ...
PAYROLL TAX	
Payroll tax for April to September 2020 will be waived.	Hospitality (cafés, pubs, hotels, clubs and restaurants), creative arts and entertainment businesses, by application.
Payment of 2020-2021 payroll tax can be deferred interest-free until 1 July 2022.	ACT businesses with group Australia-wide wages of up to \$10 million.
FEES AND CHARGES	
Food business registration and on-licence liquor licensing fees from 1 April 2020 for 1 year and outdoor dining fees for 2020-2021 will be waived. Rideshare vehicle licence fees will also be waived from 1 April 2020 for 1 year. Government leased taxi plate fees (including wheelchair accessible taxis) will be waived (presumably for 1 year).	Licensed venues, rideshare operators and taxi operators.
BUSINESS SUPPORT	
Rebates of \$750 in around June or July 2020.	“Small” business owners with electricity usage below 100MW per year.
Clubs will received payments to keep staff employed at the award rate.	Community clubs.
Rebate on commercial rates fixed charge of \$2,622 (the annual fixed charge for 2019-2020 general rates) in quarter 4 of 2020.	Commercial property owners with an average unimproved value below \$2 million.

STATE AND TERRITORY MEASURES (CONT)

TABLE L: NT MEASURES

WHAT YOU CAN GET	IF YOU ARE ...
PAYROLL TAX	
Payroll tax exemption for up to 2 years on wages paid for new Territory employees extended to hires made up to 1 July 2021.	Businesses that hire new employees who are a Territory resident or relocate to the Territory.
BUSINESS SUPPORT	
Up to \$20,000 for physical improvements to land or buildings to help improve its efficiency and customer experience.	All businesses. To be eligible for \$20,000, you must spend \$10,000 of your own funds; otherwise, you are only entitled to a \$10,000 grant. It is unclear whether this extends to leased land and buildings.
Up to \$100,000 to engage local businesses to do repairs, renovations and upgrades to property and facilities.	Not for profit and community organisations. To be eligible for grants above \$50,000, you must spend your own funds, and the Government will match this dollar for dollar.
Direct support to meet new requirements for gatherings of people indoors.	Cafés, restaurants or other venues serving the public.



KEY CONTACTS

Contact G+T's Tax Group at taxgroup@gtlaw.com.au for more information.



**MUHUNTHAN
KANAGARATNAM**

Partner

T +61 2 9263 4184

M +61 406 319 842

E mkanagaratnam@gtlaw.com.au



HANH CHAU

Partner

T +61 2 9263 4027

M +61 406 425 857

E hchau@gtlaw.com.au



MARK GOLDSMITH

Special Counsel

T +61 2 9263 4342

M +61 412 365 990

E mgoldsmith@gtlaw.com.au



ALINA SEDMAK

Lawyer

T +61 2 9263 4211

M +61 418 827 622

E asedmak@gtlaw.com.au



PATRICE ELIAS

Lawyer

T +61 2 9263 4091

M +61 429 043 157

E pelias@gtlaw.com.au