

Updated: Business tax breaks, cash flow support and other relief to help cushion the economic blow of COVID-19

23 March 2020

In brief

On 12 March 2020, the Federal Government announced its first package (AUD17.6 billion) of measures to respond to the current economic challenges confronting the Australian economy as a result of the continued spread of the coronavirus (COVID-19). This was followed by a second package announced on 22 March 2020 which brings the total relief by all arms of Government to AUD189 billion. The focus of the relief package is supporting businesses and employers to keep operating as best and for as long as they can and so as to be in the best-placed position when this crisis has passed to help keep Australians in jobs. From a tax perspective, it includes significant concessions for capital investment in the form of enhanced tax write-offs for depreciable assets, as well as cash flow assistance to small and medium-sized businesses and not-for-profit employers.

The States and Territories have also announced their own stimulus packages to support businesses, with most offering some form of relief in relation to payroll tax.

In this TaxTalk Alert, we summarise the relief currently available to businesses at both the Federal and State level, including administrative concessions announced by the Australian Taxation Office (ATO).

In detail

Federal Government Stimulus Package

The economic stimulus packages announced by the Prime Minister and Treasurer to date have a number of components including:

- Supporting business capital investment through enhanced tax concessions;
- Cash flow assistance for small and medium-sized businesses as well as not-for-profits (NFPs) to help them stay in business and keep their employees in jobs;
- Targeted support for the most severely affected sectors, regions and communities;
- Measures to support the flow of credit such as a Government guarantee of 50 per cent to support new short-term unsecured loans to small and medium enterprises;
- Temporary relief for financially stressed business including, among other measures, relief for directors from any personal liability for trading while insolvent; and

- Support for individuals and households in the form of stimulus payments and income support, temporary measures to allow early access to superannuation and reducing the superannuation minimum drawdown rates.

We expect the legislation to give effect to these measures to be enacted during the week of 23 March 2020.

The measures for business are summarised in simple terms in the following table, with further details provided below.

Measure / Eligibility	Increasing the Instant asset write off until 30 June 2020 *	Backing business investment with accelerated depreciation until 30 June 2021 *	Cash flow boost delivered via activity statements *	Wage subsidy for trainees and apprentices *
Small business with fewer than 20 full-time employees	N/A	N/A	N/A	✓
NFPs with less than AUD50 million aggregated turnover	N/A	N/A	✓	N/A
Small business with less than AUD50 million aggregated turnover	✓	✓	✓	N/A
Medium business with aggregated turnover of AUD50million or more but less than AUD500 million	✓	✓	✗	N/A

* Note: other eligibility criteria may apply. Please refer below for further details.

Enhanced tax concessions for capital investment

The following concessions were announced in relation to business capital investment for depreciating assets and apply from 12 March 2020 to all businesses with an annual aggregated turnover of up to AUD500 million:

- *Increasing the instant asset write-off* by expanding the existing depreciating asset write-off so that it provides an immediate tax deduction for the cost of a depreciating asset, whether new or second-hand, which has a cost of less than AUD150,000 (up from the existing AUD30,000 limit). This is a temporary expansion and will only apply to eligible depreciating assets that are first used or installed ready for use from 12 March 2020 up until 30 June 2020. After this time, in the absence of any further relief, the asset threshold will revert to AUD1,000 and the instant write-off will only apply to small businesses with an aggregated turnover of less than AUD10 million.
- *Backing Business Investment* with an accelerated depreciation deduction for all newly acquired depreciating assets (and it will not apply to second-hand assets). This concession will provide a tax deduction of 50 per cent of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset's cost. This measure will apply for approximately 15 months and will apply to eligible new depreciating assets acquired from 12 March 2020 and first used or installed by 30 June 2021. There is no limit to the cost of a depreciating asset that can qualify for this concession, and it will be relevant for assets acquired between 12 March 2020 and 30 June 2020 with a cost of AUD150,000 or more which are not eligible for the instant asset write-off.

These measures have the potential to apply to approximately 99 per cent of Australian businesses. Multinational businesses will need to carefully consider eligibility having regard to the AUD500 million aggregated turnover threshold which, in accordance with existing tax law, also takes into account the ordinary business income of connected and affiliated entities (Australian or foreign), whether or not it is assessable in Australia.

Faster tax write-offs on depreciable assets such as plant, motor vehicles and equipment, have the effect of reducing taxable income and tax payable much quicker, with the tax benefit of such measures realised through the existing income tax return and payment system.

Having regard to potential global supply chain disruptions, a practical challenge for businesses seeking to rely on the concessions, particularly the expanded instant asset write-off, may be the ability to source relevant depreciating assets, and have them first used or installed ready for use before the deadline expires.

Cash flow boost to small to medium businesses and NPFs

Under the latest announcement on 22 March 2020, small and medium-sized businesses and now NFPs will receive a temporary cash flow boost - "Boosting Cash Flow for Employers measure" - with an automatic payment or credit to be applied on forthcoming activity statement obligations of at least AUD20,000 and up to AUD100,000 for those businesses which have aggregated turnover of less than AUD50 million and that have employees. The cash flow amounts have increased since they were first announced for small and medium sized business employers under the initial stimulus package announced on 12 March 2020.

This tax-free cash flow boost is to be delivered automatically through the tax system as a credit applied upon businesses lodging their next activity statement, i.e. for the relevant March 2020 activity statement.

The manner in which it will be calculated will differ for quarterly and monthly payers:

- For quarterly payers, it will be calculated at 100 per cent of the amount of tax withheld on salary and wages for the March 2020 quarter (January, February and March 2020) and also for the June 2020 quarter (April, May and June 2020), subject to the initial maximum cap.
- For monthly payers, it will be calculated as 300 per cent of tax withheld on salary and wages for March 2020, and for each of the following months until June 2020 calculated at 100 per cent of the tax withheld for the particular month, subject to the initial maximum cap.

The benefit to be delivered between now and the June 2020 period will be capped to a cumulative maximum payment of AUD50,000 (the initial maximum cap). All eligible businesses that pay salary and wages will receive a minimum payment of AUD10,000 with respect to this initial period, even if no amounts are required to be withheld from employees' salary and wages. The payments will only be available to active eligible employers established prior to 12 March 2020. However, charities that are registered with the Australian Charities and Not-for-profits Commission will be eligible regardless of when they were registered.

This will be followed by a second round of payments to be made from late July 2020 for those eligible businesses that continue to be active. Eligible entities will receive additional payments equal to the total of all of the 'Boosting Cash Flow for Employers' payments received. The manner in which this additional payment is delivered will differ for quarterly and monthly payers as follows:

- Quarterly lodgers will be eligible to receive the additional payment for the quarters ending June 2020 and September 2020. Each additional payment will be equal to half of their total initial 'Boosting Cash Flow for Employers' payment (up to a total of AUD50,000).
- Monthly lodgers will be eligible to receive the additional payment for the June 2020, July 2020, August 2020 and September 2020 lodgments. Each additional payment will be equal to a quarter of their total initial 'Boosting Cash Flow for Employers' payment (up to a total of AUD50,000).

Under this measure (combining the initial payments and additional payments), eligible entities will receive at least AUD20,000 up to a maximum of AUD100,000.

Wage subsidy for trainees and apprentices

A further cash flow boost will apply to small businesses employing fewer than 20 full-time employees who retain an apprentice or trainee who was in training with a small business as at 1 March 2020. Specifically, the Federal Government will provide a wages subsidy to eligible employers calculated at 50 per cent of the apprentice's or trainee's wage paid during the nine months from 1 January 2020 to 30 September 2020, up to a maximum of AUD21,000 per eligible apprentice or trainee (AUD7,000 per quarter).

ATO administrative relief available

The ATO has [announced](#) a series of administrative measures to assist taxpayers experiencing financial difficulty as a result of the COVID-19 outbreak.

Options that are potentially available to assist impacted businesses include:

- Deferring by up to six months the payment date of amounts due through the business activity statement (BAS, including Pay As You Go (PAYG) instalments, income tax assessments, FBT assessments and excise.
- Allowing businesses on a quarterly reporting cycle to opt into monthly GST reporting in order to gain quicker access to net GST refunds to which they may be entitled.
- Allowing businesses to vary PAYG instalment amounts to zero for the March 2020 quarter; businesses that vary their PAYG instalment to zero can also claim a refund for any instalments made for the September 2019 and December 2019 quarters. No penalties or interest will be charged for variations to PAYG instalments for the 2019-20 year.
- Remitting any interest and penalties, incurred on or after 23 January 2020, that have been applied to tax liabilities.
- Working with affected businesses to help them pay their existing and ongoing tax liabilities by allowing them to enter into low-interest payment plans.

In addition to the option to vary PAYG instalments to nil and the potential to claim a credit for instalments for the September and December 2019 quarters, the ATO has also confirmed that where a business still expects to owe the same amount of income tax at the end of the year but needs immediate cash flow relief, the taxpayer can request the ATO to withdraw an instalment notice without penalty. In these cases, the full income tax liability for the relevant income year will still need to be paid when it falls due after year end, although payment deferral options may be available.

Similar assistance is available for individuals that may be impacted by the current conditions.

As part of a broader package of measures to provide relief for financially distressed businesses, the ATO will also work with businesses and directors of businesses that are struggling to meet their tax obligations to tailor solutions to their circumstances, including withholding enforcement actions including Director Penalty Notices and wind-ups.

At least for the time being, access to these relief measures is being assessed on a case by case basis. Taxpayers are encouraged to reach out to their tax agent and/or liaise with the ATO directly.

The ATO is also providing guidance in real time on emerging tax issues in frequently asked questions on its website.

State and Territory tax relief measures announced

Set out below is a summary of measures announced to date by State and Territory Governments to assist businesses that are affected by COVID-19.

Practical aspects relating to some measures are still to be confirmed by the relevant authorities and relevant legislation that is yet to be enacted. We anticipate further details on how to access these measures will be available shortly.

The table below summarises the payroll tax relief measures announced by each State and Territory.

State	Eligibility	Details
<u>QLD</u>	All affected businesses	The QLD Government has announced a deferral of QLD payroll tax liabilities for the next six months to cover all affected businesses, regardless of size. This will be applied automatically upon application and payments for the remainder of this financial year will be due on 3 August 2020.
<u>NSW</u>	Businesses with grouped Australian wages of up to AUD10m	A partial waiver of payroll tax liabilities due in respect of the period April to June 2020. Note that the AUD10m threshold does not apply on a 'per employer' basis, where the employer is part of a payroll tax group. Employers must still disclose the full year of taxable wages in their annual reconciliation. A reduction to the annual liability of 25 per cent will be applied automatically.
	All employers	The payroll tax threshold will be raised from AUD900,000 to AUD1m for the financial year commencing on 1 July 2020.
<u>WA</u>	Australian annual wages between AUD1m - AUD4m	One-off grant of AUD17,500 will be provided to businesses paying payroll tax, with a payroll between AUD1m and AUD4m.
	All employers	The increase of the payroll tax threshold to \$1m will be fast-tracked to start from 1 July 2020, being six months earlier than the originally planned date.
	Australian annual wages up to AUD7.5m	Businesses which have been affected by COVID-19, can apply for a deferral of their 2019/20 payroll tax payment until 21 July 2020.
<u>TAS</u>	Hospitality, tourism, seafood and export sectors	Payroll tax for the period March to June 2020 will be waived for businesses in the hospitality, tourism, seafood and exports sectors.
	Australian annual wages up to AUD5m	Affected businesses in other sectors can apply for a waiver of payroll tax for the three months of April, May and June 2020.
	Youth employment including apprentices and trainees	A youth employment payroll tax rebate scheme will also be introduced from 1 April 2020 to encourage youth employment. One-off grants of AUD5,000 for businesses that hire an apprentice or trainee will also be introduced.

<u>VIC</u>	Victorian annual wages up to AUD3m	Full payroll tax refunds for the 2019-20 financial year. Deferral of payroll tax for the first three months of the 2020/21 financial year until 1 January 2021.
<u>ACT</u>	Eligible employers in the hospitality, creative arts and entertainment industries	Six-month waiver on payroll tax from April to September 2020.
	Australian annual wages up to AUD10m	Interest-free deferrals of payroll tax for the 2020-21 year until 1 July 2022.

Some States and Territories have also announced other relief measures including rent relief for commercial tenants in government buildings, land tax deferrals and waiving or refunds of rates and licencing fees.

The takeaway

As the global spread of COVID-19 continues, the economic impacts both locally and overseas are just beginning to be felt. As highlighted by the Prime Minister and Treasurer in their initial announcement on 12 March 2020, Australia is well placed to respond to the economic challenges it faces with a budget returned to balance last year. Both the IMF and OECD have indicated that Australia is in one of the best positions within advanced economies to provide fiscal support without endangering debt sustainability. The tax concessions and cash flow support announced at both the Federal and State level will be welcomed by many small and medium businesses, although practical challenges will remain.

In addition to the potential direct and indirect benefits of these support packages, there are a range of other issues that businesses should consider as they face the challenges posed by COVID-19. For further information, visit: www.pwc.com.au/important-problems/covid-19.html

Let's talk

For a deeper discussion of how these issues might affect your business, please contact **your usual PwC Australia adviser**.

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