

BusinessPlus+ Newsletter



CBSW
TAX & BUSINESS ADVISORS

Level 2, 49 Oxford Close
West Leederville WA 6007
PO Box 1475, West Leederville WA 6901
T: +61 8 9363 7300
E: admin@cbswtax.com.au
W: cbswtax.com.au

INDEX

JobKeeper Payment Scheme	1
SME Commercial Rent Relief package & Code of Conduct	1
Research and Development Registration Date Extended	2
Energy Bill Problems	2
Coronavirus Stimulus Package for SMEs	2
COVID-19 Survival Plan	3
Decision Making in a State of Uncertainty	4

Issue – April 2020

JobKeeper Payment Scheme

The Federal parliament passed the government's JobKeeper package on 8 April 2020 and some key features are: -

- Businesses must qualify by substantiating that they have lost at least 30% of their turnover in a month-long period or a three-month period, depending on the duration of the Business Activity Statements being lodged by that business.
- The payments being made by the government to eligible businesses relate to persons employed by the business on 1 March 2020, will be \$1,500 per fortnight from 30 March 2020 for 6 months and relates to, full-time, part-time and casual staff who have worked with the business for more than 12 months.
- The legislation also applies to partnerships, sole traders and self-employed workers.
- Workers, on temporary visas, are not included unless they are New Zealanders on special category (subclass 444) visas.
- Employers only have to pay superannuation on any top up amounts above the \$1,500.
- Employers can change their staff hours to whatever amount would bring their pro rata pay down to \$1,500 per fortnight as long as they comply with new Fair Work guidelines and amended Awards.
- **Online registrations via the ATO for JobKeeper commenced on 20th April and must be completed by no later than 30th April 2020 if the employer wants to have it available for its employees effective from 30 March 2020;**
- **The payments will be made at least a month in arrears with the first payment scheduled to be made by the Australian Taxation Office on 14th May 2020. You'll need to factor this payment delay into your cashflow forecast.**

Please click on the attached links below for additional useful information on JobKeeper: -

- [JobKeeper Payment Eligibility & Checklist - here;](#)
- [Frequently Asked Questions – Q & A's - here;](#)
- [More JobKeeper FAQ's – CPA Summary - here;](#)
- [CCIWA Employer Guide on JobKeeper - here;](#)

SME Commercial Rent Relief Package & Code of Conduct

After a meeting of the National Cabinet on 7 April 2020 the Prime Minister announced new rental waivers and deferrals for SME commercial tenants impacted by the COVID-19 Coronavirus. Under the scheme, landlords **will have to reduce lease rentals in proportion to the reduction in the tenant's business turnover due to the COVID-19 Coronavirus – up to a maximum of 50%** and this commenced with effect from 3 April 2020, as per State based legislation. The Western Australian legislation was introduced into parliament in the week ended 17th April 2020.

If you're renting your business premises and there is a likelihood you may need to negotiate a rent decrease, you must be registered for the JobKeeper payment scheme. This is even if you do not intend to apply for the wages' subsidy payments, because to gain the benefit of the "mandatory code of conduct for SME commercial leases", **you must be a registered (eligible) business for the purpose of the JobKeeper program.**

Landlords are required to offer tenants, at least, 50% of their rent reduction entitlement as waivers "over the course of the pandemic period – currently six months" and the remaining 50% as rent deferrals.

Deferrals are required to be covered over the balance of the tenant's individual lease term – **with a minimum deferral period of 24 months.** For example, a tenant with 3 years left on the lease will be able to pay deferred rent over the course of their agreement. Whilst a tenant with less than two years on their leases, for example 12 months, will have a minimum period of 24 months to pay the deferred rent.

In summary, landlords cannot refuse reasonable requests for rent relief to SME tenants who are eligible for the JobKeeper scheme. Waivers and deferrals will be negotiated individually but must follow the core principles of the mandatory code. [A copy of the SME Mandatory Code of Conduct – Commercial Leases, can be found here.](#)

Research and Development Registration Date Extended

The Australian government has announced that because of COVID-19 coronavirus and the bushfires in 2019/20, they are **automatically extending the registration date for applications in respect of the year 2018/19 until 30 September 2020.** The normal registration date would have been 30 April 2020.

Energy Bill Problems

The Australian government has released some commentary on options available if a business is struggling to pay energy bills because of the impacts of the COVID-19 coronavirus. The commentary advises as follows:

If you cannot pay your bill on time and you have received a disconnection notice contact your retailer to find out how they can help. The retailer may be able to:

- delay payment
- allow you to pay your bill off in smaller amounts
- avoid disconnection

If you're not satisfied after speaking to your provider, contact the Energy Ombudsman in your State or Territory. The Ombudsman is a free and independent dispute resolution service.

Coronavirus Stimulus Packages for SMEs

A summary of the key features of other Federal government's stimulus package measures targeted at small and medium-sized businesses is as follows: -

- **Tax-free boost of up to \$100,000 to help pay wages:** Businesses with turnovers up to \$50 million per annum will receive a **tax free cashflow boost worth up to \$100,000** designed to help pay wages. The calculation is based on 100% of PAYG tax deduction from employees' salaries and wages up to a maximum of \$50,000 for the three-month period of January, February, March 2020, which will be assessed on the Business Activity Statement to be lodged on 28 April, with a further 50% of the PAYG amount withheld (June quarter BAS) payable on 28 July (max. of \$25,000) and 28 October (max. of \$25,000) for the September quarter BAS.
- **PAYG Withholding Credit:** Eligible businesses which pay salaries and wages, but are not required to withhold tax, will receive a minimum tax-free credit on their ATO BAS account of \$20,000. The credit to be processed on 28 April will be \$10,000 with a further 50% (\$10,000 in total) being payable on 28 July (\$5,000) and 28 October (\$5,000).
- Businesses with **less than 20 full-time employees, who have apprentices/trainees** employed at 1 March 2020, will be able to apply for a subsidy of 50% of the individual apprentices'/trainees' wages for the nine-month period 1 January to 30 September, up to a maximum cap of \$21,000 per apprentice/trainee employee.

- **Coronavirus supplement:**
A coronavirus supplement has been introduced at \$550 per fortnight, which will be payable to new and existing eligible income support recipients. Eligible recipients will receive the coronavirus supplement from 27 April 2020 along with their usual payment. Eligibility for the coronavirus supplement includes sole traders and self-employed persons.
- **Access to superannuation:**
Individuals who meet specific eligibility criteria, can access money from their superannuation funds. Also, sole traders are eligible where their business has been suspended or there is a reduction in turnover of 20% or more. The superannuation drawdown has to be processed through myGov and an eligible person can access 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 until 24 September 2020. **We recommend independent financial advice be sought on this matter.**
- **Coronavirus SME Guarantee Scheme:** The government has indicated that it is aware that many SMEs will be facing severe cashflow problems because of COVID-19. The government and the Reserve Bank of Australia have implemented the Coronavirus SME (Loan) Guarantee Scheme.

The Reserve Bank has advised banks that it has a facility of \$90 billion that it will lend to the banks (big 4 banks and a wide range of other banks and financial organisations) these funds from 23 March 2020 to 30 September 2020. The Commonwealth government has indicated that it will issue a 50% guarantee to the banks for each loan approved by them with these funds.

The lending condition imposed by the Reserve Bank and the government is that loans are to be made available to SMEs with turnovers up to \$50 million per annum. The maximum loan is \$250,000 on an unsecured basis for a term of 3 years. There can be an initial 6-month repayment holiday, but interest is capitalised.

Banks will require their normal credit application form is to be completed and other loan eligibility criteria will also be applied when processing applications. SME businesses should carefully and fully document their position before submitting an application and generally those businesses with overdue ATO and other debts will not be considered for these special purpose loans.

Please click on any of the following links that provide further details and checklists: -

- [What government and other assistance is available for my business – here;](#)
- [How can I maintain my business liquidity – here;](#)
- [CCIWA Summary of COVID-19 stimulus assistance – Federal & WA – here;](#)

We can assist you with applying for this SME Loan or other Working Capital facilities.

COVID-19 Survival Plan

Businesses need to make decisions as to whether they are going to submit applications for access to those components of the stimulus packages that they are eligible for, including: -

- Apprentices/Trainee Subsidy
- JobKeeper Payment Scheme
- Loan applications in conjunction with the Coronavirus SME Guarantee Scheme
- Other assistance

You do not have to apply for the “Boosting Cashflow for Employers” which will be automatically processed by the Australian Taxation Office when you lodge your Business Activity Statement for the month or 3 months ending 31 March 2020 which is due for lodgement by 28 April 2020.

In addition, each of the State and Territory governments has released their own stimulus packages and it is advisable to review those to determine whether you need to submit an application or register.

The problems being caused by COVID-19 will not last forever and it is appropriate that you start the process on the development of your COVID-19 Survival Plan so as to ensure your business gives itself the best opportunity of surviving this crisis and being ready to “*come out of hibernation and get right back into the game when the crisis ends*”.

Your COVID-19 Survival Plan will assist in restoring confidence in your organisation and building your business for the challenges of the future. Where do you start? Here are just a few suggestions: -

- If you've not already done so, prepare an estimate of your expected sales revenue on a weekly basis for the next 6, 12 and 18 months – and apply scenario planning – expected position and worst-case position;
- Review your staff cost relative to your income projections. Then decide whether any of your team members are or will be surplus to your requirements;
- Give consideration to the JobKeeper payment scheme (if you consider that you'll be eligible and you wish to apply for it) which could provide \$1,500 per fortnight per employee; however, the government's subsidy payment is being paid one month in arrears – how will this affect your cashflow;
- Consult your HR adviser on the strategies that you should adopt with your team members;
- What is your supply chain situation – are you going to be able to receive the quantities of product that you require to meet your sales expectation;
- Communicate with your suppliers – try and negotiate lower costs and longer payment periods;
- Communicate with your landlord for a reduction in rent – if your turnover has reduced by 30% you're eligible to apply for the JobKeeper program.
- Review debtors and immediately contact any customers who are taking longer to pay you than your stated payment terms and try and negotiate some mutually workable arrangements – they too are most likely suffering cashflow issues too;
- Review stock - identify old or hard to sell stock and organise a “sales promotion” to try to convert that “dead stock” into cash;
- Review the business assets – do you have assets that are not being used on a regular basis? Could they be sold to generate cash for the business;
- Prepare a Budget and revise Cashflow Forecasts and, if your forecasts show that you'll need additional funds for working capital purposes, give consideration to the submission of a loan application to your bank for a loan of up to \$250,000 under the Coronavirus SME Guarantee Scheme;
- Review costs – what savings could be instigated;
- Create a COVID-19 coronavirus disaster team which would meet daily to consider issues, government announcements and review the implementation of strategies;

Please click on any of the following links that provide further useful details and checklists on this topic: -

- [A COVID-19 Survival Plan checklist – here;](#)
- [A COVID-19 Business Impacts Analysis checklist – here;](#)
- [Your COVID-19 Business Battle Plan questionnaire – here;](#)
- [CCIWA Business Continuity & Disaster Recovery Workbook – here;](#)
- [Detailed Summary of Business Tips to Assist SME's – here;](#)
- [CCIWA Workforce Options during COVID-19 – here;](#)
- [CCIWA COVID-19 Employer Guide – here;](#)
- [Commercial Tenancies \(COVID-19 Response\) Bill 2020 Explanatory Memorandum WA – here;](#)

Decision Making in a State of Uncertainty

The strategic approach to decision-making involves making sense of what's evolving in the world and using that sense to enable your business to seize emerging opportunities and minimise emerging threats. Even in business-as-usual contexts this necessitates some bold decision-making.

Lockdown is Anything but Business-As-Usual

If the two factors that most complicate decision-making are uncertainty and chaos, then Covid-19 has given us a double whammy – the unknown effect the virus may have on our population, and the chaos of radically unfamiliar regulations and practices imposed by the lockdown.

How do you, as a business leader, make the most effective decisions at this point of the lockdown? By simplifying - having the right tools to work through the process helps.

The First Step to Simplifying

Identify the context that describes your current business situation:

Obvious — where everything about the situation is known; cause and effect are observable, the requirements around any solution are clear — there's a right answer.

Complicated — in which you know what you don't know; cause and effect are discoverable, but expert analysis is required to determine the solution — more than one right answer may exist.

Complex — you don't know what you don't know about the situation; causes can only be determined in hindsight; there's internal turbulence, as many ideas compete as possible solutions — there's no right answer.

Chaotic — turbulence exists both inside the organisation and outside of it; there are too many unknowables to allow for effective analysis and multiple decisions to be made simultaneously — nobody has enough time to think solutions through.

Many businesses right now fall into the chaotic category. If that applies to you, then here's what to do next.

If the Current Business Situation Is Chaotic

Your goal is to shift the context to complex. That means eliminating panic and stabilising the situation. Act first and think later, because it's only by getting the ball rolling that you'll be able to see what works.

Here are four decisive actions to take right now:

Communicate openly, frequently, calmly and decisively — nobody expects you to know all the answers in a time of crisis. But the people who rely on your leadership need to know where you're at and how your decision-making is evolving. Silence breeds anxiety if not panic; dishonesty breeds confusion.

Command and control — give clear directives to your business team so they know what to do and how to recognise whether they've done it successfully; having something constructive to do in a time of uncertainty increases peoples' sense of confidence and usefulness. However, they must understand its relevance to the company's current needs.

Divide and conquer — if you have enough people to form into teams, create two. (a) A **"rapid response" team**, tasked with managing critical functions (finances, health and safety, stakeholder communications, and any others that are essential for business survival).

(b) A **"problems-as-opportunities" team**, tasked with observing the challenges the lockdown is creating for your market and your operation, and proposing innovations that could be implemented to take advantage of them once the situation permits it.

Challenge your thinking — with so much at stake, and so many unknowables to deal with, you run the risk of going down rabbit holes. Take advantage of experts in your network as sounding boards; encourage them to provide critique that ensures you're maintaining a big-picture view.

We are currently in the crossover of the **Survival Phase** and the **Adaptation Phase** of the COVID-19 crisis; things can and will change quickly in Australia one suspects. So, the business operators that embrace the chance to plan for not only "the now" but also the post pandemic period — the **Recovery Phase**, will be much better positioned than those businesses that are caught up fighting the daily issues and survival pressures of continuing in business.

The International Monetary Fund (IMF) has forecast that Australia will have a reduction in GDP for the 2020 year of about -7.0%, however they are also forecasting a rebound to a +6% in GDP in 2021, so preparing for the opportunities that economic growth will provide, is not to be missed by astute business leaders. Let's hope the IMF is correct and we do have a relatively quick turn-around and strong economic growth in 2021.

Please click on any of the following links that provide further useful information on this topic: -

- [Bain & Company – Summary: "Act Now, Plan Now" for your Business – here;](#)
- [Bain & Company – Article- "COVID-19 Protect, Recover and Retool" – here;](#)

Disclaimer:

Business Plus is distributed monthly by CBSW Tax & Business Advisors to provide information of general interest to our clients. The content of this newsletter does not constitute specific advice. Readers are encouraged to consult their CBSW advisor for advice on any specific business matters.

Providing you
professional
direction

