



Monthly Information Newsletter – Tax & Super

April 2020

The Coronavirus stimulus package

A legislative package has been pushed through Parliament which contains a number of bills that implement the government's economic response to the spread of the coronavirus.

The relief package of legislation consisted of eight separate bills, which were all introduced to Parliament at the same time. The legislation has now passed both houses, with most applying from mid-March.

Instant asset write-off

The income tax law was amended to increase the cost threshold below which certain business entities can access an immediate deduction for the full cost of depreciating assets from \$30,000 to \$150,000. This change to the rules is only available from 12 March 2020 to 30 June 2020. For an asset to be eligible for the instant asset write-off it must be first used for a taxable purpose in the period 12 March 2020 to 30 June 2020. Alternatively, the asset must be installed and ready for use in that period.

In the Federal Budget announced on 2 April 2019, the Federal Government extended the instant asset write-off to businesses that have a turnover of between \$10 million and \$50 million. This was in addition to small businesses that have a turnover of less than \$10 million.

The instant asset write-off will now also apply to businesses that have an aggregated turnover of less than \$500 million. However, it will only apply to these businesses for the period 12 March 2020 to 30 June 2020.

This means that there will be two periods that you will need to consider in relation to purchases of assets in the year ending 30 June 2020. The first period is from 1 July 2019 to 11 March 2020. Eligible assets costing less than \$30,000 can be written off completely in this period by businesses that have an aggregated turnover of less than \$50 million. From 12 March 2020 to 30 June 2020, eligible assets costing less than \$150,000 (GST exclusive), can be written off by businesses that have an aggregated turnover of less than \$500 million.

It should be noted that from 1 July 2020, the instant asset write-off threshold will revert to its original level of \$1,000 and will only be applicable for businesses with an aggregated turnover of less than \$10 million. Accordingly, the coronavirus measures offer a strong incentive for most businesses to obtain a significant tax deduction that will no longer exist in the new financial year.

Accelerated depreciation

This provides an incentive for businesses with aggregated turnovers of less than \$500 million a year to invest in plant and equipment and other depreciating assets.

Specifically, the bill amends the income tax law to temporarily allow businesses with aggregated turnovers of less than \$500 million in an income year to deduct capital allowances for depreciating assets at an accelerated rate of 50% of the cost of an asset. This will be in addition to the normal depreciation that is claimed on the cost of the asset after deducting the 50% amount.

Generally, to be eligible to apply the accelerated rate of deduction, the depreciating asset must satisfy a number of conditions, including that the asset:

- is new and has not previously been held by another entity (other than as trading stock or for testing and trialling purposes);
- is an asset for which an entity has not claimed depreciation deductions, including under the instant asset write-off rules; and
- is first held, and first used or installed ready for use, for a taxable purpose between 12 March 2020 and 30 June 2021 (inclusive).

Boosting cash flow for employers

The cash flow boost provides for payments to support employers by boosting their cash flow. Another intention with this measure is to encourage the retention of employees through any follow-on downturn.

Undoubtedly, this part of the stimulus package is the most confusing. Unfortunately, it also has the potential to be rorted by unscrupulous people. That is why the measures contain an anti-avoidance provision.

Before explaining the detail, here are a number of statements about this part of the package that will assist with explaining certain aspects of what is known as the “cash flow boost”.

1. There are two rounds of cash flow boost.
2. The second cash flow boost is determined from the amount of the first cash flow boost.
3. The amount of the first cash flow boost is determined by the amount of withholdings from (broadly) wages or the minimum cash flow boost payment (\$10,000), whichever is larger.
4. The maximum first cash flow boost amount is \$50,000.
5. If eligible, the minimum “payment” to an entity will be \$20,000 and the maximum will be \$100,000 from the two cash flow boost payments.
6. The “payments” are actually credits given to the entity through the lodgement of activity statements. If the credits exceed the amount owing, a refund will be paid by the ATO to the entity within 14 days of the due date for lodgement of the activity statement.
7. The payments will operate in a different manner for monthly and quarterly lodgers of activity statements. The examples below will explain this.

Entities with an aggregated turnover under \$50 million are generally eligible to receive the first cash flow boost for a period if:

- the entity makes a payment that is subject to withholding obligations (broadly, a payment of wages or salary or similar remuneration), whether or not any amount is actually withheld, in the period; and
- the period is one of the following:
 - the quarters ending in March 2020 or June 2020 for quarterly payers; and
 - the months of March 2020, April 2020, May 2020 or June 2020 for monthly payers; and
- if the entity:
 - held an ABN on 12 March 2020; and
 - either derived assessable income from carrying on a business in the 2018-19 income year or made one or more supplies for consideration in the course of an enterprise it carried on within Australia in tax periods commencing after 1 July 2018 and ending before 12 March 2020 and notice of the income or supplies was held by the Commissioner on or before 12 March 2020 or within such further time as the Commissioner allows (this notice appears to be either activity statements or an income tax return); and

- the entity (or an associate or agent of an entity) has not engaged in a scheme for the sole or dominant purpose of seeking to make the entity entitled to the first cash flow boost or increase the entitlement of the entity to the first cash flow boost.

There are some other conditions that we can help work through if you are an eligible business.

The timing of the cash flow boost needs to be noted as well. Quarterly lodgers will be eligible to receive the payment for the quarter ending March 2020 and June 2020. Monthly lodgers will be eligible to receive the payment for the March 2020, April 2020, May 2020 and June 2020 lodgements. To provide a similar treatment to quarterly lodgers, the payment for monthly lodgers will be calculated at three times the rate (300%) in the March 2020 activity statement.

The minimum payment [\$10,000] will be applied to the entities’ first lodgement.

The additional payment [the second cash flow boost] will be applied to a limited number of activity statements. Where this places the entity in a refund position, the ATO will deliver the refund within 14 days.

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 \$50,000).

Monthly lodgers will be eligible to receive the additional payment for the June 2020, July 2020, August 2020 and September 2020 lodgements. Each additional payment will be equal to a quarter of their total initial Boosting Cash Flow for Employers payment (up to a total of \$50,000).

The anti-avoidance provision

Be aware that the cash boost legislation contains an anti-avoidance provision. This states: “Neither the entity nor any associate or agent of the entity has entered into or carried out a scheme or part of a scheme for the sole or dominant purpose of achieving any of the following:

1. making the entity entitled to the cash flow boost for the period;
2. increasing the amount of the cash flow boost to which the entity is entitled (disregarding this paragraph) for the period.

Many taxpayers however may wonder about those owners of businesses (through trusts or otherwise) that don't pay themselves a wage. Instead they take trust distributions, receive dividends or simply draw on the profits of the business. As legislated, the cash flow boost is only available in respect of (broadly) employment related withholdings. There may be a strong risk of falling foul of the anti-avoidance provision if someone who has not been paid salary or wages for a long period is now put on wages.

The ATO is very aware that there are schemes being entered into to take advantage of this handout, and we will let clients know if an announcement is subsequently made in this regard.

Superannuation contributions

Employers should note that there are no changes to the requirement to make superannuation contributions in accordance with the Superannuation Guarantee law.

Superannuation Guarantee Charge Amnesty

The SGC amnesty period started on 6 March 2020 and will conclude at midnight on 7 September. No change has been made to this period. It should be remembered that payments after 7 September 2020 in relation to the SGC amnesty will not be tax deductible.

Stimulus payments to households

Also provided for is the payment of the first economic support payment of \$750 to Social Security and Veterans' income support recipients, Farm Household Allowance recipients, Family Tax Benefit recipients and holders of a Pensioner Concession Card, Commonwealth Seniors Health Card or Commonwealth Gold Card.

There will also be a second economic support payment of \$750 to the above people who receive a qualifying payment or hold a qualifying concession card on 10 July 2020. This second payment will not be paid to a person who receives, on 10 July 2020, the new Coronavirus supplement detailed below.

Additional supplement for income support recipients

The stimulus package also amends the Social Security legislation to provide financial assistance to people who are affected by the COVID-19 crisis. Australians can claim Jobseeker payment or Youth Allowance (other) if they are an

Australian resident (or exempt from the residence requirements). If qualified, a person receives the current rate of Jobseeker payment or Youth Allowance (other) along with a fortnightly supplement of \$550 or such other amount determined by legislation.

The supplement is also available to existing recipients of Jobseeker payment, Youth Allowance (other), Parenting Payment, Special Benefit, and the Farm Household Allowance. The Minister for Families and Social Services may extend the supplement to other social security payments by legislative instrument should a need arise.

The supplement is available for an initial six-month period, although this may be extended depending on how the current crisis unfolds.

Recipients of Jobseeker payment or Youth Allowance (other) (which includes new and existing recipients) and Parenting Payment are also exempt from the assets test, liquid assets waiting period, ordinary waiting period, newly arrived resident's waiting period and seasonal worker preclusion periods. The exemption from the newly arrived resident's waiting period also applies to special benefit. The supplement and exemptions also apply to recipients of the Farm Household Allowance.

Note that the date of affect for these measures is 27 April.

Early release of superannuation

The stimulus legislation allows individuals affected by coronavirus to have up to \$10,000 released from their superannuation or retirement savings account on compassionate grounds. Each person is permitted to have up to two releases – one for an application made during the 2019-20 financial year and another for an application made during the 2020-21 financial year. The amounts that are released are not subject to tax.

From mid-April eligible individuals will be able to apply online through myGov to 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.

The legislation states that to apply for the determination for such early releases, the person must satisfy any one of the following requirements about their employment or business status.

At the time the person applies for the determination, they are:

- unemployed;
- eligible to receive a Jobseeker payment, Youth Allowance, Parenting Payment (which includes the single and partnered payments) or special benefit under the Social Security Act; or
- eligible to receive the Farm Household Allowance; or

On or after 1 January 2020 the person:

- was made redundant;
- their working hours were reduced by 20% or more; or
- if the person is a sole trader – their business was suspended or there was a reduction in their turnover of 20% or more.

Superannuation drawdowns

The bill amends the regulations to give effect to the Government's announced measure to reduce the minimum payment amounts for account-based pensions (and for the equivalent annuity products) by half for the 2019-20 and 2020-21 financial years.

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