



Monthly Information Newsletter – Tax & Super

May 2021

The SME Recovery Loan Scheme is now open

Loans for small to medium enterprises (SMEs) are available until 31 December 2021 under the Federal Government's SME Recovery Loan Scheme. The scheme is designed to support the economic recovery, and to provide continued assistance, to firms that received JobKeeper and also to firms that are eligible flood-affected businesses.

Treasury says the scheme aims to enhance lenders' ability to provide cheaper credit, allowing many otherwise viable SMEs to access vital additional funding to get through the impact of COVID-19 and to recover and prepare for the future. The Federal Government aims to work with lenders to ensure that eligible firms have access to finance, with actions such as offering a guarantee.

The scheme builds on the framework established in the two phases of the Coronavirus SME Guarantee Scheme, and is only open to recipients of the JobKeeper payment between 4 January 2021 and 28 March 2021 as well as businesses that were located or operating in eligible flood affected local government areas (LGAs) in March 2021.

Phase 2 of the existing SME Guarantee Scheme will remain open to eligible borrowers until 30 June 2021, and SMEs with phase 1 or phase 2 loans will be able to apply for loans in SME Recovery Loan Scheme provided they meet eligibility criteria.

Businesses that access other disaster-related financial assistance will be able to apply for loans under the SME Recovery Loan Scheme, on the condition that they meet eligibility criteria.

Eligibility

The scheme is only open to SMEs with a turnover of up to \$250 million that were recipients of the JobKeeper payment between 4 January 2021 and 28 March 2021 or were affected by the floods in eligible LGAs in March 2021. Both self-employed individuals and non-profit businesses are eligible. Businesses that have accessed loans in phase 1 and phase 2 can also apply for loans under the scheme.

Key features

Participating lenders are offering guaranteed loans on the following terms under the SME Recovery Loan Scheme:

- The Federal Government guarantee will be 80% of the loan amount.
- Lenders are allowed to offer borrowers a repayment holiday of up to 24 months.
- Loans can be used for a broad range of business purposes, including to support investment. Loans may be used to refinance any pre-existing debt of an eligible borrower, including those from the SME Guarantee Scheme.
- Borrowers can access up to \$5 million in total, in addition to the phase 1 and phase 2 loan limits.
- Loans are for terms of up to 10 years, with an optional repayment holiday period.
- Loans can be either unsecured or secured (excluding residential property).
- The interest rate on loans will be determined by lenders, but will be capped at around 7.5%, with some flexibility for interest rates on variable rate loans to increase if market interest rates rise over time.

All big four banks have released loan offerings based on the scheme. Ask this office for other essential information.

DISCLAIMER

All information provided in this article is of a general nature only and is not personal financial or investment advice. Also, changes in legislation may occur frequently. We recommend that our formal advice be obtained before acting on the basis of this information.

Our liability may be limited by a scheme approved under Professional Standards Legislation.