

Certified Practicing Accountant

Dear Clients,

*Re: The COVID-19 situation
& the Government stimulus packages*

In turn of recent events of the COVID-19, it is always a priority to focus on your family and loved one's health during these difficult times. In response to this epidemic, the Australian Government announced measures that will help the economy endure and recover from the economic impact of COVID-19. In saying so, the government is introducing some legislative changes that will take effect as soon as possible. This will be introduced and announced later on Monday the 23rd of March with information of how to access and claim these incentives.

The Australian Government has introduced the first stimulus package which aims to keep Australian businesses in business, especially small to medium enterprises (SMEs). The package introduced comprises of \$17.29 billion into the Australian economy to support cash flow, to boost investments and provide immediate demand stimulus into the Australian economy. More specifically, this financial year and the next financial years gross impact of that stimulus is \$22.9 billion.

The measures that cost \$3.9 billion and are designed to keep Australian businesses investing, as well as rewarding the businesses for investing more. The two measures that are designed to boost cash flow for SMEs employers are:

1. A payment of up to \$25,000 to businesses that employ people a have a turnover of up to \$50 million. The payment will be delivered automatically though the tax system which means no new forms are required and these payments are tax free.
2. A 50% subsidy for apprentices and trainees in businesses with less than 20 employees will receive up to \$20,000 per apprentice and 117,000 apprentices will have additional job security as a consequence of this measure.

These 2 measures which cost around \$8billion are designed specifically to keep businesses in business and Australians employed.

The government will also provide a one-off stimulus payment to households of \$750. Recipients include Newstart allowance, disability support pension, carers allowance, youth allowance, veterans support payments, family tax benefit, commonwealth senior's health card holders and 2.4million aged pensioners. This one-off payment which costs \$4.8billion will flow automatically from the 31/03/2020 and provide additional income to millions of Australians to be spent across the economy.

The second stimulus package introduced on the 22nd of March has been introduced by the government with \$66billion to cushion the blow of households as a result of the COVID-19 to support businesses and enhancing an unprecedented way of Australia's safety.

The package will support households including casuals, sole traders, retirees and those on income support. This will aid with businesses to keep people employed, as well as providing regulatory protection and financial support for businesses to stay in business.

For individuals:

The government has announced a doubling of the job seeker allowance (aka Newstart allowance) through the introduction of a temporary coronavirus supplement. The government will also be waving the assets test and waiting periods for the job-seeker allowance which allows Australians to quickly access the support that they need.

- The Stimulus package will provide an additional \$550 a fortnight on top of the existing jobseeker payment and will be available to sole traders and casual employees who meet the income test. This means that eligible persons for the job seeker will now receive more than \$1,100 per fortnight effectively doubling the allowance. As previously mentioned from the first stimulus package, the first one-off payments of \$750 that will take place on the 31st of March 2020, that further one-off payment of \$750 will also take place on the 13th of July 2020 to those on income support that are not eligible for the coronavirus supplement. This will also include those who receive the aged pension, carers allowance, family tax benefit and the commonwealth senior's health card.

- This economic response will allow these Australians who are in financial stress as a result of the coronavirus to access more of their own money in superannuation. From April 2020, these affected will gain access to their own superannuation of up to \$10,000 this financial year and a further \$10,000 next financial year. These withdrawals of superannuation will also be tax free and available to those who are eligible for the coronavirus supplement as well as sole traders whose hours worked, or income have been reduced by 20% or more as a result of the virus. Applications will be made available online through a simple declaration to the Australian Taxation Office.

For SMEs:

- The second part of the package (**which overwrites the point one of the first package**) shows a massive support scale for SMEs across Australia. the government will be increasing cash payments to SMEs to boost their cash flow and to keep their employees employed. All employing businesses will receive at least \$20,000 and some of the larger SMEs will receive up to \$100,000 and extending this measure to 30,000 not for profit organisations which have an annual turnover of less than \$50million. This will be used as a lifeline for employers whose income has been significantly reduced by the current circumstances. This payment will be automatically paid through the tax system largely over the next six months with the first payment after the 28th of April 2020 – this also means that there will be no news forms required by SMEs.
- The government is also guaranteeing in a 50/50 partnership with banks and other lenders, more lending to Australians small to medium enterprises. This \$40billion scheme will start in early April and will provide loans up to \$250,000 for up to 3 years for a business with a turnover less than \$50million. No repayments will be required for the first six months and these will be unsecured loans as they hope to build a bridge for SMEs to the other side of the virus spread. In order to access this, SMEs will need to contact their banks and lenders directly about this scheme's availability.

The third and final part of the package will provide a regulatory shield for what otherwise profitable and viable businesses that find them under severe financial pressure as a result of the COVID-19. In order to make more flexibility in solvency and bankruptcy laws to keep these businesses alive and to trade through this period. The government will be proposing the increase of threshold at which a creditor may take action to initiate insolvency or bankruptcy from as low as \$2,000 to be capped at \$20,000 and giving companies and individuals six months to respond instead of only 21 days. The

government will also be providing relief for distress for personal liability where a company is trading while insolvent which will be provided over the next 6 months to assist companies to get through this period.

Our office extends our prayers and wishes to you and your families during these very challenging and difficult times. We hope that this letter provided you with a generous understanding of the entitlements and announcements by the Australian Government. As always, we are here to help and provide the best possible service to our clients, please feel free to contact us through email should you have any further questions or queries.

Regards



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