



STANWYCKS
CERTIFIED PRACTISING ACCOUNTANTS

Australian government assistance in response to COVID-19

The Federal Government has announced the economic stimulus package, but who is eligible and how do they receive the incentive?

On 12 March the Federal Government announced a range of incentives to assist businesses to withstand and recover from the impact of COVID19 and boost the economy.

The Government incentives include a Cash Payment Boost for businesses. This incentive is in addition to the enhancement to the instant asset write off. Below, we outline the eligibility criteria and the procedure in which to receive the incentive.

Cash Payment Incentive

Eligibility

- Small and medium business entities with aggregated annual turnover of less than \$50 million that have/will employ and pay workers will be eligible for a tax free cash benefit. Eligibility will generally be based on prior year turnover. There are no other conditions to qualify for the cash payment.
- The payment will be delivered by the Australian Taxation Office (ATO) as a credit in the Activity Statement system from 28 April 2020 when eligible businesses lodge their upcoming activity statements.
- Eligible businesses that withhold tax to the ATO on their employees' salary and wages will receive a payment equal to 50% of the amount withheld, up to a maximum payment of \$25,000.
- Eligible businesses that pay salary and wages will receive a minimum payment of \$2,000, even if they are not required to withhold tax.

Timing

- The Boosting Cash Flow will be applied for a limited number of Activity Statement lodgements. The ATO will deliver the payment as a credit to the business upon lodgement of their Activity Statements. Where this places the business in a refund position, the ATO will deliver the refund within 14 days.
- Quarterly lodgers will be eligible to receive the payment for the quarters ending March 2020 and June 2020.
- Monthly lodgers will be eligible to receive the payment for the lodgement months of March 2020, April 2020, May 2020 and June 2020. To provide a similar treatment to quarterly lodgers, the payment will be calculated at three times the rate (150%) in the March 2020 activity statement.
- The minimum payment will be applied to the business' first lodgement.

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In most cases the Cash Payment Incentive will be unlikely to result in actual cash payments. Instead, eligible businesses will more likely benefit a reduced net BAS payment after offsetting the credit against PAYG Withholding and other tax obligations in their BAS.

Micro-small businesses that employ staff may benefit from receiving a \$2,000 payment where they employ staff yet have no PAYG Withholding.

ATO administration relief

In addition to the legislative changes, the Australian Taxation Office (ATO) also announced a series of administrative concessions to assist businesses impacted by COVID-19, which include:

- deferring by up to four months the payment of tax amounts due through the BAS (including PAYG instalments), income tax

- assessments, FBT assessments and excise by affected businesses;
- allowing affected businesses on a quarterly reporting cycle to opt into monthly GST reporting to get quicker access to any GST refunds;
- allowing affected businesses to vary PAYG instalment amounts to zero for the April 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;
- remitting any interest and penalties, incurred by affected businesses on or after 23 January 2020, that have been applied to tax liabilities; and
- allowing affected businesses to enter into low-interest payment plans for their existing and ongoing tax liabilities.

The ATO assistance is not automatic; taxpayers must first contact the ATO to request assistance, and if eligible, the ATO will 'tailor the assistance package for the relevant taxpayer'.

References

1. <https://www.business.gov.au/risk-management/emergency-management/coronavirus-information-and-support-for-business/boosting-cash-flow-for-employers>
2. <https://www.ato.gov.au/General/New-legislation/The-Australian-Government-s-Economic-Response-to-Coronavirus/>
3. <https://www.smartcompany.com.au/finance/economy/cash-boost-25000-coronavirus-stimulus/>
4. <https://www.ato.gov.au/Media-centre/Media-releases/Support-measures-to-assist-those-affected-by-COVID-19/>

Contact Us

For support in determining whether you are eligible for the cash payment incentives and in completing an application please reach out to one of our Accountants.