

Morrison stimulus package: What it means for business

On the 12th March 2020 Prime Minister Scott Morrison announced a major stimulus package to **keep business in business and Australians in jobs**

Keeping your business afloat and able to rebound quickly after the impacts of the coronavirus have abated is our priority and we are pleased to provide you with the information you need to access support.

The package includes payments for business, wage subsidies for apprentices and trainees and enhancing the instant asset write-off:

- **Tax-free cashflow boost for employers.** Up to \$25,000 is available to help pay wages or for investment to protect against a downturn in activity. The payment is open to businesses with a turnover of less than \$50 million. Eligible businesses that withhold tax on employee salary and wages will automatically receive a payment equal to 50% of the amount withheld. The minimum payment is \$2,000 and maximum is \$25,000 and will be available for businesses who lodge business activity statements for the March and June quarters.
- **Apprentice wage subsidy.** Small businesses with fewer than 20 full-time workers will receive 50% of an apprentice or trainee's wage. For each apprentice or trainee, the Government will provide up to \$7,000 in wage assistance per quarter. The wage subsidy will be open to businesses with fewer than 20 full-time workers and employers of any size that re-employ someone who loses their position as a result of the coronavirus downturn.
- **Boosted instant asset write-off.** Businesses with turnover of less than \$500 million are eligible for an expanded instant asset write-off for asset investments of up to \$150,000. The threshold applies on per asset basis, so businesses can immediately write-off multiple assets.
- **Accelerated depreciation.** Businesses with turnover less than \$500 million will be able to access a 15 month investment incentive by accelerating depreciation deductions.
- **Help from the ATO.** The ATO will provide administrative relief for certain tax obligations (similar to relief provided following the bushfires) for taxpayers affected by the Coronavirus outbreak, on a case-by-case basis.
- **Income support.** People who are unable to attend work because they have been diagnosed with the Coronavirus or who are in isolation, may qualify for income support if they do not have any employer leave entitlements.



Cash flow assistance for businesses

This assistance will support businesses to manage cash flow challenges and help businesses retain their employees. These two measures are designed to support employing small and medium enterprises and to improve business confidence. In addition, the wage subsidy for apprentices and trainees will help to ensure the continued development of the skilled workforce that employers need.

BOOSTING CASH FLOW FOR EMPLOYERS

Summary

The Boosting Cash Flow for Employers measure will provide up to \$25,000 back to business, with a minimum payment of \$2,000 for eligible businesses. The payment will provide temporary cash flow support to small and medium businesses that employ staff. The payment will be tax free.

Eligibility

Small and medium business entities with aggregated annual turnover under \$50 million and that employ workers will be eligible. Eligibility will generally be based on prior year turnover.

- The payment will be delivered by the Australian Taxation Office (ATO) as a credit in the activity statement system from 28 April 2020 upon businesses lodging eligible upcoming activity statements.
- Eligible businesses that withhold tax to the ATO on their employees' salary and wages will receive a payment equal to 50 per cent 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.

This measure will benefit around 690,000 businesses employing around 7.8 million people.

Timing

The Boosting Cash Flow for Employers measure will be applied for a limited number of activity statement lodgments. The ATO will deliver the payment as a credit to the business upon lodgment of their activity statements. Where this places the business in a refund position, the ATO will deliver the refund within 14 days.

Type of lodger	Eligible period	Lodgment due date
Quarterly	Quarter 3 (January, February and March 2020)	28 April 2020
	Quarter 4 (April, May and June 2020)	28 July 2020
Monthly	March 2020	21 April 2020
	April 2020	21 May 2020
	May 2020	22 June 2020
	June 2020	21 July 2020

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 March 2020, April 2020, May 2020 and June 2020 lodgments. To provide a similar treatment to quarterly lodgers, the payment for monthly lodgers will be calculated at three times the rate (150 per cent) in the March 2020 activity statement.

The minimum payment will be applied to the business' first lodgment.

The ATO offers a range of support services to small and medium businesses experiencing hardship — visit ato.gov.au to find out more.

Budget impact

This measure is estimated to cost \$6.7 billion over the forward estimates period.

Example

Sarah's Construction Business

Sarah owns and runs a building business in South Australia and employs 8 construction workers on average full-time weekly earnings who each earn \$89,730 per year. In the months of March, April and June for the 2019-20 income year, Sarah reports withholding of \$15,008 for her employees on each Business Activity Statement (BAS).

Under the Government's changes, Sarah will be eligible to receive the payment on lodgment of each of her BAS. Sarah's business receives:

- A payment of \$22,512 for the March period, equal to 150 per cent of her total withholding.
- A payment of \$2,488 for the April period, before she reaches the \$25,000 cap.
- No payment for the May period, as she has now reached the \$25,000 cap.
- No payment for the June period, as she has now reached the \$25,000 cap.

Sean's Hairdresser Salon

Sean owns a hairdresser's salon on the Gold Coast. He employs one apprentice who earns \$37,970 per year and two stylists who both earn \$44,260 per year. In the March and June 2020 quarterly BAS, Sean reports withholding of \$4,570 for his employees.

Under the Government's changes, Sean will be eligible to receive the payment on lodgment of his BAS.

Sean's business will receive:

- A payment of \$2,285 for the March quarter, equal to 50 per cent of his total withholding.
- A payment of \$2,285 for the June quarter, equal to 50 per cent of his total withholding.

Sean's business will receive a total payment of \$4,570.

Sean may also benefit from the assistance for existing apprentices and trainees measure.

Tim's Courier Run

Tim owns and runs a small paper delivery business in Melbourne, and employs two casual employees who each earn \$10,000 per year. In the March and June 2020 quarterly BAS, Tim reports withholding of \$0 for his employees as they are under the tax-free threshold.

Under the Government's changes, Tim will be eligible to receive the payment on lodgment of his BAS.

Tim's business will receive:

- A payment of \$2,000 for the March quarter, as he pays salary and wages but is not required to withhold tax.
- No payment for the June quarter, as he has already received the minimum payment and he has no withholding obligation.

If Tim begins withholding tax for the June quarter, he would need to withhold more than \$4,000 before he receives any additional payment.

SUPPORTING APPRENTICES AND TRAINEES

Summary

The Government is supporting small business to retain their apprentices and trainees. Eligible employers can apply for a wage subsidy of 50 per cent of the apprentice's or trainee's wage paid during the 9 months from 1 January 2020 to 30 September 2020. Where a small business is not able to retain an apprentice, the subsidy will be available to a new employer.

Employers will be reimbursed up to a maximum of \$21,000 per eligible apprentice or trainee (\$7,000 per quarter).

Support will also be provided to the National Apprentice Employment Network, the peak national body representing Group Training Organisations, to co-ordinate the re-employment of displaced apprentices and trainees throughout their network of host employers across Australia.

Eligibility

The subsidy will be available to small businesses employing fewer than 20 full-time employees who retain an apprentice or trainee. The apprentice or trainee must have been in training with a small business as at 1 March 2020.

Employers of any size and Group Training Organisations that re-engage an eligible out-of-trade apprentice or trainee will be eligible for the subsidy.

Employers will be able to access the subsidy after an eligibility assessment is undertaken by an Australian Apprenticeship Support Network (AASN) provider.

This measure will support up to 70,000 small businesses, employing around 117,000 apprentices.

Timing

Employers can register for the subsidy from early-April 2020. Final claims for payment must be lodged by 31 December 2020.

Further information is available at:

- The Department of Education, Skills and Employment website at: www.dese.gov.au
- Australian Apprenticeships website at: www.australianapprenticeships.gov.au

For further information on how to apply for the subsidy, including information on eligibility, contact an Australian Apprenticeship Support Network (AASN) provider.

Budget impact

This measure is expected to cost \$1.3 billion across 2019-20 and 2020-21.

Example

David's Plumbing is a small business that employs 10 people, including two full-time Australian Apprentices.

Taylor is a first year Australian Apprentice, aged 20, undertaking a Certificate III qualification. She commenced her apprenticeship with David's Plumbing on 6 February 2020. Taylor receives a weekly wage of \$532.89.

Lisa is a third year Australian Apprentice, aged 29, undertaking a Certificate IV qualification. She commenced her apprenticeship with David's Plumbing on 18 November 2017. She receives a weekly wage of \$772.71.

David's Plumbing are eligible for *Supporting Apprentices and Trainees* which pays 50 per cent of the apprentices' wages that have been paid by David's Plumbing since 1 January 2020.

David's Plumbing will receive:

- \$9,059 subsidy for employing Taylor for 6 February 2020 to 30 September 2020; and
- \$15,068 subsidy for employing Lisa for 1 January 2020 to 30 September 2020.

FOR MORE INFORMATION

For more information on the Australian Government's Economic Response to Coronavirus visit treasury.gov.au/coronavirus.

Businesses can visit business.gov.au to find out more about how the Economic Response complements the range of support available to small and medium businesses.



Delivering support for business investment

The Government is backing businesses to invest to help the economy withstand and recover from the economic impact of Coronavirus. The two business investment measures in this package are designed to assist Australian businesses and economic growth in the short-term, and encourage a stronger economic recovery following the Coronavirus outbreak.

These measures will support over 3.5 million businesses (over 99 per cent of businesses) with aggregated annual turnover of less than \$500 million employing more than 9.7 million employees.

INCREASING THE INSTANT ASSET WRITE-OFF

Summary

The Government is increasing the instant asset write-off (IAWO) threshold from \$30,000 to \$150,000 and expanding access to include all businesses with aggregated annual turnover of less than \$500 million (up from \$50 million) until 30 June 2020. In 2017-18 there were more than 360,000 businesses that benefited from the current IAWO, claiming deductions to the value of over \$4 billion.

The IAWO threshold

The higher IAWO threshold provides cash flow benefits for businesses that will be able to immediately deduct purchases of eligible assets each costing less than \$150,000. The threshold applies on a per asset basis, so eligible businesses can immediately write-off multiple assets.

The IAWO is due to revert to \$1,000 for small businesses (turnover less than \$10 million) from 1 July 2020.

Eligibility

The Government is expanding access so that more businesses can take advantage of the IAWO. The annual turnover threshold for businesses is increasing from \$50 million to \$500 million. Expanding the threshold will mean an additional 5,300 businesses who employ around 1.9 million Australians will be able to access the IAWO for the first time.

Timing

This proposal applies from announcement until 30 June 2020, for new or second-hand assets first used or installed ready for use in this timeframe.

Budget impact

This measure is estimated to have a net cost of \$700 million over the forward estimates. It will support business investment and is estimated to lower taxes paid by Australian businesses by \$2.5 billion over the next two years.

Example 1 — Business benefits from increased asset threshold

Owen owns a company, ON Point Farms Pty Ltd, through which he operates a farming business in the Central Wheat Belt of Western Australia. ON Point Farms Pty Ltd has an aggregated annual turnover of \$25 million for the 2019-20 income year. On 1 May 2020, Owen purchases a second hand tractor for \$140,000, exclusive of GST, for use in his business.

Under existing tax arrangements, ON Point Farms Pty Ltd is not able to immediately deduct assets costing more than \$30,000 and instead would depreciate the tractor using an effective life of 12 years. Choosing to use the diminishing value method, ON Point Farms Pty Ltd would claim a tax deduction of \$3,899 for the 2019-20 income year.

Under the new \$150,000 instant asset write-off, ON Point Farms Pty Ltd would instead claim an immediate deduction of \$140,000 for the purchase of the tractor in the 2019-20 income year, \$136,101 more than under existing arrangements. At the company tax rate of 27.5 per cent, Owen will pay \$37,427.78 less tax in 2019-20.

This will improve ON Point Farms Pty Ltd's cash flow and help his business withstand and recover from the economic impact of the Coronavirus.

Example 2 — Business benefits from increased turnover threshold

Samantha owns a company, Sam's Specialty Roasters Pty Ltd, through which she operates a large food processing business in Brisbane. Sam's Specialty Roasters Pty Ltd has an aggregated annual turnover of \$150 million for the 2019-20 income year. On 1 May 2020, Samantha purchases five new conveyor belts for her production facility for \$40,000 each, exclusive of GST, for use in her business.

Under existing tax arrangements, Sam's Specialty Roasters Pty Ltd is not eligible for the instant asset write-off and instead would depreciate the conveyor belts using an effective life of 15 years. Choosing to use the diminishing value method, Sam's Specialty Roasters Pty Ltd would claim a total tax deduction of \$4,456 for the 2019-20 income year.

Under the new \$150,000 instant asset write-off, Sam's Specialty Roasters Pty Ltd would instead claim an immediate deduction of \$200,000 for the purchase of the conveyor belts (i.e. \$40,000 for each conveyor) in the 2019-20 income year, \$195,544 more than under existing arrangements. At the company tax rate of 30 per cent, Samantha will pay \$58,663.20 less tax in 2019-20.

This will improve Sam's Specialty Roasters Pty Ltd's cash flow and help her business withstand and recover from the economic impact of the Coronavirus.

BACKING BUSINESS INVESTMENT (BBI)

Summary

The Government is introducing a time limited 15 month investment incentive to support business investment and economic growth over the short-term, by accelerating depreciation deductions.

The key features of the incentive are:

- *benefit* — deduction of 50 per cent of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset's cost;
- *eligible businesses* — businesses with aggregated turnover below \$500 million; and
- *eligible assets* — new assets that can be depreciated under Division 40 of the *Income Tax Assessment Act 1997* (i.e. plant, equipment and specified intangible assets, such as patents) acquired after announcement and first used or installed by 30 June 2021. Does not apply to second-hand Division 40 assets, or buildings and other capital works depreciable under Division 43.

Eligibility

Businesses with aggregated turnover below \$500 million, purchasing certain new depreciable assets.

Timing

Applies to eligible assets acquired after announcement and first used or installed by 30 June 2021.

Budget impact

This measure is estimated to have a cost of \$3.2 billion over the forward estimates. It will support business investment and is estimated to lower taxes paid by Australian businesses by \$6.7 billion over the next two years.

Example 3 — Middle-sized business benefits from the BBI

J Construction Solutions Pty Ltd has an aggregated annual turnover of \$200 million for the 2020-21 income year. On 1 July 2020, J Construction Solutions Pty Ltd installs a \$1 million truck mounted concrete pump for use in the business.

Under existing tax arrangements, J Construction Solutions Pty Ltd could claim 30 per cent depreciation in the first year (based on the asset's effective life of 6 $\frac{2}{3}$ years).

Under the new *BBI*, J Construction Solutions Pty Ltd can claim a depreciation deduction of \$650,000 in the 2020-21 income year. This consists of 50 per cent of the concrete pump's value under the new *BBI* (\$500,000) plus 30 per cent of the remaining \$500,000 under existing depreciation rules (\$150,000). This is \$350,000 more than under existing tax arrangements.

At the company tax rate of 30 per cent, J Construction Solutions Pty Ltd will pay \$105,000 less tax in the 2020-21 income year (30 per cent of \$350,000). This extra tax benefit is worth \$14,000 to J Construction Pty Ltd over the asset's life (at an interest rate of 5 per cent).

This will improve J Construction Solutions Pty Ltd's cash flow and lower the after tax cost of the concrete pump to the business.

Example 4 — Small business benefits from the BBI

Joan and Bruce own a company, NC Transport Solutions Pty Ltd, through which they operate a haulage business on the North Coast of New South Wales. NC Transport Solutions Pty Ltd has an aggregated annual turnover of \$8 million for the 2019-20 income year. On 1 May 2020, Joan and Bruce purchase a new truck for \$260,000, exclusive of GST, for use in their business.

Under existing tax arrangements, NC Transport Solutions Pty Ltd would depreciate the truck using their small business simplified depreciation pool. Under the pooling rules, NC Transport Solutions Pty Ltd

would deduct 15 per cent of the asset's value upon entry to the pool, leading to a tax deduction of \$39,000 for the 2019-20 income year.

Under the new *BBI*, NC Transport Solutions Pty Ltd would instead claim an up-front deduction of 50 per cent of the truck's value (\$130,000) before placing the asset in their small business simplified depreciation pool. Joan and Bruce would then claim a further 15 per cent deduction on the depreciated value of the truck (\$19,500). As a result of the two deductions, Joan and Bruce are able to claim a deduction totalling \$149,500 in the 2019-20 income year, \$110,500 more than under existing arrangements. At the company tax rate of 27.5 per cent, Joan and Bruce will pay \$30,387.50 less tax in the 2019-20 income year.

This will improve NC Transport Solutions Pty Ltd's cash flow and help Joan and Bruce's business withstand and recover from the economic impact of the Coronavirus.

FURTHER INFORMATION

For more information on the Australian Government's Economic Response to the Coronavirus visit treasury.gov.au/coronavirus.