

Coronavirus stimulus package

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On 12 March 2020, the Australian Federal Government has announced an immediate economic stimulus package against the backdrop of economic concerns resulting from the Coronavirus.

The Government noted:

- *The Coronavirus outbreak not only affects people's health and the health systems of the countries affected, it is also having significant economic implications.*
- *The global nature of the shock is evident in financial markets. Stock markets have fallen substantially around the world in recent weeks.*
- *The Coronavirus outbreak is expected to detract approximately ½ of a percentage point from economic growth in Australia in the March quarter 2020.*

In relation to the stimulus package, as is the case with many government taxation announcements, the devil is in the detail.

The Government has said that it has committed \$2.4 billion to support the health system and to manage any further outbreak in Australia. The package provides support across primary care, aged care, hospitals and research.

In addition, the Government made the following announcements:-

Increasing the Instant Asset Write-off

From 12 March 2020, the Government is increasing the instant asset write-off threshold from \$30,000 to \$150,000 and expanding access to include businesses with aggregated annual turnover of less than \$500 million (up from \$50 million) until 30 June 2020.

The higher 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.

Backing Business Investment

The Government is introducing a time limited 15-month investment incentive (through to 30 June 2021), to support business investment and economic growth over the short term, by accelerating eligible depreciation deductions. Businesses with a turnover of less than \$500 million will be able to deduct 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.

The key features of the incentives 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 the announcement was made on 12 March 2020 and first used or installed by 30 June 2021.
- **Exclusion** - This, however, does not apply to second-hand Division 40 assets, or buildings and other capital works depreciable under Division 43.

Boosting cash flow for employers

The 'Boosting Cash Flow for Employers' measure will provide up to \$25,000 to small and medium-sized businesses, with a minimum payment of \$2,000 for eligible businesses. The payment will provide cash flow support to businesses with a turnover of less than \$50 million that employ staff. The payment will be tax free.

Broadly, eligible businesses that withhold tax on their employee's salary will receive a payment(s) equal to 50% of the amount withheld, up to a maximum 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.

The mechanism for the payment(s) is contingent on the level of the employer's PAYG withheld thereby adding some complexity to the timing of the payments.

The payment(s) will be delivered as a credit in the activity statement system from 28 April 2020 upon businesses lodging eligible upcoming activity statements (March and June statements for Quarterly lodgements and March, April, May and June statements for monthly lodgements).

Supporting 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).

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.

Stimulus payments

The Government will provide a one-off \$750 payment to social security, veteran and other income support recipients and eligible concession card holders.

There will be one payment per eligible recipient. For example, if a person qualifies for the one-off payment in multiple ways, they will only receive one payment.

The payment will be tax free and will not count as income for Social Security, Farm Household Allowance and Veteran payments.

Support for Coronavirus-affected regions and communities

The Government has set aside \$1 billion to support those regions and communities that have been disproportionately affected by the economic impacts of the Coronavirus, including those heavily reliant on industries such as tourism, agriculture and education.

This will include the waiver of fees and charges for tourism businesses that operate in the Great Barrier Reef Marine Park and the waiver of entry fees for Commonwealth National Parks. It will also include additional assistance to help businesses identify alternative export markets or supply chains. Targeted measures will also be developed to further promote domestic tourism.

It should be noted that the announcements are not laws passed by parliament. However, to that end, a package of Bills will be introduced into Parliament in the final Autumn sitting week in March 2020.

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