Government's Stimulus Package in response to the Coronavirus

The following is a broad summary of the key aspects of the Federal Government's stimulus package in response to the Coronavirus, as recently announced and enacted. The summary is based on information currently available on the Treasury website (refer to *"Economic response to the Coronavirus"*), as well as various Bills introduced into Parliament (and passed by both Houses of Parliament) on 23 March 2020 (which includes the *Coronavirus Economic Response Package Omnibus Bill 2020*), to give effect to the Government's stimulus package.

1. Income support for individuals

From 27 April 2020, the Government will introduce a **Coronavirus supplement** of **$550** per fortnight (payable to individuals currently receiving certain eligible income support payments) and will also temporarily expand access to certain income support payments, over a six-month period.

The Government will also provide two separate $750 tax-free payments to certain social security, veteran and other income support recipients, and to eligible concession card holders.

1.1 Introducing a new Coronavirus supplement

A new Coronavirus supplement at the rate of $550 per fortnight will be paid to individuals who are currently eligible for certain income support payments, including:

- Jobseeker Payment;
- Youth Allowance; and
- Parenting Payment (Partnered and Single).

According to the Government, anyone who is eligible for the Coronavirus supplement will receive the full rate of the supplement of $550 per fortnight.

Furthermore, it appears that this new (additional) supplement will be paid to eligible individuals as part of their existing income support payments (e.g., Jobseeker Payment and Youth Allowance).

1.2 Expanding access (and eligibility) to certain income support payments

For the period that the Coronavirus supplement is paid, the Government will also expand access to certain income support payments (e.g., the Jobseeker Payment, the Youth Allowance Jobseeker and the Parenting Payment) for eligible individuals. For example:

(a) A new category of **Jobseeker Payment** and **Youth Allowance Jobseeker** will become available for eligible individuals who are financially impacted by the Coronavirus and satisfy certain requirements. According to the Government, this could include, for example, permanent employees who are stood down or lose their employment; sole traders; the self-employed; casual workers; and contract workers who meet the income tests, as a result of the economic downturn due to the Coronavirus.

(b) **Asset testing** for the JobSeeker Payment, the Youth Allowance Jobseeker and the Parenting Payment, **will be waived** for the period of the Coronavirus supplement. Income testing will still apply to the person's other payments, consistent with current arrangements.

Also, reduced waiting times will result from the waiver of a number of traditional waiting periods.

TAX TIP – Introducing a faster and streamlined application process

The Government will also be implementing a faster and more streamlined application process to ensure timely access to the Coronavirus supplement and expanded access to certain income support payments. For example, applicants will be encouraged to claim through on-line and mobile channels, or over the phone where they do not have internet access. Further, certain existing requirements for accessing income support payments will be removed (e.g., the requirement for job seekers to make an appointment with an employment service provider).

1.3 Tax-free payments of $750 to eligible recipients

The Government will be providing **two separate $750 tax-free payments** (referred to as 'economic support payments') to social security, veteran and other income support recipients, and to eligible concession card holders, as follows:

(a) The **first $750 payment** will be available to individuals who are residing in Australia and are receiving an eligible Government payment, or are the holders of an eligible concession card, at any time **from 12 March 2020 to 13 April 2020** (inclusive). Also, where an individual has lodged a claim for one of the eligible payments or concession cards at any time **from 12 March to 13 April 2020** (inclusive), they will also receive the payment if the claim is granted.

This **payment** will be made automatically to eligible individuals **from 31 March 2020**.

For this purpose, eligible Government payments and concession cards comprise the following (refer to the Treasury fact sheet: *"Payments to support households"*):

Age Pension	Austudy	Special Benefit
Disability Support Pension	Bereavement Allowance	Widow Allowance
Carer Payment	Newstart Allowance	Family Tax Benefit, including Double Orphan Pension
Parenting Payment	JobSeeker Payment	Carer Allowance
Wife Pension	Youth Allowance	Pensioner Concession Card (PCC) holders
Widow B Pension	Partner Allowance	Commonwealth Seniors Health Card holders
ABSTUDY (Living Allowance)	Sickness Allowance	Farm Household Allowance
Veteran Service Pension; Veteran Income Support Supplement; Veteran Compensation payments, including lump sum payments; War Widow(er) Pension; Veteran Payment	Veteran Gold Card holders	DVA PCC holders; DVA Education Scheme recipients; Disability Pensioners at the temporary special rate; and DVA Income support pensioners at $0 rate

(b) The **second payment** will be available to individuals who are residing in Australia and are receiving one of the above eligible Government payments or are the holders of one of the above eligible concession cards, on **10 July 2020** (except for those receiving an income support payment that qualifies them to receive the $550 fortnightly Coronavirus supplement).

This **payment** will be made automatically to eligible individuals **from 13 July 2020**.

Note that, an individual can be eligible to receive **both the first and second support payment**. However, they can only receive one $750 payment in each round of payments, even if they qualify in each round of the payments in multiple ways.

Each of the $750 payments will be **exempt from income tax** and will **not** count as income for the purposes of Social Security, the Farm Household Allowance and Veteran payments.

The following example is adapted from the fact sheet: *"Payments to support households"*.

EXAMPLE 1 – Eligibility for first and second $750 tax-free payment

Kate and Angus are a couple and are both Age Pension recipients as at **12 March 2020**.

Under the Government's stimulus package, Kate and Angus will each receive a first payment of $750, resulting in a combined (or total) payment of $1,500. These payments to Kate and Angus will be made automatically from 31 March 2020 and will be tax-free in their hands.

As Kate and Angus remain Age Pension recipients on **10 July 2020**, they will each be eligible for a further $750 payment (i.e., as part of the second payment), resulting in a further combined (or total) payment of $1,500. These payments to Kate and Angus will be made automatically from 13 July 2020 and will be tax-free in their hands.

Overall, Kate and Angus will receive a **total of $3,000**, from the first and second payments.

2. Early access to superannuation benefits

Under the existing **'compassionate grounds'** conditions of release, an individual can access their preserved superannuation benefits (as a lump sum), subject to any cashing restrictions, on a number of different (specific) grounds where certain conditions are satisfied. For example, an individual who satisfies certain conditions could access their superannuation entitlements under this condition of release in order to pay for certain medical treatment, or to enable the individual to make a repayment on a home loan in order to prevent the mortgagee selling their home.

The Government will introduce a **new** compassionate ground of release that will allow individuals to access their superannuation entitlements where those benefits are required to assist them to deal with the adverse economic effects of the Coronavirus, but only where **one or more of the following requirements are satisfied**:

(a) The individual is unemployed.

(b) The individual is eligible to receive the Jobseeker Payment, Youth Allowance for jobseekers, Parenting Payment (which includes the single and partnered payments), Special Benefit or Farm Household Allowance.

(c) On or after 1 January 2020:

- the individual was made redundant; or
- the individual's working hours were reduced by at least 20%; or
- if the individual is a sole trader – their business was suspended or there was a reduction in the business's turnover of at least 20%.

Under this new compassionate ground of release, eligible individuals will be able to access as a lump sum, **up to $10,000** of their superannuation entitlements **before 1 July 2020**, and **a further $10,000 from 1 July 2020** (but subject to the six-month time frame noted below).

Eligible individuals who are looking to access their superannuation entitlements under the above new ground of release will be able to **apply directly to the ATO** through the myGov website (at www.my.gov.au) and certify that the above eligibility criteria is satisfied.

An individual will be able to apply for early release of their superannuation entitlements **from mid-April 2020**. However, note that **no application** may be made after the end of the period of six months from the day on which the new compassionate ground of release commences.

TAX TIP – Tax-free superannuation withdrawals

Lump sum superannuation withdrawals under this new compassionate ground of release will **not** be taxable to the recipient (i.e., they will be tax-free), and, according to the Government, the amount withdrawn will **not** affect Centrelink or Veteran's Affairs payments.

3. Reducing the minimum drawdown amounts for superannuation pensions

The Government will be temporarily **reducing** the superannuation **minimum drawdown amounts for account-based pensions** and similar products **by 50%** for the **2020 and 2021 income years**. This basically means that the total minimum annual pension amount that a superannuation fund is otherwise required to pay to a member receiving a pension from the fund (e.g., an account-based pension) will be reduced by half for these two income years.

Under the superannuation rules, the total **minimum pension amount** that a superannuation fund is required to pay to a fund member receiving a pension (e.g., an account-based pension) from the fund in an income year is generally calculated by: **multiplying the member's pension account balance at the beginning of the year**, **by the relevant drawdown percentage**.

The current minimum drawdown percentages, together with the reductions for the 2020 and 2021 income years, are outlined in the following table.

Recipient's age	Current minimum drawdown	Reduced drawdown for 2020 and 2021 income years
Under 65	4%	2%
65 to 74	5%	2.5%
75 to 79	6%	3%
80 to 84	7%	3.5%
85 to 89	9%	4.5%
90 to 94	11%	5.5%
95 and above	14%	7%

4. Reducing the social security deeming rates

From 1 May 2020, the Government will be reducing both the upper and lower social security **deeming rates** by a further 0.25 percentage points, in addition to the 0.5 percentage point reduction to both rates announced on 12 March 2020. This will result in an overall reduction to the social security deeming rates of 0.75 percentage points.

On this basis, as of **1 May 2020**, the **upper deeming rate** will be reduced from 3% to **2.25%**, and the **lower deeming rate** will be reduced from 1% to **0.25%**. The reductions reflect the low interest rate environment and its impact on the income from savings.

Broadly speaking, the social security deeming rates apply (for 'income test' purposes) to determine the amount of income that an individual is 'deemed' (or taken to) earn from financial investments (e.g., cash deposits and listed securities), irrespective of the actual amount of income (e.g., interest income and dividend income) earned by the individual. In most cases, the deeming rates apply for the purposes of applying the Age Pension 'income test'.

5. Cash flow assistance for businesses

The Government is providing cash flow assistance for eligible businesses (to manage cash flow challenges and to help businesses retain employees), in the form of:

- specific payments that are based on the amount of PAYG withheld from salary and wages paid to employees (and other similar payments – e.g., termination payments, director's fees and payments to contractors that are subject to voluntary withholding arrangements); and
- wage subsidies paid to eligible employers who retain an apprentice or trainee.

5.1 Boosting cash flow for employers

Small and medium-sized businesses and not-for-profit entities, with an aggregated annual turnover of *less than* **$50 million** (usually based on their prior year's turnover) that employ people, may be eligible to receive a **total payment of up to $100,000** (with a **minimum total payment of $20,000**), based on their PAYG withholding obligations, in the following two stages:

(a) **Stage 1 payment** – Commencing from the lodgment of activity statements from 28 April 2020, eligible employers that withhold PAYG tax on their employees' salary and wages will receive a tax-free payment equal to **100% of the amount withheld**, up to a **maximum of $50,000**. Eligible employers that pay salary and wages will receive a **minimum** (tax-free) **payment of $10,000**, even if they are **not** required to withhold PAYG tax.

The tax-free payment will broadly be calculated and paid by the ATO as an automatic credit to an employer, upon the lodgment of activity statements **from 28 April 2020**, with any resulting refund being paid to the employer. This means that:

- **quarterly lodgers** will be eligible to receive the payment for the quarters ending March 2020 and June 2020; and
- **monthly lodgers** will be eligible to receive the payment for the March 2020, April 2020, May 2020 and June 2020 lodgments. However, the payment for the March 2020 activity statement will be calculated as being **three times** the actual amount withheld.

Note that, the **minimum payment** of $10,000 will be applied to an entity's first activity statement lodgment (whether for the month of March or the March quarter) from 28 April 2020.

(b) **Stage 2 payment** – For employers that **continue to be active**, an additional (tax-free) payment will be available in respect of the **June to October 2020 period**, basically as follows:

- **Quarterly lodgers** will be eligible to receive the additional payment for the quarters ending June 2020 and September 2020, with each payment being equal to 50% of their total initial (or Stage 1) payment (up to a maximum of $50,000).
- **Monthly lodgers** will be eligible to receive the additional payment for the June 2020, July 2020, August 2020 and September 2020 activity statement lodgements, with each additional payment being equal to a quarter of their total initial (or Stage 1) payment (up to a maximum of $50,000).

The ATO will **automatically** calculate and pay the additional (tax-free) payment as a credit to an employer upon the lodgment of their activity statements **from July 2020**, with any resulting refund being paid to the employer.

TAX WARNING – Employers must be established before 12 March 2020

The above payments will **only** be available to active eligible employers (who held an ABN) as at 12 March 2020. However, charities that are registered with the Australian Charities and Not-for-profits Commission will be eligible regardless of when they were registered, subject to meeting other eligibility requirements. This recognises that new charities may be established in response to the Coronavirus pandemic.

Furthermore, eligibility for the above payments is subject to a **specific integrity rule** that is designed to stamp out artificial or contrived arrangements that are implemented to obtain access to this measure. In particular, if an employer or an associate enters into a scheme with the sole or dominant purpose of obtaining or increasing any of the above payments for a particular employer, for a period, the employer will **not** be eligible for any such payments for the relevant period.

5.2 Wages subsidies for apprentices and trainees

Employers with *less than* 20 full-time employees, who retain an apprentice or trainee who was in training with the employer **as at 1 March 2020**, may be entitled to Government funded **wage subsidies equal to 50%** of the apprentice's or trainee's wage paid during the nine months **from 1 January 2020 to 30 September 2020**. The maximum wage subsidy over the nine-month period will be $21,000 per eligible apprentice or trainee.

Employers can **register for the subsidy from early April 2020**. Final claims for payment must be lodged by 31 December 2020. Employers will be able to access the subsidy after an eligibility assessment is undertaken by an Australian Apprenticeship Support Network ('AASN') provider.

6. Increasing the instant write-off threshold for business assets

Broadly, the depreciating asset instant asset write-off threshold will be increased from **$30,000** (for businesses with an aggregated turnover of less than $50 million) to **$150,000** (for businesses with an aggregated turnover of less than **$500 million**) until **30 June 2020**.

The measure applies to both **new** and **second-hand assets** *first used or installed ready for use* in the period beginning on 12 March 2020 (i.e., the date on which this measure was announced) and ending on 30 June 2020.

More specifically, the above measure will apply to Small Business Entities and Medium Business Entities, as follows:

(a) **Small Business Entities** ('**SBEs**') (i.e., with turnover of less than $10 million).

SBEs will be able to claim an immediate deduction for depreciating assets that cost less than **$150,000**, provided the relevant asset is first *acquired* at or after 7.30 pm (by legal time in the Australian Capital Territory) on 12 May 2015, and *first used or installed ready for use* on or after 12 March 2020, but before 1 July 2020.

Additionally, SBEs will also be able to claim an immediate deduction for the following:

- An amount included in the **second element of the cost** of (i.e., an improvement to) a depreciating asset that was first used or installed ready for use in a previous income year. The amount of the second element cost must be less than **$150,000** and the cost must be incurred on or after 12 March 2020, but before 1 July 2020.
- If the balance of an entity's general small business pool (excluding current year depreciation) is less than **$150,000** at the end of the 2020 income year, the SBE can claim a deduction for the entire balance of the pool.

(b) **Medium Business Entities ('MBEs')** (i.e., with turnover of at least $10 million and less than $500 million).

MBEs can immediately deduct the cost of an asset in an income year if the asset has a cost of less than **$150,000** and it was first *acquired* in the period beginning at 7:30pm, by legal time in the ACT, on 2 April 2019 and ending on 30 June 2020, and *used or installed ready for use* for a taxable purpose in the period beginning on 12 March 2020 and ending on 30 June 2020.

Additionally, MBEs can also claim a deduction for certain amounts included in the second element of the cost of a depreciating asset, where the amount of the second element cost is less than **$150,000**, and is incurred on or after 12 March 2020 but before 1 July 2020.

As with the current instant asset write-off concession, the threshold will generally be applied to the **GST-exclusive cost** of an eligible asset (i.e., assuming the relevant business is entitled to an input tax credit for any GST included in the acquisition cost of the asset).

Importantly, this increased threshold also continues to operate on a 'per asset' basis, which means that eligible businesses can immediately write-off multiple assets (as long as each of the assets individually satisfy the relevant eligibility criteria).

Currently, the instant asset write-off threshold is due to revert to $1,000 for small businesses (i.e., those with an aggregated turnover of less than $10 million) from 1 July 2020.

7. Backing business investment – accelerating depreciation deductions for new assets

Broadly, a new **time-limited 15-month investment incentive** (which will be available up until 30 June 2021) will also be introduced to accelerate certain depreciation deductions for businesses with an aggregated turnover below **$500 million**, in respect of eligible depreciating assets.

This incentive basically allows **a deduction equal to 50% of the cost of an eligible asset**, with existing depreciation rules applying to the balance of the asset's cost.

More specifically, the amount that an eligible entity (other than an SBE that is depreciating assets in its **general small business pool**) can deduct in the income year in which an eligible depreciating asset is *first used or installed ready for use* for a taxable purpose is:

- 50% of the cost (or adjustable value where applicable) of the asset; and
- the amount of the usual depreciation deduction that would otherwise apply (if it were calculated on the remaining cost of the asset).

Different rules will apply where an SBE is using the **general small business pool** (i.e., for assets that do **not** qualify for the instant asset write-off). In this case, the SBE may deduct an amount equal to **57.5%** (rather than 15%) of the business-use portion of the cost of an eligible depreciating asset acquired by the entity in the year is it allocated to the pool.

7.1 Which depreciating assets are eligible assets?

An eligible asset is a **new** asset that can be depreciated under Division 40 of the ITAA 1997 (i.e., plant and equipment and specified intangible assets, such as patents), where the asset satisfies all of the following conditions:

- The asset is new and has not previously been held (and used or installed ready for use) by another entity (other than as trading stock or for testing and trialling purposes).
- No entity has claimed depreciation deductions (including under the instant asset write-off) in respect of the asset.
- The asset is first held, and first used or installed ready for use, for a taxable purpose, between **12 March 2020 and 30 June 2021** (inclusive).

Note that this measure will **not** apply to second-hand Division 40 assets, or buildings and other capital works that are depreciable under Division 43 of the ITAA 1997 (i.e., the building write-off).

This measure also does **not** apply to an asset if the asset's depreciation is worked out under a low-value or software development pool, or in relation to primary production depreciating assets such as water facilities, horticultural plants, fodder storage assets and fencing assets.

A depreciating asset is also not an eligible asset where a commitment to acquire or construct the asset was entered into before 12 March 2020 or where the asset would not be in Australia.