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# The Bottom Line

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## AUSTRALIAN GOVERNMENT ECONOMIC STIMULUS IN RESPONSE TO COVID 19

There have been various **Economic Stimulus Packages** recently announced by both the Federal and NSW (information restricted to entities in NSW) Governments in order to support Australian Businesses and Families through the current *Coronavirus Pandemic* (also known as 'COVID 19').

The purpose of this communication is to provide you with a broad summary of the key aspects of the '2020 Economic Stimulus Packages' in response to COVID 19 Pandemic and relevant information for your guidance has been directly sourced from government sources, media statements and various institutions/organisations our firm or principles are associated with.

## CASH FLOW ASSISTANCE FOR BUSINESSES

### CASH FLOW BOOST FOR EMPLOYERS

You are only eligible to get a Cash Flow Boost if:

- your annual total turnover is less than \$50 million;
- you had an ABN on 12 March 2020; and
- derived business income in the 2019 income year and lodged the 2019 tax return by 12 March 2020 or made sales in a previous tax period (since 1 July 2018) and lodged the relevant activity statement by 12 March 2020.

All cash flow boosts are tax free (non-assessable non-exempt income) and are not required to be paid back when your cash flow improves. However, if you have been paid more cash flow boosts than you are entitled to, you will be required to repay the excess.

The boost is not subject to GST as you are not making or agreeing to make a supply for the payment.

## CASH FLOW ASSISTANCE FOR BUSINESSES (CONT'D)

### CASH FLOW BOOST FOR EMPLOYERS (CONT'D)

Businesses and not-for-profit entities that employ people, may be eligible to receive a total payment (delivered through the tax system) of up to \$100,000 (with a minimum total payment of \$20,000), based on their PAYG withholding obligations in following 2 Cash Flow Boosts:

#### First Cash Flow Boost:

Commencing with the lodgement 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 lodgement 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 lodgements.

#### Second Cash Flow Boost:

For employers that continue to be active, an additional tax-free payment will be available in respect of the June to October 2020 period as follows:

- quarterly lodgers will be eligible to receive additional payment for the quarters ending June 2020 and September 2020, with each payment being equal to 50% of their total initial (1st Cash Flow Boost) payment (up to a maximum of \$50,000); and
- 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 25% of their total initial (1st Cash Flow Boost) payment (up to a maximum of \$50,000).

Again, the ATO will automatically calculate and pay the 2nd Cash Flow Boost payment to the employer similar to 1st Cash Flow Boost payment.

#### Monthly Lodgers - First Boost:

For March - you get the greater of:

1. \$10,000; or
2. three times the amount of tax withheld for employees for March.

For each of April, May and June - The amount of tax withheld for employees for the relevant month.

NOTE - The total of the First Boost cannot exceed \$50,000 over the 4 month period for any employer.

#### Monthly Lodgers - Second Boost:

For each of June, July, August and September, you get 25% of the total of your 1st Boost.

## CASH FLOW ASSISTANCE FOR BUSINESSES (CONT'D)

### CASH FLOW BOOST FOR EMPLOYERS (CONT'D)

#### For Quarterly Lodgers - First Boost:

For the quarter to 31 March - you get the greater of:

1. \$10,000; or
2. the amount of tax withheld for employees for the quarter

For the quarter to 30 June - you get the amount withheld for employees for the quarter.

NOTE - The total of the First Boost cannot exceed \$50,000 over the 2 quarters for any employer.

#### For Quarterly Lodgers - Second Boost:

For each of the quarters ended 30 June and 30 September, you get 50% of the total of the First Boost.

### JOBKEEPER PAYMENT SUBSIDY SCHEME

Affected employers will be able to claim a fortnightly payment of \$1,500 per eligible employee from 30 March 2020, for a maximum period of 6 months.

Participating employers will be required to ensure eligible employees will receive, at a minimum, \$1,500 per fortnight, before tax.

It will be up to the employer if they want to pay superannuation on any additional wage paid because of the JobKeeper Payment, where eligible employees are earning below \$1,500 per fortnight.

Eligibility for employers:

- subsidy for businesses, including not-for-profits, which experience, or will experience, either:
  - more than 30 percent reduction in their turnover compared to the same period last year (of at least a month), if turnover is less than \$1 billion; or
  - more than 50 percent reduction in their turnover compared to the same period last year (of at least a month), if turnover exceeds \$1 billion; and
- the businesses is not subject to the Major Bank Levy.

The employer must have eligible employees engaged as at 1 March 2020 and confirm that each eligible employee is still employed (including those stood down or rehired). For most businesses, the ATO will use Single Touch Payroll data to pre-populate the employee details for businesses.

Not-for-profits and self-employed individuals not employing any staff will still be eligible provided they meet the turnover tests as outlined above.

Eligible employers can register their interest in applying for the JobKeeper Payment via [ato.gov.au](http://ato.gov.au) from 30 March 2020.

The assistance will be paid via the current ATO system in the first week of May 2020 with the payment backdated to 30 March 2020.

## CASH FLOW ASSISTANCE FOR BUSINESSES (CONT'D)

### JOBKEEPER PAYMENT SUBSIDY SCHEME (CONT'D)

Eligibility for employees:

- are currently employed by the eligible employer (including those stood down or rehired);
- were employed by the employer at 1 March 2020;
- are full-time, part-time or long term casuals (a casual employed on a regular basis for longer than 12 months as at 1 March 2020);
- are at least 16 years of age;
- are an Australian citizen, the holder of a permanent visa, a Protected Special Category Visa Holder, a non-protected Special Category Visa Holder who has been residing continually in Australia for 10 years or more, or a Special Category (Subclass 444) Visa Holder; and
- are not in receipt of a JobKeeper Payment from another employer.

If your employees receive the JobKeeper Payment, this may affect their eligibility for payments from Services Australia as they must report their JobKeeper Payment as income.

### INCREASING THE INSTANT WRITE-OFF THRESHOLD FOR BUSINESS ASSETS

The 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 (date measure was announced) and ending on 30 June 2020, and luxury car limits continue to apply.

#### Small Business Entities ('SBEs'):

Businesses with aggregated turnover of less than \$10 million are classified as SBEs.

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 on 12 May 2015 (ACT time), 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; and
- 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, a deduction can be claimed for this balance.

The threshold will generally be applied to the GST-exclusive cost of an eligible asset if the relevant business is entitled to an input tax credit for any GST included in the acquisition cost. However, if the business is not entitled to an input tax credit for any GST included in the acquisition cost then threshold will apply to GST-inclusive cost.

## CASH FLOW ASSISTANCE FOR BUSINESSES (CONT'D)

### INCREASING THE INSTANT WRITE-OFF THRESHOLD FOR BUSINESS ASSETS (CONT'D)

#### Small Business Entities ('SBEs'): (CONT'D)

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.

#### Medium Business Entities ('MBEs')

Businesses with aggregated turnover of at least \$10 million and less than \$500 million are classified as MBEs.

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 on 2 April 2019 (ACT time) and ending on 30 June 2020, and the taxpayer starts to use or have the asset 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.

### ACCELERATING DEPRECIATION DEDUCTIONS FOR NEW ASSETS

Businesses with aggregated turnover of less than \$500 million for the 2020 and 2021 income years can deduct the cost of depreciating assets at an accelerated rate.

For each new asset, the accelerated depreciation deduction applies in the income year that the asset is first used or installed ready for use for a taxable purpose. The usual depreciating asset arrangements apply in the subsequent income years that the asset is held.

The amount that an eligible entity can deduct in the income year in which an eligible depreciating asset is first used or installed ready for use 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 (that is, for assets not qualifying for the instant asset write-off). In this case, an 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 in the year it is allocated to the pool.

## CASH FLOW ASSISTANCE FOR BUSINESSES (CONT'D)

### ACCELERATING DEPRECIATION DEDUCTIONS FOR NEW ASSETS (CONT'D)

Unless specifically excluded, an eligible asset is a new asset that can be depreciated under Division 40 of the ITAA 1997 (that is, 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; and
- 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 a depreciating asset is not an eligible asset where a commitment to acquire or construct the asset was entered into before 12 March 2020.

### 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.

These will be 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 (\$7,000 per quarter) per eligible apprentice or trainee.

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

### CORONAVIRUS SME GUARANTEE SCHEME – WORKING CAPITAL FUNDING

The Coronavirus SME Guarantee Scheme will provide small and medium sized business with timely access to working capital to help them get through the impact of COVID19.

Under the Scheme, the Government will guarantee 50 per cent of new loans issued by eligible lenders to SMEs.

The Scheme will be available for new loans made by participating lenders until 30 September 2020.

The Government will provide eligible lenders with a guarantee for loans with the following terms:

- SMEs, including sole traders, with a turnover of up to \$50 million;
- Maximum total size of loans of \$250,000 per borrower;
- Loans will be up to three years, with an initial six month repayment holiday; and
- Unsecured finance, meaning that borrowers will not have to provide an asset as security for the loan.

## CASH FLOW ASSISTANCE FOR BUSINESSES (CONT'D)

### CORONAVIRUS SME GUARANTEE SCHEME – WORKING CAPITAL FUNDING (CONT'D)

The decision on whether to extend credit, and management of the loan, will remain with the lender. However, the Government expects that lenders will look through the cycle to sensibly take into account the uncertainty of the current economic conditions when determining whether credit should be extended.

As part of the loan products available, the Government will encourage lenders to provide facilities to SMEs that only have to be drawn if needed by the SME. This will mean that the SME would only incur interest on the amount they draw down. If they do not draw down any funds from the facility, no interest will be charged, but they will retain the flexibility to draw down funds should the need arise.

SMEs interested in the Coronavirus SME Guarantee Scheme should approach their financial institution for more information. The Government is working with banks and other eligible lenders to ensure loans are available as soon as possible.

The scheme has officially commenced from April 2020 so you may contact your bank for your business working capital requirements.

## ATO MEASURES TO HELP TAXPAYERS

The Australian Taxation Office (ATO) has implemented a series of administrative measures to assist Australian Taxpayers experiencing financial difficulties as a result of the COVID 19 Pandemic.

Unlike the Bushfire Relief measures, these measures will not be automatically applied. Taxpayers need to contact ATO to benefit from respective tax concessions.

### CORPORATE TAX – PAYG CONCESSIONS

PAYG concessions are allowing businesses with PAYG instalment requirements to:

1. vary the PAYG instalment amounts to zero from the March 2020 quarter; and
2. claim a refund for any instalments paid in the September 2019 and December 2019 quarters if you believe that your business is impacted by COVID 19 and will no longer be required to pay the tax initially estimated for the year ended 30 June 2020.

The ATO have provided guidelines to:

- manually vary the PAYG instalment for the March 2020 quarter to '0';
- provide the reason "significant change in trading conditions"; and
- claim a 5B credit by manually entering the amount to refund the instalments paid for the September 2019 and December 2019 quarters.

Where you choose to vary your PAYG instalments, ATO will not apply penalties or charge interest to varied instalments for the 2020 financial year.

If you realise you've made a mistake working out your PAYG instalment, you can correct it by lodging a revised activity statement or varying a subsequent instalment.



## **ATO MEASURES TO HELP TAXPAYERS (CONT'D)**

### **PAYMENT DEFERRALS OF UP TO 6 MONTHS (CONT'D)**

Payment Deferrals of up to 6 months will be provided to taxpayers who can provide details of how their business is affected by COVID-19 Pandemic.

This could include deferring your BAS (including net GST liabilities, PAYG instalments and FBT instalments), Income Tax Assessments, Fringe Benefits Tax assessments, and Excise payment due dates up to 12 September 2020; stopping interest accruing on your tax liabilities and taking advantage of low interest payment arrangements.

Please note that these are only payment deferrals and lodgement deadlines remain in place.

At this stage the ATO are accepting requests by phone and have advised that assessment will be made of each case based on relevant information provided by taxpayers at the time.

### **CHANGE GST REPORTING CYCLE TO ACCESS REFUNDS**

It is worth considering if you should temporarily change your reporting cycle.

If you report quarterly and are due for a GST refund, moving to monthly reporting means you can get quicker access to GST refunds you are entitled to.

Before you make the change, you should be aware that:

- you can only change from the start of a quarter, so a change now will take effect from 1 April 2020 (given that 31 March 2020 BAS needs to be lodged for quarterly lodgers);
- changing your GST reporting cycle doesn't mean you have to change your PAYG withholding reporting cycle - you can manage this by specifying the roles you are changing;
- once you choose to report and pay GST monthly, you must keep reporting monthly for 12 months before you can elect to revert to quarterly reporting; and
- if you're registered for fuel tax credits and change your GST reporting from quarterly to monthly, you will also need to claim your fuel tax credits monthly.

Your change in GST reporting cycle can be made through Tax Agent Portal, Business Portal or by contacting ATO.

### **REMITTING INTEREST AND PENALTIES**

All taxpayers who are financially impacted by COVID-19 Pandemic can seek remission on interest and penalties incurred on or after 23 January 2020, that have been applied to tax liabilities.

You can request remission through Tax Agent Portal, Business Portal or by contacting ATO.

### **LOW INTEREST PAYMENT PLANS**

If you or your business is financially impacted by COVID-19 Pandemic then you can contact the ATO to discuss entering into a 'Low Interest Payment Plan' to settle your existing and ongoing tax liabilities.



## RELIEF MEASURES FOR COMPANIES AND DIRECTORS

### RELAXATION OF INSOLVENCY MEASURES

There will be more flexibility in respect of creditor initiated insolvency and voluntary administration actions.

The current minimum threshold for creditors to issue a statutory demand on a company has also been increased from \$2,000 to \$20,000 for the next six months.

Companies will have six months to respond to a statutory demand (a significant increase from the previous 21 days timeframe), the precursor to winding up proceedings being commenced by creditors.

Relief for directors while trading insolvent will also be provided over the next 6 months.

### PAYROLL TAX RELIEF - NSW

#### PAYROLL TAX RELIEF FOR BUSINESSES WITH WAGES NO MORE THAN \$10 MILLION

Businesses in NSW whose total grouped Australian wages for the 2020 financial year are no more than \$10 million will have their annual tax liability reduced by 25% when they lodge their annual reconciliation, which is due on 28 July 2020.

For those businesses who lodge and pay monthly and whose total Australian wages will be no more than \$10 million for the current financial year, no payment for the months of March 2020, April 2020 and May 2020 will be required.

When lodging your annual reconciliation, you will still need to provide wage details paid in these months and will receive the benefit of a 25% reduction in the amount of tax you would have had to pay for 2020 year.

#### PAYROLL TAX DEFERRAL FOR BUSINESSES WITH WAGES OVER \$10 MILLION

Businesses whose total grouped Australian wages for the 2020 financial year are over \$10 million, will have the option of deferring the payment of payroll tax for up to six months.

These businesses will not need to make their payment for the March period, normally due on 7 April 2020.

#### PAYROLL TAX THRESHOLD INCREASE

The tax-free threshold for Payroll Tax in New South Wales (NSW) will increase from \$900,000 to \$1 million for the financial year commencing on 1 July 2020.

The NSW State Government has brought forward the payroll tax threshold in response to the economic impacts of COVID 19.

## FINANCIAL SUPPORT FOR INDIVIDUALS

COVID-19 Pandemic has affected many Individuals who had to either stop trading, are working reduced hours, had a job loss or currently dealing with so much uncertainty in their daily lives.

Economic Stimulus Packages announced in March 2020 introduces many measures to provide a 'safety net' for individuals who are financially impacted by the COVID 19 Pandemic and has been provided as a guide.

### CORONAVIRUS SUPPLEMENT

'Coronavirus supplement' of \$550 fortnightly will be paid from 27 April 2020 for up to six months.

The Coronavirus supplement will be available to individuals who are currently eligible for certain income support payments, including the:

- JobSeeker Payment, including all payments progressively transitioning to JobSeeker Payment being those currently receiving Partner Allowance, Widow Allowance, Sickness Allowance and Wife Pension;
- Youth Allowance;
- Parenting Payment (Partnered and Single);
- Austudy;
- ABSTUDY (Living Allowance);
- Farm Household Allowance; and
- Special Benefit recipients

The Coronavirus supplement is not a pro-rata payment. If you are in receipt of an eligible payment, you will receive the full \$550 per fortnight.

### EXPANDING ACCESS (AND ELIGIBILITY) TO CERTAIN INCOME SUPPORT PAYMENTS

From 20 March 2020, JobSeeker Payment replaces Newstart Allowance as the main income support payment for recipients aged between 22 years to Age Pension qualification age who have capacity to work.

For the period of the Coronavirus supplement, there will be expanded access to the income support payments listed above.

#### Expanded access:

- Jobseeker Payment and Youth Allowance Jobseeker criteria will provide payment access for 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. This could also include a person required to care for someone who is affected by the Coronavirus.

#### Reduced means testing:

- Asset testing for JobSeeker Payment, Youth Allowance and 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.

## FINANCIAL SUPPORT FOR INDIVIDUALS (CONT'D)

### EXPANDING ACCESS (AND ELIGIBILITY) TO CERTAIN INCOME SUPPORT PAYMENTS (CONT'D)

#### Reduced waiting times:

- The one-week Ordinary Waiting Period has already been waived.
- To further accelerate access to payments, the Liquid Asset test Waiting Period (LAWP) and the Seasonal Work Preclusion Period (SWPP) will also be waived for recipients eligible for the Coronavirus supplement. People currently serving a LAWP will no longer need to serve that waiting period.
- The Newly Arrived Residents Waiting Period (NARWP) will be temporarily waived for recipients eligible for the Coronavirus supplement. When the Coronavirus supplement ceases, those people that were serving a NARWP will continue to serve the remainder of their waiting period, though the time the person was receiving the Coronavirus supplement will count towards their NARWP. Residency requirements still apply.
- All income testing, Income Maintenance Periods and Compensation Preclusion Periods will continue to apply.

People will not be permitted to access, and will need to declare that they are not accessing, employer entitlements (such as annual leave and/or sick leave) or Income Protection Insurance, at the same time as receiving Jobseeker Payment and Youth Allowance Jobseeker under these arrangements.

From 20 March 2020, Sickness Allowance was closed to new entrants and was replaced by the JobSeeker Payment. This does not mean that people who previously may have been eligible for Sickness Allowance are now unable to access income support.

### TAX-FREE ECONOMIC SUPPORT PAYMENTS OF \$750

The Government is 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.

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). This payment is automatically paid to eligible individuals from 31 March 2020, with most getting it by 17 April 2020.

The second \$750 payment will be available to individuals who are residing in Australia and are receiving one of the eligible Government payments or are the holders of one of the 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.

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.

## FINANCIAL SUPPORT FOR INDIVIDUALS (CONT'D)

### REDUCING 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. This is in addition to the recent 0.50 percentage point reduction, resulting 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 3.00% to 2.25%, and the lower deeming rate will be reduced from 1.00% to 0.25%.

These 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 (for example, cash deposits and listed securities), irrespective of the actual amount of income (for example, 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'.

### EARLY RELEASE OF SUPERANNUATION

The Government has introduced a new compassionate ground of release that will allow eligible individuals through myGov to access from:

- mid-April, up to \$10,000 of their superannuation before 1 July 2020; and
- 1 July 2020 until 24 September 2020, a further \$10,000 of their superannuation.

Individuals will not need to pay tax on amounts released and the money they withdraw will not affect Centrelink or Veterans' Affairs payments.

You are eligible to access your superannuation if you meet any of the following criteria:

- you are unemployed.
- you are eligible to receive a job seeker payment, youth allowance for jobseekers, parenting payment (which includes the single and partnered payments), special benefit or farm household allowance.
- on or after 1 January 2020, either
- you were made redundant.
- your working hours were reduced by 20% or more.
- your sole trader business was suspended or there was a reduction in your turnover of 20% or more.

### REDUCING SUPERANNUATION MINIMUM DRAWDOWN RATES

Minimum drawdown requirements for account-based pensions and similar products have been temporarily reduced by 50% for 2020 and 2021 income years.

Therefore, total minimum annual pension amount that a superannuation fund is otherwise required to pay to a member receiving a pension from the fund (for example, an account-based pension) will be reduced by half for these two income years.

## **FINANCIAL SUPPORT FOR INDIVIDUALS (CONT'D)**

### **EARLY CHILDHOOD EDUCATION AND CARE RELIEF PACKAGE**

'Early Childhood Education and Care Relief Package' will provide funding certainty to early childhood education and care services at a time where enrolments and attendance are highly unpredictable. This, along with the JobKeeper payment, means services can offer free education and care.

The funding will be based on the number of children who were in care during the fortnight leading into 2 March 2020, whether or not they are now attending services.

Until the payments arrive, services will be able to waive gap fees for families who keep their children home, and families will be able to use the 20 extra absence days the government has funded for coronavirus related reasons without giving up their place in a child care centre.

From Monday 6 April 2020 weekly payments will be made directly to early childhood education and care services in lieu of the Child Care Subsidy and the Additional Child Care Subsidy, to help them keep their doors open and employees in their jobs.

The new system will see payments start flowing at the end of next week until the end of the 2020 financial year and families will not be charged fees during this time. This will be reviewed after one month, with an extension to be considered after three months.

Early childhood education and child care services do not need to apply for the payments, they will be paid automatically.

In addition, up to and including 5 April 2020, services can now waive gap fees for families due to the impact of COVID-19. This can go back as far as 23 March 2020 and is in addition to changes already announced that allow services to waive gap fees for families where they have been directed to close on public health advice.

### **EVICTIONS MORATORIUM AND RENT RELIEF**

The Prime Minister announced on 29 March 2020 that 'State and territories will be moving to put a moratorium on evictions of persons as a result of financial distress if they are unable to meet their commitments. There'll be a moratorium on evictions for the next six months under those rental arrangements.'

NSW has not yet implemented the announced Evictions Moratorium and Rent Relief, thus further insight on types of tenancies affected in NSW (if any) cannot be provided.

### **RENEGOTIATION OF MORTGAGE**

All lenders have hardship teams ready to help customers in tough times. Certainly, with COVID-19 Pandemic, most lenders if not all will be expecting calls from their customers to discuss what options are available to reduce and/or defer payments.

Banks are considered to be an essential service so will remain open at these times. Contact your lender to discuss what options are available.

## **BANKRUPTCY SAFETY NET**

A temporary 6 month increase to the threshold for the minimum amount of debt required for a creditor to initiate bankruptcy proceedings against a debtor will increase from \$5,000 to \$20,000.

In addition, the time a debtor has to respond to a bankruptcy notice will be temporarily increased from 21 days to six months.

Where someone declares their intention to enter voluntary bankruptcy, the period of protection from unsecured creditors will be extended from 21 days to 6 months.

## **DISCLAIMER**

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