

# Coronavirus stimulus package no.2

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On 22 March 2020, the Australian Federal Government announced its second economic stimulus package.

The Government noted the following: -

- The full economic effects from the virus remain uncertain, the outlook has deteriorated since the initial Economic Response
- Governments, both international and domestic, have announced stricter mitigation measures to slow the spread of the virus, which are having significant economic impacts.
- The \$66 billion worth of new measures take Australia's total stimulus to \$189 billion. That's equivalent to 9.7% of Australia's GDP. For context, Canada's stimulus is 4.5% of its GDP, and South Korea's is 4%.

The Government has made the following further announcements:

## **Support for businesses**

### Boosting Cash Flow for Employers (enhanced)

The Government is now providing up to \$100,000 to eligible small and medium-sized businesses, and not-for-profits (NFPs) that employ people, with a minimum payment(s) of \$20,000. The payment(s) will be made via a credit in the Activity Statement System.

Small and medium-sized business entities and NFPs with aggregated annual turnover under \$50 million and that employ workers are eligible.

Under the enhanced scheme, employers will receive payment equal to 100% of their salary and wages withheld (up from 50%), with the maximum being increased from \$25,000 to \$50,000. In addition, the minimum payment is being increased from \$2,000 to \$10,000.

An additional payment is also being introduced in the July — October 2020 period. Eligible entities will receive an additional payment equal to the total of all of the Boosting Cash Flow for Employers payments they have received.

This means that eligible entities will receive at least \$20,000 up to a total of \$100,000 under both payments.

### Temporary relief for financially distressed businesses

The Government is temporarily increasing the threshold at which creditors can issue a statutory demand on a company and to initiate bankrupt proceedings against an individual as well as temporarily increasing the time companies and individuals have to respond to statutory demands they receive.

The package also includes temporary relief for directors from any personal liability for trading while insolvent, and providing temporary flexibility in the Corporations Act 2001 to provide targeted relief from provisions of the Act to deal with unforeseen events that arise as a result of the Coronavirus health crisis.

The ATO will tailor solutions for owners or directors of business that are currently struggling due to the Coronavirus, including temporary reduction of payments or deferrals, or withholding

enforcement actions including Director Penalty Notices and wind-ups.

## **Individuals and households**

### Income support for individuals

Over the next six months, the Government is temporarily expanding eligibility to income support payments and establishing a new, time-limited Coronavirus supplement to be paid at a rate of \$550 per fortnight. This will be paid to both existing and new recipients of Jobseeker Payment, Youth Allowance Jobseeker, Parenting Payment, Farm Household Allowance and Special Benefit.

### Payments to support households

The Government is providing two separate \$750 payments to social security, veteran and other income support recipients and eligible concession card holders. The first payment will be made from 31 March 2020 and the second payment will be made from 13 July 2020. The second payment will not be made to those eligible for the Coronavirus supplement.

### Temporary early release of superannuation

The Government is allowing individuals affected by the crisis to access up to \$10,000 of their superannuation in 2019-20 and a further \$10,000 in 2020-21. Individuals will not need to pay tax on amounts released and the money they withdraw will not affect Centrelink or Veterans' Affairs payments.

### Temporarily reducing superannuation minimum drawdown rates

The Government is temporarily reducing superannuation minimum drawdown requirements for account-based pensions and similar products by 50% for 2019-20 and 2020-21.

### Reducing social security deeming rates

On 12 March, the Government announced a 0.5 percentage point reduction in both the upper and lower social security deeming rates. The Government will now reduce these rates by another 0.25 percentage points. As of 1 May 2020, the upper deeming rate will be 2.25 per cent and the lower deeming rate will be 0.25 per cent.

## **Supporting the flow of credit**

### Support for immediate cash flow needs for SMEs

Under the Coronavirus SME Guarantee Scheme, the Government will provide a guarantee of 50% to SME lenders to support new short-term unsecured loans to SMEs. This offer will be available from 1 April 2020 and be available for new loans until 30 September 2020. The

maximum that can be borrowed under the guarantee facility will be \$250,000 on terms up to three years.

#### Quick and efficient access to credit for small business

The Government is providing a temporary exemption from responsible lending obligations for lenders providing credit to existing small business customers.

#### Reserve Bank of Australia — Supporting the flow and reducing the cost of credit

The Reserve Bank of Australia (RBA) announced a package on 19 March 2020 that will attempt to put downward pressure on borrowing costs for households and businesses.

#### **Victorian Survival Package**

Over the course of the weekend, Victoria was the latest state to announce their Business Survival Package. The State Government of Victoria announced on 21 March, the following: -

- Full payroll tax refunds for the 2019-20 financial year to small and medium-sized businesses with payroll of less than \$3 million. This assistance is a refund not a loan. The same businesses will also be able to defer any payroll tax for the first three months of the 2020/21 financial year.
- Commercial tenants in government buildings can apply for rent relief
- 2020 land tax payments will be deferred for eligible small businesses.
- The Government will support the hospitality sector by waiving liquor licensing fees for 2020 for affected venues and small businesses.
- The Government will provide \$500 million to establish a Business Support Fund. The fund will support the hardest hit sectors, including hospitality, tourism, accommodation, arts and entertainment, and retail.
- Due to the ongoing economic uncertainty the pandemic is causing, the 2020-21 Victorian Budget will be deferred in line with all other Australian Governments and agreed by National Cabinet. The Government's base review outcomes will also be deferred.

#### **NSW State Government – Economic response totalling \$2.3 billion**

The NSW government has announced the following measures to protect the State's economy and communities.

#### Businesses and jobs

- Waive payroll tax for businesses with payroll up to \$10 million for the next three months to 30 June 2020, reducing their payroll tax liability for the year by a quarter.
- Cutting the 2020/21 payroll tax liability for all businesses by increasing the payroll tax threshold to \$1 million.

- Reducing licence and other fees incurred by small businesses such as those incurred by bars, cafes, restaurants and tradies.
- Additional employment opportunities for cleaners for public infrastructure and buildings e.g. transport and schools.
- Accelerating maintenance and other capital works projects for public assets including social housing and crown land fencing.

### Health

- Increased funding for health including COVID-19 testing kits, ICU and the key medical equipment required to treat those infected.

Lastly, the Government expects a third stimulus will be required when the impact of the virus become clearer.

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