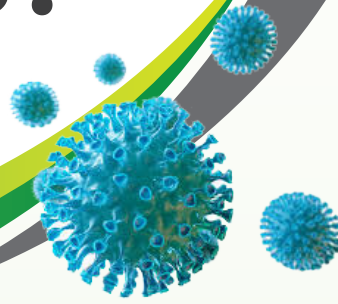


# WILL YOUR BUSINESS SURVIVE COVID-19?

## 11 STEPS TO TAKE TO MAKE IT THROUGH



The economic impact of the coronavirus (or COVID-19) in Australia has accelerated and there is no question that we now face very difficult days for small businesses.

The effect on most businesses of such a rapidly moving virus is likely to start with a squeeze on liquidity (or cashflow as most people know it as).

This was the pattern that played out in 2008 when the GFC happened. The GFC taught us that whilst the tight cashflow will be temporary, if your business doesn't have enough cash to survive the interruption, then it will fail, and we are already seeing some businesses close throughout Australia.

Now is the time to take action to protect your business and we recommend that business owners consider the following **11 measures**:

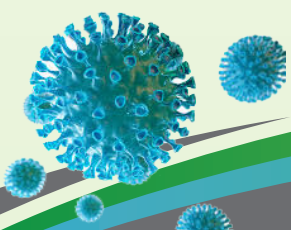


Consider asking your bank for a freeze on loan repayments on your debt facilities or at least converting the facilities to be interest only for the next 6 months. The banks are the ones that are more likely to be able to survive this crisis.

Delay or cancel all non-essential capital expenditure until you have a better understanding of how your business will cope with the volatility. Also apply the same approach to general business expenses.



If you are falling behind on paying your PAYG and GST liabilities (BAS), contact your accountant and ask them to help you to organise a payment plan with the ATO. There is talk of a freeze on ATO payments for 4 months, but this is yet to be confirmed.



If you fall behind on your paying your superannuation liabilities, remember to lodge your SGC statements with the ATO to help avoid personal liability. If possible, however, try to prioritise these super obligations.



Start modelling various scenarios of employee cost reduction to understand how you can quickly reduce payroll costs if required.

Prepare a real time cashflow report of your income and outgoings, on a week by week basis, so that you can see the reality of the situation and be able to react.



Review all overhead costs and see if it is possible to cut or eliminate any unnecessary business costs – in particular, marketing and advertising costs, as this is unlikely to bring you any new sales in this current pandemic.

If you can, look at reducing your own wages, if your personal household budget allows. This will give your business a bit of breathing space.



Look at your excess business assets and see if it can be deployed or rented out to other businesses (so that you can earn a little bit of income whilst you wait for the recovery period).

Keep an eye out for government funding and grants and apply for ones that you may be eligible for – keep up to date with what is happening in this arena.



If you start to find it is increasingly difficult to make payments on time, get safe harbour advice from a qualified insolvency practitioner that will help protect you from an insolvent trading lawsuit.



# FEDERAL GOVERNMENT STIMULUS PACKAGE

In response to the Coronavirus crisis, the Federal Government has outlined new measures in a stimulus package.

Below is a summary of the measures outlined in the plan. It has not been legislated as of the 17th March 2020, so there are certain details in terms of application that may yet be known.

## SUPPORT FOR BUSINESS INVESTMENT

### Increasing the instant asset write-off


- The asset threshold increased from \$30,000 to \$150,000
- It applies from 12 March to 30 June 2020 (with a possibility of an extension)
- The \$150,000 threshold applies on a per asset basis so eligible businesses can immediately write-off more than one asset.
- It applies for new or second-hand assets first used or installed ready for use by 30 June 2020.


### Investment incentive

- A deduction of 50% of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset's cost
- Eligible assets are new assets that can be depreciated under Division 40 of the ITAA97 (i.e. plant, equipment and specified intangible assets) acquired after today's announcement and first used or installed by 30 June 2021
- Please note: the announcement did not reference the removal of the depreciation limit for cars.

## CASHFLOW ASSISTANCE FOR BUSINESS

### Boosting cashflow for employers

- A tax-free payment of up to \$25,000 back to businesses, with a minimum payment of \$2,000 for eligible businesses
  - Eligible businesses are those with aggregated annual turnover under \$50 million
    - The payment will be delivered by the ATO as a credit in the activity statement from 28 April 2020 when the business lodges its activity statement
    - Eligible businesses that withhold tax on their employees' salary and wages will receive a payment equal to 50% of the amount withheld, up to a maximum payment of \$25,000
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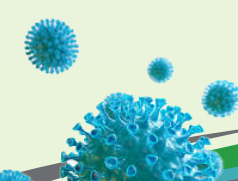
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- Eligible businesses that pay salary and wages will receive a minimum payment of \$2,000 even where they are not required to withhold.
  - The ATO will deliver the payment as a credit to the business upon lodgement of their activity statements (with the minimum payment applied to the first lodgement)
    - 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 lodgements (with the payment calculated at 3 times the rate (i.e. 50% in the March 2020 activity statement).
    - You do not need to apply for this assistance.

### Supporting apprentices and trainees

- Eligible employers can apply for a wage subsidy of 50% of the apprentice's or trainee's wage paid during the 9 months from 1 January 2020 to 30 September 2020 (and this subsidy will be available to a new employer where the business is unable to retain an apprentice)
- Employers will be reimbursed up to a maximum of \$21,000 per eligible apprentice or trainee (i.e. \$7,000 per quarter)
- Eligible small businesses are those employing fewer than 20 full-time employees who retain an apprentice or trainee (with the apprentice or trainee being in training with a small business as at 1 March 2020)
- Employers will be able to access the subsidy after an eligibility assessment is undertaken by an Australian Apprenticeship Support Network provider.

## STIMULUS PAYMENTS TO HOUSEHOLDS

This measure is designed to assist lower-income Australians, including pensioners and social, security and veteran income support recipients:

- The Government will provide a one-off \$750 payment (with one payment per recipient)
  - The payment will be tax-exempt and will not count as income or Social Security, Farm Household Allowance and Veteran Payments
  - Eligible recipients are those residing in Australia and be receiving a payment specified by the Government (such as the Age Pension, Carer Payment, Newstart Allowance, etc) or hold a concession card on 12 March 2020
  - The one-off payment will be paid automatically from 31 March 2020 by Services Australia or Veterans' Affairs.
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## THE ATO'S ROLE

The ATO will implement a series of administrative measures to assist Australians experiencing financial difficulty as a result of the Coronavirus.

It will be up to businesses and individuals impacted by the Coronavirus to contact the ATO for assistance – they will not automatically apply any extensions.

A number of options are available to assist impacted businesses which include:

- Deferring by up to 4 months the payment date of amounts due through the business activity statement (including PAYG instalments), income tax assessments, FBT assessments and excise
- Allow business on a quarterly reporting cycle to opt into monthly GST reporting in order to get quicker access to GST refunds that they may be entitled to
- Allowing businesses to vary PAYG instalment amounts to zero for the April 2020 quarter. Businesses that vary PAYG instalments to zero can also claim a refund of any instalments made for the September 2019 and December 2019 quarters.
- Remitting any interest and penalties, incurred on or after 23 January 2020, that have been applied to tax liabilities.
- Working with affected businesses to help them pay their existing and ongoing tax liabilities by allowing them to enter into low interest payment plans.

## GENERAL COMMUNITY SUPPORT

**ANZ response and access to assistance:**

<https://www.anz.com.au/promo/covid-19/>

**Westpac for extra assistance go to:**

<https://www.westpac.com.au/about-westpac/sustainability/our-positions-and-perspectives/>

**CBA for financial hardship go to:**

[https://www.commbank.com.au/business.html?ei=mv\\_business](https://www.commbank.com.au/business.html?ei=mv_business)

**NAB for general assistance go to:**

<https://www.nab.com.au/?rwd>





## CHAMBER OF COMMERCE - ALL STATES

**Victorian Chamber of Commerce – Free membership for a year, support and guidance for your business**

<https://www.victorianchamber.com.au/business-support/crisis-information/covid-19-coronavirus-resources>

**Queensland Chamber of Commerce – information on state and federal government support and practical support for your business**

<https://www.cciq.com.au/business-voice/coronavirus-information/>

**WA Chamber of Commerce – guidance and information for your business**

[https://covid19.cciwa.com/?utm\\_source=website&utm\\_medium=slider&utm\\_campaign=covid19](https://covid19.cciwa.com/?utm_source=website&utm_medium=slider&utm_campaign=covid19)

**SA Chamber of Commerce – article and links to guide your business**

<https://www.business-sa.com/Editorial-Content/Business-SA-Today/12-March-2020/Coronavirus>

**NT Chamber of Commerce – no relevant support or information available**

<https://www.chambernt.com.au/>

**ACT Chamber of Commerce – a bit outdated but still relevant**

<https://www.business-sa.com/Editorial-Content/Business-SA-Today/12-March-2020/Coronavirus>

**TAS Chamber of Commerce – support and guides for your business**

<http://www.tcci.com.au/Services/COVID-19-Business-Resources>

