

Helping SMEs navigate tax and relief concessions

The global COVID-19 pandemic is having a significant impact on all of us. At Deloitte, the needs of our people and clients are our foremost concerns.

The purpose of this guide is to give an overview of the immediate concessions and relief measures available to Australian business with an aggregated annual turnover under \$50m (i.e. SMEs) and is designed to help you manage your business' potential short-term cashflow challenges and plan for a better tomorrow in these challenging times.

This guide is current as of 25 March 2020, but we expect that the tax and business-related responses will continue to evolve.

Key tax measures and concessions

- Cashflow measures
- Deferral of liabilities
- Investment opportunities



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How SMEs can benefit

Cashflow measures

A number of the measures released by the Federal and State governments are designed to keep money in your pockets and to provide needed credit lines where required:

- Boosting cash flow for employers
- Supporting apprentice and trainee jobs
- Supporting the flow of credit
- **Other** State measures



Deferral of liabilities

The ATO and governments also recognise that SMEs would be better served in redirecting their cashflows towards maintaining business operations.

- **ATO and State Revenue** – Deferral of tax liabilities
- **Other** State measures

Investment opportunities

Whilst the majority of the measures are aimed at keeping businesses afloat, governments also recognise that businesses must continue to plan for a better tomorrow:

- Instant and accelerated asset write-off
- **Various** State measures

Cash flow measures

Boosting cash flow for employers

- Applies to employers with aggregated annual turnover < \$50 million.
- These businesses will receive a tax-free payment of between \$20,000 and \$100,000 from the ATO in two phases with a maximum payment under each phase of \$50,000.

Supporting apprentices and trainees

- Businesses employing fewer than 20 full-time employees with apprentices or trainees can apply for a wage subsidy of 50% of the relevant wages for up to nine months.
- Employers will be reimbursed up to \$21,000 per eligible apprentice or trainee (\$7,000 per quarter) and can register from early April 2020.

Supporting the flow of credit

- To encourage lending, the Government will provide a 50% guarantee on new loans used for working capital up to a maximum of \$250,000 with an initial six-month repayment holiday and up to a three-year term.
- Further, banks can defer principal and interest repayments for existing term loans and retail loans of a small business customer for six months (interest will be capitalised).

State measures

State governments have introduced several measures to waive existing State tax liabilities (noting lodgement is generally still required):

• **Victoria:**

- Businesses with Australian payroll (on a non-grouped basis) < \$3m will have all their FY20 payroll tax waived/refunded.

• **New South Wales:**

- Businesses with Australian group payroll (**Payroll**) < \$10 million will have their annual payroll tax liability reduced by 25% on lodgement of the FY20 annual reconciliation in July 2020 (and can cease paying the March to May liability in the interim).

• **Tasmania:**

- Businesses in the hospitality, tourism and seafood industries will have their payroll tax liabilities for March – June 2020 waived.
- Businesses with Payroll < \$5m and directly affected by COVID-19 can apply to have their payroll tax waived for April – June 2020.
- Interest-free (for three years) loans to businesses with turnover < \$5m in the hospitality, tourism, seafood production to purchase equipment or restructure business operations.

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• **Queensland:**

- Businesses with Payroll < \$6.5m are eligible for a refund/waiver on payroll tax for January – May 2020.
- Businesses with Payroll > \$6.5m and affected by COVID-19 can apply for a refund of payroll tax for Jan and Feb 2020.

• **Western Australia:**

- Businesses with Payroll between \$1m - \$4m will receive a one-off grant of \$17,500 which will be distributed from July 2020.

• **ACT:**

- Employers in the hospitality, creative arts and entertainment industries will have their payroll tax waived for April to Sept 2020.

Deferral of liabilities

ATO – Deferral of tax liabilities

Businesses can apply to the ATO on a range of tax payment relief measures including:

- **PAYG:** Variation of PAYG instalment rates to zero for the March quarter and refunds available for the September 2019 and December 2019 quarters to provide liquidity.
- **Deferral of tax payments:** Deferral, by up to six months, of payments due through business activity statements including GST, FBT, PAYG-withholding, PAYG-instalments and excise.
- **Remittance of interest and penalties:** Remittance of any interest and penalties, incurred on or after 23 January 2020, that have been applied to tax liabilities
- **Monthly reporting:** Businesses on a quarterly reporting cycle may apply to opt into monthly GST reporting in order to get quicker access to GST refunds they may be entitled to.

State measures

In addition to the payroll tax waivers announced, payroll tax deferral is also available:

- **Victoria:**
 - Businesses with Payroll < \$3m will have all their first quarter FY21 payroll tax liability deferred to 1 January 2021.
 - Businesses that own at least one non-residential property and where total landholdings have a land tax value of < \$1m can defer 2020 land tax payment to first quarter of calendar 2021.
- **Queensland:**
 - Businesses can defer their payroll tax payments for remainder of the 2020 calendar year. In the case of businesses with Payroll > \$6.5m, deferral is limited to those negatively affected by COVID-19.
- **Western Australia:**
 - Businesses with Payroll < \$7.5m which have been directly affected by COVID-19 compared to normal operating conditions can apply to defer payments and lodging returns to 21 July 2020.
- **Australian Capital Territory:**
 - Businesses with Payroll < \$10m can apply for an interest-free deferral of FY21 payroll (must be repaid before 1 July 2022).

Investment opportunities

Instant and accelerated asset write-off

- Businesses with an aggregated annual turnover under \$500m can claim an immediate deduction for **new and second-hand** eligible assets acquired and ready for use between 12 March and 30 June 2020 with a value of \$150,000 or less.
- For all other **new** eligible assets that are installed or ready for use in the years ending 30 June 2020 or 2021, an immediate deduction of 50% of the asset's cost is available.

State measures

Additional measures include:

- **South Australia:**
 - Up to \$5,000 for new apprentices or trainees hired in South Australia.
- **Queensland:**
 - Market diversification and resilience grants for Queensland agriculture, food and fishing exporters and their critical supply chain partners, and industry organisations working with exporters. These grants apply for equipment purchases (up to \$7,500) and project activities (up to \$50,000).
 - Low interest loans of up to \$250,000 with an initial 12 month interest free period to help businesses retain staff and maintain operations.
- **Tasmania:**
 - A 12-month payroll tax rebate is available for businesses that employ a person aged 24 or younger between April and December 2020.
 - One-off grants of \$5,000 for small businesses hiring apprentices/trainees in tourism, hospitality, construction and manufacturing industries
- **Northern Territory:**
 - Eligible businesses can apply for an initial \$10,000 grant for upgrades or equipment (acquired from other NT businesses) for their business, with an additional \$10,000 available if they contribute \$10,000 of their own money.

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