

Australian Government announces economic package including investment incentives and tax measures

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On 12 March 2020, the Australian Government announced an economic [package](#) of AU\$17.6 billion¹ including approximately \$11 billion of planned expenditure by 30 June 2020, in response to the economic impact of the Coronavirus outbreak. This measured response adds to a previously-announced \$2.4 billion health package and is ahead of a meeting with the states on 13 March. As well, the Federal Budget is due in early May.

The tax- and business-related measures announced are, in summary:

Tax incentives for businesses with turnover below \$500m per annum

- **Increasing the instant asset write-off (IAWO)** - For new or second-hand assets first used or installed ready for use from 12 March until 30 June 2020, the IAWO threshold is increased from \$30,000 to \$150,000 for businesses with aggregated annual turnover of less than \$500 million (up from the current \$50 million threshold). The threshold applies on a per asset basis, so eligible businesses can immediately write-off multiple assets. The IAWO will revert to \$1,000 for small businesses (turnover less than \$10 million) from 1 July 2020.
- **Backing business investment** - A 15-month investment incentive, by accelerating depreciation deductions for businesses with aggregated annual turnover less than \$500 million. The measure allows a deduction of 50% of the cost of each new asset (which is depreciable under Division 40 of the

Income Tax Assessment Act 1997) on installation, which is acquired after the economic package announcement and first used or installed by 30 June 2021. Existing depreciation rules apply to the balance of the asset's cost.

Boosting cash flow for employers

- Up to a \$25,000 tax-free payment to small and medium-sized businesses with a turnover of less than \$50 million that employ workers. These eligible businesses will receive a payment equal to 50% of their Pay As You Go (PAYG) withheld (i.e. Australian tax withheld by employers from employee remuneration), delivered as a credit in their Business Activity Statement (BAS) from March to June 2020, with a minimum \$2,000 payment and up to a cap of \$25,000.

Supporting apprentices and trainees

- Eligible small business employers with fewer than 20 employees can apply for a wage subsidy of 50% of the apprentice's or trainee's (in training as at 1 March 2020) wage for up to nine months from 1 January to 30 September 2020, up to \$21,000 per apprentice. Employers can register for the subsidy from early April 2020 with final claims for payment due by 31 December 2020.

Non-tax measures announced in the package include:

- Stimulus payments - A one-off \$750 payment from 31 March 2020 to social security, veteran and other income support recipients and eligible concession card holders. Approximately half of those that will benefit are pensioners.
- Assistance for severely affected regions - \$1 billion to support regions most significantly affected by the Coronavirus outbreak, including businesses heavily reliant on industries such as tourism, agriculture and education.

The Australian Taxation Office will also offer administrative relief for certain tax obligations, including deferring tax payments up to four months, for taxpayers affected by the coronavirus, on a case-by-case basis.

A package of Bills will be introduced into Parliament in the final Autumn sitting week in March 2020 for Parliament's urgent consideration and passage, to enable the release of any supporting instruments.

As certain incentives in the economic package are available for a short period of time, businesses need to consider early actions as part of their planning.

The EY Chief Economist Joanne Masters has provided some initial economic comments available [here](#).

Endnote

1. Currency references in this Alert are to the AU\$.

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EYG no. 001184-20Gbl

1508-1600216 NY
ED None

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