

Australian Government announces economic package to support workers and businesses

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Executive summary

On 22 March 2020, the Australian Government announced its economic support package "[Supporting Australian Workers and Businesses](#)," releasing the second stage of its economic plan to cushion the economic impact of the coronavirus (COVID-19). This AU\$66 billion¹ (Safety Net) package adds to the 12 March 2020 (Stimulus) announcements² and includes new measures and enhancements to previous announcements.

There are only minor new direct income tax measures or enhancements for business. However, all businesses should consider what flow on effects there may be from the broader package of measures.

This Alert outlines the new measures.

Detailed discussion

Business measures

- ▶ **Boosting cash flow for employers** - enhances the previously announced tax-free payment to small and medium-sized enterprises (SMEs) with a turnover of less than \$50 million that employ workers by:
 - Extending access to not-for-profits, including charities

- Increasing the minimum payment to \$20,000 (from \$2,000) and maximum total payments to \$100,000 (from \$25,000) including an increase in the rate of payments from the first package from 50% to 100% and provision of an additional payment from 28 July 2020.
- **Temporary relief for financially distressed businesses** – temporarily provides higher thresholds and more time to respond to demands from creditors, as well as temporary relief from directors' personal liability for trading while insolvent and temporary flexibility in the *Corporations Act 2001* to provide targeted relief for companies resulting from the health crisis.
- **Coronavirus SME Guarantee Scheme** – supports \$40 billion of lending to SMEs through a Government guarantee of 50% of new loans issued by eligible lenders to SMEs.
- **Support for the aviation industry** – confirms up to \$715 million government support for Australian airlines and airports.

Superannuation related measures

- **Temporary early release of superannuation** – allows directly impacted individuals and sole traders to access up to \$10,000 of their superannuation, tax-free, in 2019-20, and up to a further \$10,000 in 2020-21.
- **Temporarily reduce superannuation minimum drawdown rates** by 50% for the 2019-20 and 2020-21 income years.

Other measures for individuals

- **Income support for individuals** – temporary expansion of eligibility for income support payments and a new, time-limited, Coronavirus supplement of \$550 per fortnight has been added to existing income support measures available for those temporarily out of work.

- **Payments to support households** – increases to two rounds of \$750 to social security, veteran and other income support recipients and eligible concession card holders.
- **Lower the deeming rates** used for setting pension and Social Security benefits.

State governments have also announced their responses to the economic impact of the coronavirus – which notably include changes to payroll tax arrangements, focusing on SMEs and ranging from refunds and waivers to changes to exemption thresholds.

A package of Bills to enact the Federal Government's stimulus measures was introduced into Parliament, including the business tax measures (announced on 12 March) for those with a turnover of up to \$500 million. This includes the increase in the instant asset write off to \$150,000 and the business investment incentive measure to accelerate depreciation deductions.

The Australian Taxation Office (ATO) has added to its range of frequently asked questions (FAQs) and answers, as well as direct interactions on lodgments, payments and other issues. EY continues to engage with the ATO.

Broader economic impact

The impact for businesses and individuals is broadened by the difficulties arising from varying state government restrictions which are disrupting financial markets. These issues are relevant also for superannuation funds.

Joanne Masters, Chief Economist, EY Oceania, continues to provide economic comment on LinkedIn – [link](#).

Endnotes

1. Currency references in this Alert are to the AU\$.
2. See EY Global Tax Alert, [Australian Government announces economic package including investment incentives and tax measures name](#), dated 13 March 2020.

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