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COVID-19 FREQUENTLY ASKED QUESTIONS

This week the Federal Government announced part two of its COVID-19 stimulus plan. It seeks to keep business running and workers employed, but what does it mean for you? We respond below to some of the questions we have received from clients.

In regards to the \$150k of instant asset write off, is it the total of the assets that can be written off or each asset up to a value of \$150k?

It is as per asset limit. So you are eligible for multiple assets each of a value of \$150,000 excluding GST or less.

Pay withheld is paid monthly. However, will processing the quarterly BAS in March 2020 PAYGW be included in Q1 2020 BAS?

The cash flow boost component of the stimulus package is based on the March PAYG. When you lodge the March activity statement you will be entitled to a credit equal to 300% of the March PAYG withheld. This will be credited to your ATO Running Account and if there is a refund after all other amounts due it will be paid out.

If you are writing off assets to reduce corporate tax exposure, can monthly PAYG instalments be reduced or deferred between now and June 2020?

If your income has dropped you can ask for your PAYG Instalments to be varied in line with what you expect to be due for the year. Even if you think you have a tax liability, the ATO has advised that you can vary your PAYG Instalments for cash flow purposes – you can vary the current one to Nil and seek a refund of payments since 1 July 2019. You can also ask to be removed from the PAYG Instalment system to avoid the need to pay further this financial year. While this won't impact on tax due, the ATO has advised there will be no penalties for varying PAYG Instalments.

Does the income tax instalment refund for the Sept and Dec quarters only apply to quarterly lodgers?

If your income had dropped, regardless of whether you are paying quarterly or monthly, the previous answer will apply.

Regarding payment deferrals. How do businesses demonstrate to the ATO they are impacted by COVID-19? Is there a minimum criteria to be met that the ATO applies to all industries or will this be assessed on case by case basis & How much detail is required?

No criteria has been released as of yet. The response from the ATO around impacted industries – if you have been told to close by government there should be no issue.

Employers that are part of a consolidated group are not eligible for the PAYG benefit if revenue is greater than \$50M. Does this apply only to the companies in Australia that are part of the consolidated group or extend to all global companies as part of the group?

It is aggregated turnover. It will be a credit to your ATO Running Account on the lodgement of your next activity statement due after 31 March.

See www.ato.gov.au/business/small-business-entity-concessions/eligibility/aggregation

What benefits refer to a business that has no employees, just contractors? E.g. can we delay 3rd quarter tax instalment?

ATO has advised that you can defer payments due after 23 January 2020. Payments due before that will need to be put on a payment plan and you can request remission of interest from 23 January.

If business owners are forced to stand staff down, but not dismiss them, are they then eligible to claim the \$550 government payment in that time?

Staff will need to apply for the Jobseeker Payment at Centerlink. Once they are eligible for this payment the business will automatically be eligible for the \$550 Coronavirus Supplement.

Jobseeker payments have an income maintenance period. This is an amount of time that you need to wait before you get a payment. This is based on payments received from employers on leaving or losing a job.

This could include any of the following:

1. Sick leave
2. Annual leave
3. Long service leave
4. Termination payment
5. A redundancy payment

For a redundancy period they will need to wait for the number of weeks redundancy paid prior to being eligible.

So while we have assets tests waived, we are not seeing the same for income maintenance periods. This is because the above payments are seen as income.

If a sole trader earns income under a business income schedule but does pay wages, will he be eligible for the \$20,000 employee cash incentive? Or can you backdate your PAYGW registration to be able to claim this incentive?

No. You will be eligible to receive the cash flow boost if you are a small or medium business entity, including not-for-profit organisations, sole traders, partnership, company or trust that:

1. Held an ABN on 12 March 2020 and continues to be active
2. Has an aggregated annual turnover under \$50 million (generally based on prior year turnover)
3. Made eligible payments you are required to withhold from (even if the amount you need to withhold is zero).

Eligible payments include:

- Salary and wages
- Director fees
- Eligible retirement, termination or compensation payments
- Voluntary withholding from payments to contractors

In addition, you must also have either:

1. Derived business income in the 2018–19 income year and lodged your 2019 tax return on or before 12 March 2020
2. Made GST taxable, GST-free or input-taxed sales in a previous tax period (since 1 July 2018) and lodged the relevant activity statement on or before 12 March 2020.

How does this impact SME companies and trusts that employ mainly family members? Will they be disqualified from getting the refund?

No, they will be not disqualified as long as the organisation is eligible to receive the cash flow boost. Please refer to the criteria listed in the above question.

What is to stop an employer adding a family member to the payroll in March (in name only i.e. they do not actually pay the "new employee"), thereby boosting the PAYG liability above their normal amount in order to recoup more money from the Govt?

The ATO has announced integrity measures and advised that they will be reviewing related party arrangements. If there is a significant change post 12 March expect it to be reviewed.

We have not employed staff previously but were planning to take someone on in April. Can we still access the stimulus package?

If the recipient of the payment is non-related we would suggest getting your accountant to discuss your individual circumstances with the ATO.

The current status is that you will need to be eligible to receive the cash flow boost. Please refer to the criteria listed in the previous question.

How is the cash flow boost paid? Do I need to apply?

It will be a credit to your ATO Running Account on the lodgement of your next activity statement due after 31 March.

Are there any income eligibility requirements to qualify for the individual COVID payments?

Yes. You need to apply to Centrelink and there are income tests and criteria for each type of benefit. Visit www.servicesaustralia.gov.au/individuals/subjects/affected-coronavirus-covid-19/if-you-need-payment-coronavirus-covid-19

I have a 20 year old daughter going to full-time university and is not eligible at this stage for any government allowances. Her casual working hours are being cutback. Would she be entitled to any government benefit under the stimulus programs?

She will need to apply to Centrelink. To receive the Coronavirus Supplement she will need to be eligible for one of the following:

1. JobSeeker Payment
2. Partner Allowance
3. Widow Allowance
4. Sickness Allowance and Wife Pension
5. Youth Allowance for job seekers, students and apprentices
6. Austudy for students and apprentices
7. ABSTUDY for students getting Living Allowance
8. Parenting Payment partnered and single
9. Farm Household Allowance
10. Special Benefit

For more analysis of the measures released to cushion the impact of COVID-19, please visit

rsm.com.au/coronavirus