

INSIDE

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FINANCIAL MATTERS AFFECTING YOUR LIFESTYLE



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COVID – 19 : Your stimulus and rescue package explained

A legislative package has been pushed through Parliament which contains a number of bills that implement the government's economic response to the spread of the coronavirus.

The relief package of legislation consisted of several separate bills, which were all introduced to Parliament within a short period of time. The legislation has now passed both houses, with most applying from mid – March.

The government further announced at the end of March a further massive subsidy for business to help them retain employees so they are ready to get back to business when the current coronavirus issues subside. The new subsidy is called the **JobKeeper** payment.

The key points of the JobKeeper payment follow, with the relief package explained after that.

Key Points: The JobKeeper package

1. The payment will be made to eligible

employers for eligible employees. The payment will be \$1,500 per fortnight per employee for the period of six months. It will be paid in respect of full time and part time employees who were employed as at 1 March 2020. Also, casual employees will be eligible if they have been with their employer on a regular basis for at least the previous 12 months as at 1 March 2020.

2. The employees must continue to be engaged by the business. If an employee has been stood down or has had their employment terminated, they can still be eligible. If an employee's employment has been terminated the employee must be re – engaged by the business.

3. Not all employers are eligible for the payment. A business will be eligible:

- a. If the business has a turnover of less than \$1 billion and its turnover will be reduced by more than 30% relative to a comparable period a year ago, of at least one month; or

- b. if the business has a turnover of \$1 billion or more than 50% relative to a comparable period a year ago, of at least one month; and

- c. if the business is not subject to the Major Bank Levy.

4. Employers must elect to receive the JobKeeper payment and provide supporting information. This can be done through the ATO website.

5. Employers must report the number of eligible employees employed by the business on a monthly basis.
6. Where an employee is accessing support through Services Australia because they have been stood down or had their hours reduced and the employer is eligible for the JobKeeper payment, the employee will need to advise Services Australia of their new income. An individual cannot receive both the JobKeeper and JobSeeker payments.
7. If an employee has more than one employer, only one JobKeeper payment will be made to one employer. The employer claiming the JobKeeper payment will usually be the one from whom the employee claims the tax-free threshold.
8. Superannuation Guarantee contributions (9.5%) need to be made on the JobKeeper payments. However, to the extent an employee is paid their normal salary or wages, the 9.5% contributions still need to be paid as normal.
9. If an employee ordinarily receives less than \$1,500 per fortnight before tax, their employer must pay their employee at a minimum \$1,500 per fortnight, before tax.
10. If an employee has been stood down, their employer must pay the employees, at a minimum, \$1,500 per fortnight, before tax.
11. If an employee was employed on 1 March 2020, subsequently ceased employment with their employer, and then has been re-engaged by the same eligible employer, the employee will receive, at a minimum, \$1,500 per fortnight.
12. With regard to the timing of payments, the payments will be made to an employer monthly in arrears by the ATO. The Prime Minister has pointed out that this should not delay employers from making payments to employees. This is because the employer can make payments to their employees in the knowledge that the employer will receive the JobKeeper payment. Of course, this assumes that the employer has the cashflow to make the payment in the first place!
13. The JobKeeper entitlement will start on 30 March 2020, with the first payments to be received by employers in the first week of May.
14. For most businesses, the ATO will use the Single Touch Payroll system data to pre-populate the employee details for the business.
15. Employers must notify all eligible employees that they are receiving the JobKeeper payment.
16. The JobKeeper payment will be available for not-for-profit organisations.
17. The JobKeeper payment will also be available for the self-employed where they expect to suffer a 30% decline in turnover relative to a comparable prior period.

Coronavirus stimulus package

INSTANT ASSET WRITE OFF

The income tax law was amended to increase the cost threshold below which certain business entities can access an immediate deduction for the full cost of depreciating assets from \$30,000 to \$150,000. This change to the rules is only available from 12 March 2020 to 30 June 2020. For an asset to be eligible for the instant asset write-off it must be first used for a taxable purpose in the period 12 March 2020 to 30 June 2020. Alternatively, the asset must be installed and ready for use in that period.

In the Federal Budget announced on 2 April 2019, the Federal Government extended the instant asset write-off to businesses that have a turnover of between \$10 million and \$50 million. This was in addition to small businesses that have a turnover of less than \$10 million.

The instant asset write-off will now also apply to businesses with an aggregated turnover of less than \$500 million. However, it will only apply to these businesses for the period 12 March 2020 to 30 June 2020.

This means that there will be two periods that you will need to consider in relation to purchases of assets in the year ending 30 June 2020. The first period is from 1 July 2019 to 11 March 2020. Eligible assets costing less than \$30,000 can be written off completely in this period by businesses that have an aggregated turnover of less than \$50 million. From 12 March 2020 to 30 June 2020, eligible assets costing less than \$150,000 (GST exclusive) can be written off by businesses that have an aggregated turnover of less than \$500 million.

It should be noted that from 1 July 2020, the instant asset write-off threshold will revert to its original level of \$1,000 and will only be applicable for businesses with an aggregated turnover of less than \$10 million. Accordingly, the coronavirus measures offer a strong incentive for most businesses to obtain a significant tax deduction that will no longer exist in the new financial year.

ACCELERATED DEPRECIATION

This provides an incentive for businesses with aggregated turnovers of less than \$500 million a year to invest in plant and equipment and other depreciating assets.

Specifically, the bill amends the income tax law to temporarily allow businesses with aggregated turnovers of less than \$500 million in an income year to deduct capital allowances for depreciating assets.

assets at an accelerated rate of 50% of the cost of an asset. This will be in addition to the normal depreciating that is claimed on the cost of the asset after deducting the 50% amount.

Generally, to be eligible to apply the accelerated rate of deduction, the depreciating asset must satisfy a number of conditions, including that the asset:

- Is new and has not previously been held by another entity (other than as trading stock or for the testing and trialling purposes)
- Is an asset for which an entity has not claimed depreciation deductions, including under the instant asset write-off rules; and
- Is first held, and first used or installed ready for use, for a taxable purpose between 12 March 2020 and 30 June 2021 (inclusive).

BOOSTING CASH FLOW FOR EMPLOYERS

The cash flow boost provides for payments to support employers by boosting their cash flow. Another intention with this measure is to encourage the retention of employees through any follow-on downturn.

Undoubtedly, this part of the stimulus package is the most confusing. Unfortunately, it also has the potential to be rorted by unscrupulous people. That is why the measures contain an anti-avoidance provision.

1. There are two rounds of cash flow boost.
2. The second cash flow boost is determined from the amount of the first cash flow boost.
3. The amount of the first cash flow boost is determined by the amount of withholdings from (broadly) wages or the minimum cash flow boost payment (\$10,000), whichever is larger.
4. The maximum first cash flow boost amount is \$50,000.
5. If eligible, the minimum "payment" to an entity will be \$20,000 and the maximum will be \$100,00 from the two cash flow boost payments.
6. The "payments" are actually credits given to the entity through the lodgement of activity statements. If credits exceed the amount owing, a refund will be paid by the ATO to the entity within 14 days of the due date for lodgement of the activity statements.
7. The payments will operate in a different manner for monthly and quarterly lodgers of activity statements. Example below will explain this.

Entities with an aggregated turnover under \$50 million are generally eligible to receive the first cash flow boost for a period of:

- The entity makes a payment that is subject to withholding obligations (broadly), a payment of wages or salary or similar remuneration, whether on not any amount is actually withheld, in the period; and
- The period is one of the following:

- The quarters ending in March 2020 or June 2020 for quarterly payers; and
- The months of March 2020, April 2020, May 2020, or June 2020 for monthly payers; and

If the entity:

- Held an ABN on 12 March 2020; and
- Either derived assessable income from carrying on a business in the 2018-19 income year or made one or more supplies for consideration in the course of an enterprise it carried on within Australia in tax periods commencing after 1 July 2018 and ending before 12 March 2020 and notice of income supplies was held by the Commissioner on or before 12 March 2020 or within such further time as the Commissioner allows (this notice appears to be either activity statements or an income tax return); and
- The entity (or an associate or agent of an entity) has not engaged in a scheme for the sole or dominant purpose of seeking to make the entity entitled to the first cash flow boost or increase the entitlement of the entity to the first cash flow boost.

Source: Butler Settineri



EARLY access to your super – coronavirus

1 April 2020

A number of measures have been put in place to support Australians in response to the Coronavirus. This includes broadening early access to superannuation savings under compassionate ground – coronavirus.

Am I eligible to access my super under compassionate ground – coronavirus?

To be eligible, you must meet one of the following conditions at the date you apply:

Parenting Payment, Special Benefit or Farm Household Allowance.

- On or after 1 January 2020, you were made redundant, your work hours reduced by at least 20%, or if you're a sole trader, your business was suspended or your turnover reduced by at least 20%.

You'll also be able to make a withdrawal where you're an employee of your own company or family trust and your working hours have decreased by at least 20%.

How much can I access under this measure?

If eligible, you're able to access:

- Up to \$10,000 before 30 June 2020, and
- An additional \$10,000 from first of July to 24 September 2020.

You're also able to nominate how much you'd like (up to the \$10,000 limit) and if you have multiple funds, you can also nominate more than one fund which to draw this amount (up to a maximum of \$10,000 in total).

For each \$10,000, only one application must be made for each time period. Once it has been made it also cannot be varied. This means that if the amount nominated is less than \$10,000 you cannot:

- Make a subsequent application to top-up that amount within the same period, and
- Request a larger amount in the subsequent period.

For example, if you only apply for release of \$8,000 in the 2019/20 financial year, it is not possible to make a second application to top up in the same financial year. The only additional amount you could withdraw will be up to \$10,000 to be taken between 1 July and 24 September 2020.

How do I apply?

Applications are made directly to the Australian Taxation Office (ATO) from 20 April 2020. You do not apply to your super fund. The application can be made online through MyGov and this is the preferred approach by the ATO. If you do not have access to MyGov, you are able to apply by calling the ATO and applying over the phone.

Application process – things you need to do

Establish a MyGov account with the ATO (unless you already have this)

Instructions for setting up your account is available on my.gov.au. Read the instructions and ensure you have the necessary information that support establishing the account. Once in MyGov, it is then necessary to set up with the ATO. If you are unable to set up an account, you can apply over the phone.

How much to withdraw? Decide how much you wish to withdraw in relation to the application up to the maximum amount of \$10,000.

Nominate which super fund

The ATO will provide a list of available super funds that you can elect to have the amount released. Nominate which fund or funds and the amount from each. You can nominate more than one fund to make a withdrawal from but the total cannot exceed \$10,000. The account balance shown for this list of funds is as at 30 June 2019 and may be different to the current account balance (particularly due to recent market movements). However, you cannot nominate a super amount that is held by the ATO (see below).

Bank account details The ATO will request bank account details that the payment will be directed. This needs to be provided and does not rely on any bank account details that the ATO already holds.

Declaration the ATO will ask you to make a declaration that you are eligible (see above) to receive the payment. Before you provide this declaration, the ATO provides a warning if a false declaration is made and that penalties may apply.

Receive ATO determination

With all the necessary information, the ATO will make a determination. This includes checking that you have not previously lodged an application for the same period. If successful, the determination will be sent to yourself and directly to the nominated superannuation fund(s)

Source: MLC

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